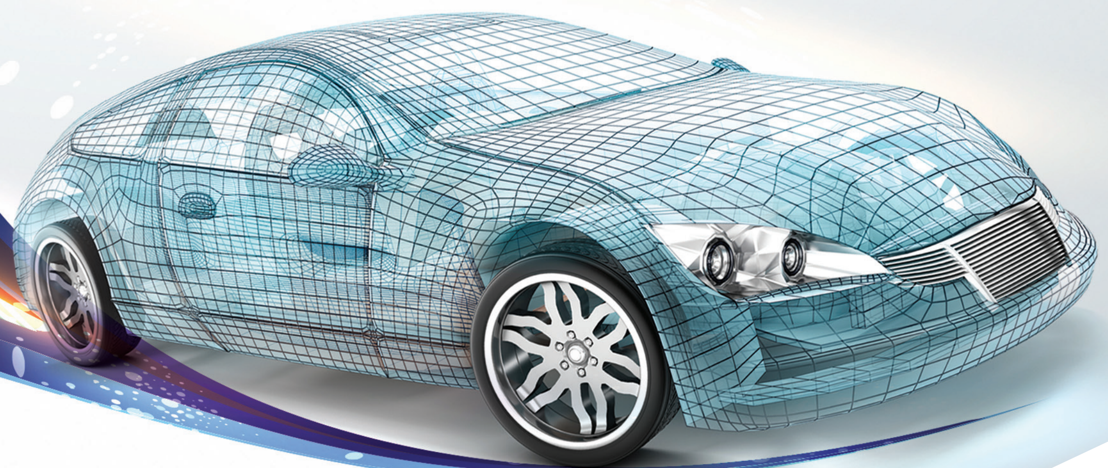
中升集團控股有限公司
ZHONGSHENG GROUP HOLDINGS LIMITED

(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 **2017**

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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. Pang Yiu Kai
Mr. Cheah Kim Teck (appointed on 12 June 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Jinjun
Mr. Lin Yong
Mr. Shoichi Ota
Mr. Ying Wei

CORPORATE HEADQUARTERS

No. 20 Hequ Street
Shahekou District
Dalian
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1803-09
18th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

LEGAL ADVISERS AS TO HONG KONG LAW

White & Case
9th Floor, 28 Queen's Road Central
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. Ying Wei *(Chairman)*
Mr. Shen Jinjun
Mr. Lin Yong

REMUNERATION COMMITTEE

Mr. Lin Yong *(Chairman)*
Mr. Li Guoqiang
Mr. Shen Jinjun

NOMINATION COMMITTEE

Mr. Shen Jinjun *(Chairman)*
Mr. Huang Yi
Mr. Lin Yong

COMPLIANCE COMMITTEE

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

RISK COMMITTEE

Mr. Yu Guangming *(Chairman)*
Mr. Si Wei

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

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 of directors (the "**Board**") 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 2017 (the "**Reporting Period**").

In 2017, the macro-economy in China further intensified its focus on supply-side structural reform to push forward structural optimisation, power transfer and quality improvement. The national economic development remained stable and sound. The economy's vitality, momentum and potential continued its innovative drive, and its stability, harmonisation and sustainability grew distinctively and achieved a stable and healthy development. China's GDP for the year of 2017 exceeded RMB8.2 trillion, representing a year-on-year increase of 6.9% as compared to that of last year, which was better than expected. The added value of tertiary industry contributed 58.8% to GDP growth, 1.3% higher than last year, and continued to drive the overall economic growth in China.

Given the backdrop of a favourable national economy, the automobile industry in China sustained its stable development in 2017. According to the statistics by China Association of Automobile Manufacturers, the production volume and sales volume of automobiles in China for 2017 were 29.015 million units and 28.879 million units respectively, which remained its top position in global ranking for 9 consecutive years. The living standards of Chinese nationals continued to improve and lead to consumption upgrades, which caused the industry's rate of growth of economic benefits to be higher than that of production and sales volume growth. In 2017, the production volume and sales volume of passenger vehicles market recorded 24.807 million units and 24.718 million units, respectively, representing an increase of 1.6% and 1.4% as compared to that of the previous year, respectively. Although the growth of the overall production volume and sales volume of passenger vehicles slowed down, the sales volume of luxury car brands kept its strong growth momentum. The sales volume of brands such as Mercedes-Benz, Lexus, BMW, Jaguar Land Rover and Volvo in China reached a double-digit growth. Moreover, the second-hand automobile market was robust in 2017, with a trading volume of 12.3433 million units for the whole year, representing a year-on-year increase of 18.8%. Under the proactive facilitation by national policies and regulations, the competitive layout for automobile industry underwent further changes which enabled dealers to improve themselves persistently and accelerate market integration.

In 2017, Zhongsheng Group made relentless efforts to fortify its foundation and pursue innovation, and achieved sound development in various business segments. As of 31 December 2017, the Group recorded a revenue of RMB86,290.3 million, representing an increase of 20.5% as compared to RMB71,599.2 million for the corresponding period in 2016. In particular, revenue generated from new automobile sales business amounted to RMB74,696.3 million, representing an increase of 19.6% as compared to RMB62,459.5 million for the corresponding period in 2016; and revenue generated from after-sales and accessories business increased by RMB2,454.2 million, representing an increase of 26.9% as compared to RMB9,139.7 million for the corresponding period in 2016. Profit attributable to owners of the parent of the Group for 2017 was RMB3,350.4 million, representing an increase of 80.1% as compared to RMB1,860.2 million in the corresponding period in 2016; and earnings per share were RMB1.52 (the corresponding period in 2016: RMB0.87).

By leveraging on the continuous improvement in operation and management efficiency as well as seizing the automobile market growth momentum, Zhongsheng Group achieved a steady growth in results in 2017. The Group continued to expand its geographical coverage, reinforce and enhance its core competitiveness by actively engaging in market integration, constantly optimising its brand portfolio, reinforcing and strengthening its geographical advantages and intensively promoting the elaboration of its business structure. As at the end of 2017, the Group had 286 4S dealerships, covering 24 provincial regions and over 90 cities across China, of which 151 are luxury brand dealerships.

In 2017, Zhongsheng Group strived to pursue innovativeness, endeavoured to promote management efficiency, enhance its marketing capability and improve its service quality through its current operating system and took on-going improvement in customer satisfaction as its goal. Consequently, its overall strength was highly recognised by the market and social circles. In May 2017, Zhongsheng Group ranked No. 2 among the 2016 Top 100 Automobile Dealers in China published by China Automobile Dealers Association (the "CADA") with a revenue of RMB71.6 billion for 2016. It also ranked No.1 in the China Automobile Dealership Groups Top 100 Competitiveness Index ranking for two consecutive years, and received full recognition for its mature and efficient business operating models and the tremendous potential for future development.

Looking forward, to match the State Council's policy initiatives to facilitate industry transformation and upgrade, enhance innovative capability and promote policy guidance on industry quality development, Zhongsheng Group will actively seize the favourable policy and market opportunities, take into full play its branding edge, extend and refine its industry chain business, consolidate the after-sales service market, improve operation and management efficiency as well as individual performance and maintain continuous and steady development. After considering the enormous development opportunities for the after-sales service market, the Group will vigorously expand its business scale, solidify its competitive edge and increase market share.

The Group will stand by its corporate motto of "Zhongsheng Group — Lifetime Partner" as always, and on the basis of closer cooperation with its partners, it will actively establish the "Zhongsheng" brand image and continue to invest in service innovation to provide rich and all-rounded sales and after-sales service experience to its customers. It will also regard professional automobile branding services as the cornerstone of its business development strategy to foster a high quality, convenient and comprehensive automobile consumption environment to its customers, thereby creating higher values to its shareholders, employees and the society.

I would like to extend my heartfelt gratitude to our business partners and market consumers for their trust and support as well as to all shareholders for your encouragement and trust. We will lead the Company hand-in-hand to achieve stable development, and on behalf of all shareholders and directors, I would like to express my sincere gratitude to the management team and all staff for your relentless efforts and dedicated contributions.

Huang Yi
Chairman
Hong Kong, 18 March 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT

Li Guoqiang
President and Chief Executive Officer

MARKET REVIEW

In 2017, the global economy experienced a sound recovery and the overall economy in China maintained a healthy growth momentum, which also had a positive impact on global economic development. In 2017, there were over 13 million new jobs in urban and rural regions in China, and per capita disposable income of national residents achieved a real growth of 7.3%. China took a big step towards achieving its goal of building a moderately prosperous society with people's living standard further improved, and thereby drove consumption to improve the economy.

China's automobile industry benefited from the prospering economy and developed steadily in 2017. In particular, with strong demand for improvement and upgrade led by the increase of resident consumption power, sales of luxury automobiles sustained high growth during the year. Twelve leading luxury brands including Mercedes-Benz, BMW, Audi, Lexus, Land Rover and Volvo reached sales volume of approximately 2.53 million units in total, representing a year-on-year increase of 16.4%, which was far above the industry average.

According to the statistics from the Ministry of Public Security, by the end of 2017, the nationwide motor vehicles ownership was 310 million units, of which 217 million was automobiles. In 2017, there were 33.52 million newly registered motor vehicles at Traffic Management Bureau of Ministry of Public Security, of which 28.13 million were newly registered automobiles, both reaching historic high. With a stable and long-term development plan of China's economy, we remain optimistic about China's automobile industry. Furthermore, we envisage greater opportunities for the future market development and opportunities in view of the continuously increasing automobile ownerships statistics.

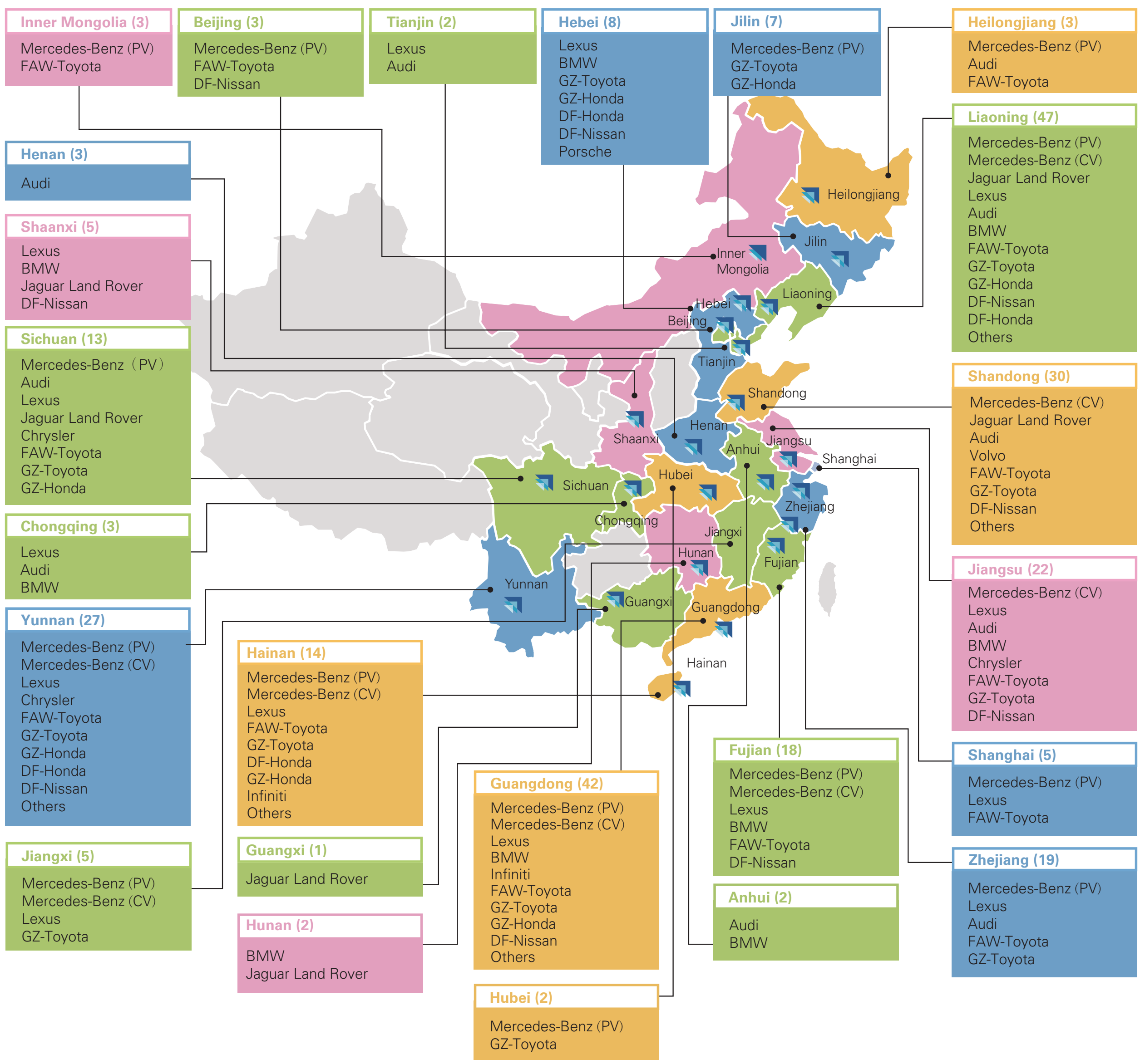
BUSINESS REVIEW

EMERGING ADVANTAGES IN BRAND PORTFOLIO AND IMPROVING NETWORK LAYOUT

By looking at the automobile ownership distribution as of the end of 2017, the number of automobile ownership in 53 cities had exceeded one million, with 24 cities having automobile ownerships of over 2 million and 7 cities over 3 million. These cities were Beijing, Chengdu, Chongqing, Shanghai, Suzhou, Shenzhen and Zhengzhou respectively. All these industry data analysis correlated well with our brands and regional strategic layout.

As of 31 December 2017, the total number of dealerships of the Group reached 286, including 151 luxury brand dealerships and 135 mid-to-high-end brand dealerships, covering 24 provinces and regions, and nearly 90 cities across China. The number of our luxury brand dealerships had exceeded 50% for the first time, which are mainly located in regions with high consumption potential and consumption willingness. The market will continue to benefit from the opportunities brought by automobile replacement and consumption upgrading.

The coverage of Zhongsheng Group's dealerships as of 31 December 2017 is as follows:



	Luxury brands	Mid-to-high-end brands	Total
Northeastern and Northern China regions	25	45	**70**
Eastern and Central China regions	61	29	**90**
Southern China region	41	33	**74**
Southwestern and Northwestern mainland regions	24	28	**52**
Total	151	135	**286**

Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar Land Rover, Porsche and Volvo, as well as mid-to-high-end brands such as Toyota, Nissan and Honda. In 2017, Zhongsheng Group achieved new automobiles sales volume of 341,319 units, a year-on-year increase of 13.5%, of which luxury brand accounted for 42% of the Group's total sales volume.

CONTINUOUS GROWTH OF AFTER-SALES BUSINESS AND RAPID DEVELOPMENT OF VALUE-ADDED SERVICE

With the sustained growth of the entire automobile ownership in China and increased ageing of automobiles, the development prospect of China's automobile aftermarket segment became apparent. In 2017, the automotive after-sales market began to enter into a "trillion" scale and is expected to continuously fulfill its potential in the future. With the outburst of automotive after-sales market, automobile users are becoming more mature and more demanding on product quality, service concepts as well as innovativeness and convenience. The tendency to increase professionalism and branding in automotive after-sales market is becoming clearer. In 2017, total revenue from after-sales and accessories business reached RMB11,593.9 million, representing a year-on-year increase of 26.9% and accounted for 13.4% of the Group's total revenue, and achieved a breakthrough for the 10 billion mark for the first time.

In 2017, Zhongsheng Group gained obvious results in the value-added service sector including car insurance, car finance and second-hand automobiles. It achieved an income from value-added service of RMB1,788.6 million for the year, representing an increase of 39.4%. In particular, the transaction volume of second-hand automobiles reached 38,484 units, representing a significant year-on-year growth of 41.2%.

FUTURE STRATEGIES AND OUTLOOK

Looking ahead, the entire automobile industry has tremendous development potential but more intense challenges and difficulties will be encountered. The survival of the fittest in the market is underway which requires participants to continuously evolve. In the future, effective scale and market coverage are key factors but what is more important for its core competitiveness is elaborate management and effective operation. By leveraging our solid foundation, comprehensive distribution network and optimal internal management and operation system, we will seize the development opportunities of our time and optimize resources allocation, facilitate automotive products, technologies, standards, services and capital into the automotive value chains. We will fully leverage the features brought by economic policy direction, market dynamics and consumer behavior to achieve sustainable development through integrating the new and second-hand automobiles sales operations together with after-sales services and value-added services. We will continue to adhere to our corporate motto of "Zhongsheng Group — Lifetime Partner" as always and, continue to offer our one-stop and professional automotive services to customers.

All the Group's business partners, investors and shareholders who have been supporting us are our motivators in moving forward. All the staff in Zhongsheng Group will unite as one and consolidate our dealership leading position in the industry, enhance competitive edge and profitability to bring abundant returns to our shareholders.

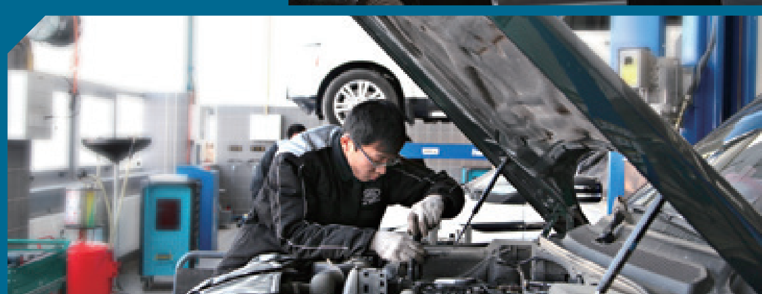
Li Guoqiang
President and Chief Executive Officer
Hong Kong, 18 March 2018

SURVEY

SPARE PARTS

SALES

SERVICE



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

Revenue for the year ended 31 December 2017 was RMB86,290.3 million, representing an increase of RMB14,691.1 million or 20.5% as compared to the corresponding period of 2016, among which, revenue from new automobile sales amounted to RMB74,696.3 million, representing an increase of RMB12,236.8 million or 19.6% as compared to the corresponding period of 2016. Revenue from after-sales and accessories business amounted to RMB11,593.9 million, representing an increase of RMB2,454.2 million or 26.9% as compared to the corresponding period of 2016. The revenue from new automobile sales business accounted for 86.6% of our total revenue in 2017 (2016: 87.2%), and the portion of revenue from after-sales and accessories business increased from 12.8% in the year of 2016 to 13.4% in the year of 2017.

In terms of new automobile sales revenue in 2017, Mercedes-Benz is our top-selling brand, representing approximately 30.6% of our total new automobile sales revenue (2016: 28.1%).

COST OF SALES AND SERVICES

Cost of sales and services for the year ended 31 December 2017 amounted to RMB77,606.3 million, representing an increase of RMB12,559.3 million or 19.3% as compared to the corresponding period in 2016. Cost attributable to our new automobile sales business amounted to RMB71,684.6 million for the year ended 31 December 2017, representing an increase of RMB11,314.3 million or 18.7% as compared to the corresponding period in 2016. Cost attributable to our after-sales and accessories business amounted to RMB5,921.6 million for the year ended 31 December 2017, representing an increase of RMB1,245.1 million or 26.6% as compared to the same period of 2016.

GROSS PROFIT

Gross profit for the year ended 31 December 2017 amounted to RMB8,684.0 million, representing an increase of RMB2,131.7 million or 32.5% as compared to the corresponding period in 2016, of which the gross profit from new automobile sales business amounted to RMB3,011.7 million, representing an increase of RMB922.6 million or 44.2% as compared to the corresponding period in 2016. Gross profit from after-sales and accessories business was RMB5,672.3 million, representing an increase of RMB1,209.1 million or 27.1% as compared to the corresponding period of 2016. For the year ended 31 December 2017, the gross profit from after-sales and accessories business accounted for 65.3% of the total gross profit (2016: 68.1%). Our gross profit margin for the year ended 31 December 2017 was 10.1% (2016: 9.2%), of which the gross profit margin of new automobile sales business was 4.0% (2016: 3.3%). Gross profit margin of after-sales and accessories business was 48.9% (2016: 48.8%).

PROFIT FROM OPERATIONS

Profit from operations for the year ended 31 December 2017 amounted to RMB5,885.5 million, representing an increase of RMB1,993.2 million or 51.2% as compared to the corresponding period in 2016. Our operating profit margin for the year ended 31 December 2017 was 6.8% (2016: 5.4%).

PROFIT FOR THE YEAR

Our profit for the year ended 31 December 2017 amounted to RMB3,475.9 million, representing an increase of RMB1,434.2 million or 70.2% as compared to the corresponding period in 2016. Our net profit margin for the year ended 31 December 2017 was 4.0% (2016: 2.9%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Our profit attributable to owners of the parent for the year ended 31 December 2017 was RMB3,350.4 million, representing an increase of RMB1,490.2 million or 80.1% as compared to the corresponding period in 2016.

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 requirements through a combination of cash flows generated from our operating activities and financing activities.

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

CASH FLOW GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2017, our net cash generated from operating activities was RMB5,234.5 million, primarily arising from operating profit of RMB6,987.4 million before working capital movement, deducting a net increase in working capital of RMB692.5 million and payment of tax of RMB1,060.4 million.

CASH FLOW USED IN INVESTING ACTIVITIES

For the year ended 31 December 2017, our net cash used in investing activities was RMB4,837.8 million, consisting primarily of purchases of property, plant and equipment of RMB1,849.0 million, purchases of land use rights of RMB259.9 million and acquisition of subsidiaries of RMB2,694.2 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB533.6 million.

CASH FLOW GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2017, our net cash generated from financing activities was RMB490.9 million, consisting primarily of proceeds from bank loans and other borrowings of RMB55,283.3 million, net proceeds from issue of new shares of RMB1,175.9 million, net proceeds from issue of convertible bonds of RMB1,959.9 million, partially offset by repayment of bank loans and other borrowings of RMB51,664.6 million, repayment of convertible bonds of RMB2,735.3 million, interest paid for bank loans and other borrowings of RMB1,051.9 million and decrease in notes payable of RMB1,207.5 million.




CAPITAL EXPENDITURE AND INVESTMENT

Our capital expenditures comprise expenditures on property, plant and equipment, land use rights and business combinations. For the year ended 31 December 2017, our total capital expenditures were RMB5,305.3 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 increased by 15.0% from RMB6,529.7 million as at 31 December 2016 to RMB7,509.8 million as at 31 December 2017. The increase of our inventory balance was primarily due to the expansion of business scale as well as the preparation for the coming sales peak season before the Chinese Spring Festival in February 2018.

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

	Year ended 31 December	
	2017	2016
Average inventory turnover days	**29.8**	34.5

Our average inventory turnover days in 2017 decreased to 29.8 days from 34.5 days in 2016, primarily benefited from our continuous sophisticated monitoring over the inventory.

BANK LOANS AND OTHER BORROWINGS

Our bank loans and other borrowings as at 31 December 2017 were RMB19,323.1 million, and our convertible bonds liability portion amounted to RMB1,884.0 million. The increase in our bank loans and other borrowings and convertible bonds liability during the year was primarily due to the funding for further expansion in the business scale which enables the Company to develop sustainably in the long-term perspective.

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 2017, the pledged group assets amounted to approximately RMB7.2 billion (2016: RMB6.2 billion).

CONTINGENT LIABILITIES

As at 31 December 2017, neither the Company nor the Group had any significant contingent liabilities.

GEARING RATIO

As at 31 December 2017, the gearing ratio of our Group was 55.8% (31 December 2016: 58.7%), which was calculated from net debt divided by the sum of net debt and total equity.

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 2017, the Group had a total of 25,577 employees. During the year of 2017, the total staff costs (including directors' remunerations) amounted to approximately RMB2,850.0 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present this environment, social and governance report in the annual report of the Group for the year ended 31 December 2017. This report has been complied with the "comply or explain" provisions set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

ENVIRONMENT

ENVIRONMENTAL POLICY

Our environmental policies focused on promoting waste reduction in our operation process, comprising following aspects:

- fully implementing the Environmental Protection Law of the People's Republic of China promulgated by the state within the Group, promoting energy conservation and emission reduction, enhancing environmental protection construction of operating facilities, and minimizing the impacts of daily operation on environment; and

- optimising the contingency plan for environmental pollution emergency of dealerships and improving emergency drills.

It's the policy of the Company to promote green culture, carry out environmental communication, establish a green supply chain, launch green offices, promote environmental protection projects for public welfare, implement sustainable development and put into practice the new concept of environmental protection for corporate citizens.

During the year ended 31 December 2017, our Group has been fully in compliance with all applicable environmental and related laws and regulations which have significant impact on the operation of our Group, including Environmental Protection Law of the People's Republic of China (《中華人民共和國環保法》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Standards for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》).

ENERGY EFFICIENCY

I. EMISSIONS AND REDUCTION ACHIEVEMENT

During the year ended 31 December 2017, our Group has adopted following measures to reduce the emissions in the daily operation, including:

- Undertaking environmental impact assessment, inspection and rectification of paint spray booth and improving emission monitoring equipment so as to reduce exhaust emission;

- Undertaking standardized construction of environmental protection facilities and conducting sewage treatment improvement works within our Group; and

- Arranging scientific test drive and test ride so as to reduce exhaust emission.

II. ENERGY CONSUMPTION AND ENERGY SAVINGS INITIATIVES

Our Group is continually improving its environmental management practices to reduce energy and other resource, minimize waste and increase recycling. During the year ended 31 December 2017, our Group has implemented energy use efficiency initiatives to reduce our energy consumption, including:

— Using A8 office management software to conduct on-line approval for all the Group's documents that are submitted for approval, promote energy conservation and emission reduction to fully achieve paperless office for the Group;

— Gradually achieving activated carbon coverage in paint spray booth and turning from burning diesel fuel to electricity;

— Equipping a dry grinder for dust produced in paint spraying and polishing process, and a vacuum cleaner for poisonous gas produced in welding process; and

— Reducing pollutant emissions for environmental protection and energy conservation while safeguarding employee health at the same time.

ENVIRONMENT AND NATURAL RESOURCES

Our Group is committed to minimizing the adverse impact that its operations may have on the environment. During the year ended 31 December 2017, the Group kept on improving its environmental management practices to reduce energy and other resources, minimize waste and increase recycling. We undertook waste treatment in accordance with the relevant government requirements and fully implemented the Hazardous Waste Management Requirements Of Motor Vehicle Maintenance Industry. We collected and stored major hazardous wastes and general solid waste by category during the operation process of our dealerships workshops. Used machine oil was regularly handed by units holding environment protection qualifications for disposal purpose. Meanwhile, we established a comprehensive environmental pollution prevention and control system, adopted measures against industrial solid waste to prevent environmental pollution and clarified management responsibility.

WORKPLACE QUALITY

EMPLOYMENT AND LABOUR STANDARDS

As at 31 December 2017, our Group had a total of 25,577 employees, all of which are full-time employees, among which, 15,982 are males and 9,595 are females. It ensures that the employees are treated fairly and equally, and that their rights and interests are protected.

Our employees are critical to our success. We have invested, and intend to continue to invest substantially in our employees in order to recruit, integrate and retain the best personnel for our business. As a result of our large scale operations, we have been able to implement a systematic approach to foster capable and experienced managers. One of our corporate policies is to promote capable personnel within the Group's operations and provide a clear career path to those personnel, thus forming a large pool of motivated and experienced employees to support our business expansion plans.

By leveraging our strong operational expertise accumulated throughout our national store network, we frequently apprentice new recruits to our best performing 4S dealerships for training, before rotating them to 4S dealerships in other locations. We believe this ensures best practice sharing and the accumulated business expertise in our best-performing 4S dealerships can be replicated at all of our 4S dealerships. In addition, as a leading national automobile dealership group in the PRC with a diversified portfolio of automobile brands, we are able to offer our employees with a clear career path encompassing a variety of opportunities to work with different automobile brands as well as work in other regions in China, and we believe this would increase our employee retention rates in the face of intense competition for human resources.

The Group is committed to improving its corporate rules and regulations, abolishing rules dictated by people, replacing orders with system and achieving management by data. The Group shall abide the principles of fairness, equity and openness in implementing different rules and regulations to make employees feel being respected by the Company, enhance management transparency and foster to establish a harmonious working environment. Efforts are also made to clarify employee vocational development plan and conduct training on management and lifelong career development simultaneously. In doing so, we hope employees will feel honour, make achievement and sense of belonging in working for the Group.

We have different employee incentives every month, including staff commendation conferences, commendation for being advanced, and awards. For team building, we have annual meetings, anniversary celebrations, outreach activities, fun sports gala, ball games, etc. For staff care, we hold birthday parties, holidays and festivals celebrations, employee physical check-up, family day activities, festive greetings, etc. Through different ways of expressing our care, we aim to make employees feeling our care and enhance their sense of belonging.

We advocate performance-linked remuneration package, keep on improving our corporate performance evaluation mechanism, individual performance appraisal measures and employee promotion system, and formulate remuneration and performance policies that are both incentive and binding oriented.

Our Group adhered strictly to national and local regulations for recruiting and hiring. During the year 2017, there was no child labour or forced labour within our Group.

During the year 2017, our Group has been fully in compliance with all applicable labour laws and related regulations of the PRC, including inter alia, Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and Special Rules on the Labour Protection of Female Employees. Timely and full contributions to various social insurances were made in accordance with the requirements of national and provincial laws and regulations on labour and social security to safeguard the interests of employees. The Group also purchased supplementary medical and other commercial insurances for staff to further protect and safeguard their interests and health in addition to those required by policies and regulations.

HEALTH AND SAFETY

Our Group is committed to providing and maintaining a safe and healthy environment for all staff.

Our Group's dedicated safety council, led by three of our Group's executive Directors, which analyzes, directs and coordinates safety procedures and plans in the short, medium and long-term, for our entire Group. Each of our subsidiaries has established a safety committee and appointed safety representatives or supervisors to report to the safety council, who meets four times a year.

Our Group's safety inquiry commission, also led by three of our Group's executive Directors, conducts bi-annual surveys of our Group's operations to identify potential safety or occupational hazards. Our Group's emergency incident commission is responsible for directing rescue operations in the event of an accident. The emergency incident commission is also in charge of providing detailed reports and recommendations for improvement.

We have also issued detailed safety regulations which emphasize the importance of safety education and training for all employees, and strict compliance with applicable PRC safety laws, rules, regulations and standards. Our safety regulations provide guidance on a variety of matters, and authorize the suspension of operations in the event of a serious incident.

The Group adhered to the guidelines of "safety first with focus on prevention and comprehensive control" and the corporate development principles of "people-oriented and safe development", implemented the accountability system for production safety, enhanced target management responsibilities, improved the emergency rescue system for production safety accidents, carried out the propaganda and training of safety production and handling of potential accident hazards, actively and practically enhanced the cultural construction of safety.

The Group is dedicated to providing a safe, efficient and amiable working environment and takes this as a pride. The Group attaches great importance to the health and benefits of its employees, and implements the following measures to safeguard the safety and health of employees:

1) Setting up a safety committee in every store where the general manager is the prime person responsible for production safety and will sign a letter of responsibility with the Group regarding production safety target management;

2) New employees must go through a three-tier (company, workshop and team) education programme on production safety to enhance production safety training;

3) Providing employees with necessary labour protection gears and train them how to use properly. An occupational disease check-up will be conducted annually for staff engaging in paint spraying works; and

4） Conducting regular examination, maintenance and renewal for special protective gears. The requirements of "Three Simultaneities" must be met in construction, re-construction and expansion of projects as well as safety and labour protection facilities.

In 2017, the Group and investing enterprises had experienced no serious injury or the above safety production accidents, and its safety production condition remained stable in general.

During the year 2017, our Group has been fully in compliance with all applicable labour relevant laws and related regulations of the PRC, including Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), Fire Control Law (《消防法》), Law on the Prevention and Control of Occupational Diseases (《職業病防治法》), etc.

TRAINING AND DEVELOPMENT

We have a deep bench of high-caliber store managers. We have devised and successfully implemented an in-house program to train and develop our store managers, who are crucial to the success of our 4S dealerships. Many of our store managers have completed a training program at our best-performing 4S dealerships. We also rotate each trainee manager to different positions in a 4S dealership, including deputy-store manager, sales director, service director and finance director, to ensure that our store managers are familiar with all operational aspects of a 4S dealership. We provide systematic training courses to our customer-facing employees such as our sales personnel, and motivate our employees by granting bonuses and awards to encourage our 4S dealerships to achieve high customer satisfaction rankings.

We work together with the automakers and local educational institutions to train automotive engineers and technicians. For instance, we draw engineering talent from Toyota's numerous automotive training schools in China. We have also participated in a joint initiative with Dalian Vocational Technical College, where we provide financial support and assist with the curriculum design for automotive engineering classes. We are a preferred recruiter at Dalian Vocational Technical College, and it has been a vital and reliable source of technical personnel for our repair, maintenance and detailing business.

We are also able to achieve a high rate of retention for our employees in the face of intense competition for human resources, as our corporate policy is to promote capable personnel from within our Group's operations, and thus motivating our employees. Furthermore, our large scale of operations enables us to offer our employees a variety of opportunities to work with different automobile brands in several regions in China, as well as several other incentives and competitive remuneration packages.

The Group is committed to facilitating the professional and personal development and growth of all employees and considers training and development a critical continuous process. In 2017, training was closely centered around the work priorities of the Group, mainly focusing on continuing to conduct different levels and kinds of special trainings in different professional segments. For on-line training, we have Zhongsheng Network Institute. For off-line training, we organize trainings for different teams and positions under the Group and also to the stores. For specific teams, we conduct specific training, competition for management job positions and excellent internal trainers selection. Through training, the professional and managerial competencies of our employees are improved, and the talent echelon construction is achieved.

SUPPLIERS AND CUSTOMERS

SUPPLY CHAIN MANAGEMENT

Due to the business nature of our Group, we significantly depend on the automakers and suppliers of automobile accessories. The Group follows the principles of openness, fairness and transparency in selecting suppliers and service providers, and has established a supplier assessment system in terms of price, quality, costs and after-sales service. The Group will carry out long-term quality monitoring and conduct regular reviews on all suppliers as well as casual examinations on different suppliers to ensure sustainable quality material supplies and services.

In the year 2017, the Group had a total of 100 key suppliers. During the year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on the business ethics, environmental protection, human rights and labour practices, nor did any of them had any non-compliance incident in respect of human rights issues.

PRODUCT RESPONSIBILITY

Our primary corporate objective is customer satisfaction and our customer-first approach has reflected our service-oriented principle. We pay much attention to customer interest as well as our good reputation. The procurement of the Group's vehicle accessories is in strict compliance with manufacturer's standards. Vehicles must undergo a three-level inspection before delivering to customers and a zero return-for-repair rate is achieved.

In 2017, the Group fully complied with all laws and regulations related to product responsibility, including the Regulation concerning Management of Compulsive Product Certification (《强制性產品認證管理規定》), the Regulations of the People's Republic of China on Certification and Accreditation (《中華人民共和國認證認可條例》), the Announcement on the Issuing of the Catalogue of Descriptions and Table of Definitions for Compulsory Product Certification by the Certification Accreditation Administration of the People's Republic of China (No. 45, 2014) (《國家認監委關於印發强制性產品認證目錄描述與界定表的公告(2014年第45號)》) and the Catalogue of Descriptions and Table of Definitions for Compulsory Product Certification and the Reference Table for HS Code 2014 (《<强制性產品認證目錄描述與界定表>與2014年HS編碼參考表》).

ANTI-CORRUPTION

During the reporting period, the Group fully complied with laws and regulations such as Law of The People's Republic of China against Unfair Competition and defended market fair competition to protect consumer interests as well as public interests. We promoted fair competition and did not monopolize or misappropriate operational resources in protecting consumer interests.

The Group highly emphasizes business ethics and adheres to high-standard business principles. Employees are required to sign the Employee Undertaking and Personal Integrity Commitment.

COMMUNITY CONTRIBUTIONS

We are dedicated to serving the community and creating positive impacts. In our daily operations, our dealerships across the nation are connected to local communities and recruit residents meeting requirements. At the same time we provide employment opportunities for the handicapped, make donations to support students in poor mountainous regions and offer assistance to families in difficulties, contributing to the development of local communities.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant ESG aspects for the Group to report on for this ESG report, the interests and influences the Group places on different key stakeholders would be considered. The Group's stakeholders cover a diverse group of parties including but not limiting to its employees, investors, shareholders, customers, suppliers and other governmental and community groups. Communication with stakeholders would normally be conducted via our day-to-day interaction with them or during the annual general meeting. Announcement and publications relevant to the Group would also be issued on the Company's or the Stock Exchange's websites.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Suggestions can be sent to us via e-mail at zhongsheng-hk@zs-group.com.cn.

CORPORATE GOVERNANCE REPORT

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

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, enhance corporate value, formulate its business strategies and policies, and enhance its transparency 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 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 2017, the Company has complied with the code provisions as set out in the CG Code.

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 (the "**Directors**") make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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 and advices from the company secretary and senior management and 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 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. PANG Yiu Kai Mr. CHEAH Kim Teck *(appointed on 12 June 2017)*
Independent Non-executive Directors:	Mr. SHEN Jinjun Mr. LIN Yong Mr. Shoichi OTA Mr. YING Wei

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 33 to 38 of the Annual Report for the year ended 31 December 2017.

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

4. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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 shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to article 84 of the Articles of Association, Mr. Yu Guangming, Mr. Zhang Zhicheng and Mr. Lin Yong retired at the annual general meeting on 12 June 2017 whereas in accordance with Article 83(3) of the Articles of Association, Mr. Pang Yiu Kai (who was appointed by the Board on 22 August 2016) and Mr. Ying Wei (who was appointed by the Board on 19 December 2016) held office only until such annual general meeting. These five Directors had offered themselves for re-election at the same annual general meeting. Meanwhile, the directors to be retired from office by rotation at the forthcoming annual general meeting to be held on 11 June 2018 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 2017, 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											
Topic	Date	Name of Organizer	Huang Yi	Li Guoqiang	Du Qingshan	Yu Guangming	Si Wei	Zhang Zhicheng	Pang Yiu Kai	Cheah Kim Teck[1]	Shen Jinjun	Lin Yong	Shoichi Ota	Ying Wei
UBS Greater China Conference	10 Jan 2017	UBS										✓		
Fuji Xerox (Hong Kong) Limited/ HKMA Leadership and Management Seminar	20 Jan 2017	The Hong Kong Management Association							✓ (Speaker)					
Joint Business Community Luncheon with the Honourable Mr. Leung Chun-ying	26 Jan 2017	Hong Kong General Chamber of Commerce							✓					
CEO Breakfast	9 Feb 2017	American Chamber of Commerce							✓					
CEO Breakfast on Economic Outlook & Pay Review Survey Results	7 Mar 2017	The Employers' Federation of Hong Kong							✓ (Chairman)					
The requirement of the Listing Rules regarding the directors' trading on equities and insider dealing	20 Mar 2017	The Company	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓
Executive Leadership Programme	8 May 2017	Hong Kong Hospital Authority							✓ (Speaker)					
Global China Summit	5–7 Jun 2017	J.P.Morgan							✓					
Training on IFRS9	22 Jun 2017	Haitong International Securities Group Limited										✓		
Cross-Border Financial Services Forum	28 Jun 2017	Industrial and Commercial Bank of China Limited										✓		
Belt and Road Summit	11 Sep 2017	HKSAR Government							✓					
BSG Breakfast	19 Oct 2017	Our Hong Kong Foundation							✓					
Joint Business Community Luncheon with the Honourable Mrs Carrie Lam Cheng Yuet-ngor	31 Oct 2017	Hong Kong General Chamber of Commerce							✓					
Lunch on 2018 Economic and Business Outlook	13 Nov 2017	The Employers' Federation of Hong Kong							✓ (Chairman)					
Monthly Luncheon	First Thu of every month	HKSAR Government							✓					

1 Appointed on 12 June 2017

In addition, Mr. Pang Yiu Kai and Mr. Cheah Kim Teck have studied various relevant materials including business journals and financial magazines during the year.

7. ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

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

	Attendance/Number of Meetings							
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Compliance Committee	Risk Committee	Annual General Meeting	Extra-ordinary General Meeting
Huang Yi	7/7	2/2			1/1		1/1	1/1
Li Guoqiang	7/7		1/1		1/1		1/1	1/1
Du Qingshan	7/7				1/1		1/1	1/1
Yu Guangming	7/7					1/1	1/1	1/1
Si Wei	5/7					1/1	1/1	1/1
Zhang Zhicheng	7/7						1/1	1/1
Pang Yiu Kai	4/7						1/1	1/1
Cheah Kim Teck (Appointed on 12 June 2017)	2/2						N/A	N/A
Shen Jinjun	5/7	2/2	1/1	2/2			1/1	1/1
Lin Yong	6/7	2/2	1/1	2/2			1/1	1/1
Shoichi Ota	6/7						1/1	1/1
Ying Wei	6/7			2/2			1/1	1/1

The attendance record of Mr. Pang Yiu Kai 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	Risk Committee	Annual General Meeting	Extra-ordinary General Meeting
Pang Yiu Kai (Cheah Kim Teck)	2/7							

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 20 March 2017. All the relevant Directors 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 to 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 established the Audit Committee, the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Risk Committee to oversee particular aspects of the Company's 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 and risk management systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2017, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of internal control and risk management systems and internal audit function, appointment of external auditors and relevant scope of works 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 26.

The Audit Committee also met with 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 2017, the aggregate emoluments payable to members of senior management fell within the following band:

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

The Remuneration Committee met once during the year ended 31 December 2017 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 26.

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 2017 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the annual general meeting, and to consider and recommend to the Board on the appointment of Directors. 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 26.

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 2017 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 26.

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

5. RISK COMMITTEE

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 met once during the year ended 31 December 2017 to review the adequacy and effectiveness of the Group's risk management and internal control systems. The attendance records of the Risk Committee meeting are set out under "Attendance Record of Directors and Board Committee Members" on page 26.

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 2017.

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 throughout the year ended 31 December 2017.

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 2017.

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 50 to 54.

The external auditors of the Company attended the annual general meeting held on 12 June 2017 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 2017 amounted to RMB5,800,000 and RMB440,000 respectively. The main non-audit services provided by the external auditors include tax services.

The Audit Committee recommended to the Board that, subject to our shareholders' approval at the forthcoming annual general meeting (to be held on 11 June 2018), Ernst & Young be re-appointed as the external auditor of the Company.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Such systems are in place to provide reasonable, though not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives.

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

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

Risk management is our top priority. Our appraisal system further focuses on the effect of enhancement, while the continual improvement is the foundation, which ensures the implementation of internal control rectification. The Company's risk management and internal control features prevention beforehand rather than punishment afterwards, and the risk management is carried out in all aspects, pursuing the goal in overall efficiency maximization. In addition, the Company's risk management and internal control procedures are as follows: (i) regional brand projects unit will organize dealerships to complete self-check before 10th of each month and complete review before 25th of each month, sharing excellent internal control experiences; and (ii) the Group will carry out risk reminder, self-check counseling and whole process monitoring from time to time.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Risk Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee and Risk Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Internal Audit Department of the Group is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department of the Group examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee and Risk Committee.

The Board, as supported by the Audit Committee and Risk Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries in order to prohibit any unauthorized access and use of inside information.

The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

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 meeting 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 meeting to meet shareholders and answer their enquiries.

During the year of 2017, 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, 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 1803-09, 18th 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 ended 31 December 2017 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.

L. SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2017.

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	55	Chairman and executive Director
LI Guoqiang	54	President, executive Director and chief executive officer
DU Qingshan	55	Executive Director
YU Guangming	60	Executive Director
SI Wei	55	Executive Director
ZHANG Zhicheng	45	Executive Director
PANG Yiu Kai	57	Non-executive Director
CHEAH Kim Teck	66	Non-executive Director
SHEN Jinjun	60	Independent non-executive Director
LIN Yong	48	Independent non-executive Director
Shoichi OTA	69	Independent non-executive Director
YING Wei	51	Independent non-executive Director

EXECUTIVE DIRECTORS

HUANG Yi (黃毅), aged 55, 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 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 has served as the president of the second session of Mercedes-Benz Dealer Council since November 2014, the president of the third and fourth session of Lexus China Dealer Council since 2013, as well as the president of the Advisory Council of GZ Toyota since 2012. Mr. Huang has substantial senior management experience and more than 30 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 54, 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 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 CADA 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) Group Co., Ltd., which is presently an indirect wholly-owned subsidiary of our Group. Mr. Li has substantial senior management experience and more than 28 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 55, has been serving as deputy general manager of the Group since 2007. Mr. Du has been an executive Director 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 the Group in 2007, Mr. Du was appointed by the 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 28 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 60, has been serving as deputy general manager of the Group since 2004. Mr. Yu has been an executive Director 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 the Group. Since joining our Group in 2000，Mr. Yu has held numerous management positions in several of our principal subsidiaries, including Zhongsheng (Dalian) Group 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 to1994, 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 18 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 55, has been an executive Director 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 26 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 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 45, has been serving as vice-president of the Group since July 2008 and executive Director since 31 March 2014. 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 15 years' relevant experience and in-depth expertise in the China's 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 DIRECTORS

PANG Yiu Kai (彭耀佳) GBS, JP, aged 57, has served as a non-executive Director since 22 August 2016. He is the deputy managing director of Jardine Matheson Holdings Limited. He is also deputy chairman of Jardine Matheson Limited, chairman of Jardine Pacific, chairman and chief executive of Jardine Motors, and a director of Jardine Matheson (China) Limited. Mr. Pang joined the Jardine Matheson Group in Hong Kong in 1984, where he first worked in a variety of positions in the trading, marketing and retail sectors of the group. He was appointed director of Jardine Pacific in 1995 with responsibility for the company's restaurants businesses, and in 1999 he moved to Jardine Motors as chief executive officer of Zung Fu before becoming executive chairman in 2003. Prior to taking up his current role, he was appointed in 2007 as chief executive of a listed-subsidiary of Jardine Matheson Group, Hongkong Land Holding Limited, a property investment, management and development group.

Mr. Pang is a director of Dairy Farm International Holdings Limited (stock code: DFI), Hongkong Land Holdings Limited (stock code: HKLD), Jardine Matheson Holdings Limited (stock code: JAR), Jardine Strategic Holdings Limited (stock code: JDS) 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. Pang is also a director of Yonghui Superstores Co., Ltd. (stock code: 601933), a company listed on the Shanghai Stock Exchange.

In addition to his business pursuits, Mr. Pang plays an active role in the business community and in public service in Hong Kong. In 2016 and 2008, he was awarded the Gold Bauhinia Star and the Silver Bauhinia Star, respectively, by the HKSAR Government. He was appointed a Justice of the Peace in 2001. He was chosen as one of Ten Outstanding Young Persons of Hong Kong in 1999. He is vice patron of the Community Chest of Hong Kong. He is also a member of the council and general committee of the Hong Kong General Chamber of Commerce and the chairman of the general committee of the Employers' Federation of Hong Kong. He is also the chairmen of the HKSAR Government Advisory Committee on Gifted Education and HKSAR Government Standing Committee on Directorate Salaries and Conditions of Service and a member of HKSAR Government Trade and Industry Advisory Board. He is the chairman of the Hospital Governing Committee of Queen Mary Hospital and Tsan Yuk Hospital. He is also a member of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme and a member of the executive committee and council of the Hong Kong Management Association.

Mr. Pang was born in Hong Kong and graduated from the University of Nottingham with a Bachelor of Science Degree in Civil Engineering and a Master of Business Administration Degree from the University of Edinburgh in the United Kingdom. He completed the Program for Global Leadership at Harvard Business School in 1998. In July 2016, he was conferred an Honorary Doctorate degree by the University of Edinburgh.

CHEAH Kim Teck (謝金德), aged 66, has been serving as a non-executive Director since 12 June 2017. Mr. Cheah has been serving as the managing director, business development of Jardine Cycle & Carriage Limited ("**JC&C**") (a company listed on the Singapore Exchange, stock code: C07) since 2014 and is responsible for developing new lines of business in the region. He was formerly the chief executive officer of the group motor operations department of JC&C between 2004 and 2013. From June 2005 to March 2017, Mr. Cheah served as an independent director of Mapletree Logistics Trust Management Ltd. (a company listed on the Singapore Exchange, stock code: M44U). Prior to joining JC&C, Mr. Cheah held senior executive positions in various multinational companies, namely DaimlerChrysler Singapore Pte Ltd, Artal Food (SEA) Pte Ltd, McDonald's Restaurant Pte Ltd, Kentucky Fried Chicken Corporation and Coca-Cola Export Corporation. Mr. Cheah is also the chairman of Seletar Country Club and an independent director of Singapore Pools (Private) Ltd. Mr. Cheah holds a master's degree in Marketing from the University of Lancaster, United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

SHEN Jinjun (沈進軍), aged 60, has been serving as an independent non-executive Director since 16 November 2009. Mr. Shen has become an independent non-executive director of Wuchan Zhongda Group Co., Ltd. (Stock code: 600704), a company listed on the Shanghai Stock Exchange, since August 2011, an independent non-executive director of China Grand Automotive Services Co., Ltd. (Stock code: 600297), a company listed on the Shanghai Stock Exchange, since July 2015 and an independent non-executive director of Beijing Changjiu Logistics Corp. (Stock code: 603569), a company listed on the Shanghai Stock Exchange, since August 2016. Mr. Shen has served as deputy chairman and secretary chief for the China Automobile Dealers Association since 2005 and has served as the chairman for CADA since 5 November 2014. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical Section of Mechanical and Electrical Equipment Division of the State Administration of Supplies, chief of Automobile Section of Mechanical and Electrical Equipment Circulation Division of Ministry of Internal Trade and the chief of the Electrical, Mechanical and Metallic section of Production Circulation Division of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile dealing industry and participated in the formulation of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronics at the Beijing Open University in 1982 and obtained a graduation certificate.

LIN Yong (林涌), aged 48, has been serving as an independent non-executive Director since 31 March 2014. Mr. Lin has over 22 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 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 served 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 "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 69, has been an independent non-executive Director since 31 August 2015. Mr. Ota has over 45 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' degree in Economics from Nagoya University.

YING Wei (應偉), aged 51, has served as an independent non-executive Director and chairman of audit committee of the Company since 19 December 2016. Mr. Ying served as an executive director and vice-president of China Resources Textiles (Holdings) Company Limited from 1989 to 2007. Mr. Ying served as a vice-president of China Water Affairs Group Limited (a company listed on the Stock Exchange, stock code: 855) from 2007 to 2009, an executive director and president of China Botanic Development Holdings Limited (renamed as China City Infrastructure Group Limited) (a company listed on the Stock Exchange, stock code: 2349) from 21 July 2008 to 30 July 2009 and an independent non-executive director of China Public Procurement Limited (a company listed on the Stock Exchange, stock code: 1094) from 28 December 2012 to 24 March 2014. Currently, Mr. Ying is a director of Giant Network Group Co., Ltd (formerly Chongqing New Century Cruise Co., Ltd.) (a company listed on the Shenzhen Stock Exchange, stock code: 2558), an independent non-executive director of CHTC Fong's Industries Company Limited (a company listed on the Stock Exchange, stock code: 641) and Fountain Set (Holdings) Limited (a company listed on the Stock Exchange, stock code: 420). Mr. Ying is also a non-executive director of New Focus Auto Tech Holdings Limited (a company listed on the Stock Exchange, stock code: 360) and China Health Group Limited (a company listed on the Stock Exchange, stock code: 673). Mr. Ying is also a managing partner of CDH Shanghai Dinghui Bai Fu Wealth Management Co., Ltd. Mr. Ying is a non-practicing member of The Chinese Institute of Certified Public Accountants and holds a master's degree in Business Administration from the University of San Francisco and a bachelor's degree in Economics from Zhejiang Gongshang University (formerly Hangzhou College of Commerce).

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
FANG Jinjiang	51	Vice-president
TANG Xianfeng	48	Vice-president

FANG Jinjiang (方錦江), aged 51, joined our Group in April 2012 and currently serves as vice-president of our Group. 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 48, 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 50, 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 26 years of experience in corporate secretarial area.

MAK Sze Man (麥詩敏), aged 43, 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 21 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 2017 (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 2017 are set out in the financial statements on pages 55 to 147 of this annual report.

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Company's performance during the year, and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis on pages 11 to 15. Main risks and uncertain factors faced by the Group and corresponding mitigation methods are set out in note 46 to the Consolidated Financial Statements. The future development of the Company's business is discussed throughout this annual report including in the Chief Executive Officer's Statement on pages 6 to 10 and Management Discussion and Analysis on pages 11 to 15. In addition, details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the "environment policies and performance" of this Report of Directors; compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "compliance with laws and regulations" of this Report of Directors; and an account of the Company's relationships with its employees, customers, suppliers, shareholders, etc. are disclosed, in "relationship with stakeholders" of this Report of Directors.

CAPITAL

Details of the capital of the Group during the Reporting Period are set out in note 34 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 48 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company has distributable reserves of RMB6,041.6 million in total available for distribution, of which RMB680.1 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 148 of this annual report.

DONATIONS

The Company made a donation of RMB43,000 to various PRC charity projects or organizations for the year of 2017.

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 2017 are set out in note 26 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2017, 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. Pang Yiu Kai
Mr. Cheah Kim Teck (Appointed on 12 June 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Jinjun
Mr. Lin Yong
Mr. Shoichi Ota
Mr. Ying Wei

Pursuant to the Articles of Association, Mr. Huang Yi, Mr. Si Wei, Mr. Shen Jinjun and Mr. Shoichi Ota shall retire from their office by rotation at the forthcoming annual general meeting whereas Mr. Cheah Kim Teck, who was appointed on 12 June 2017, shall hold office only until the forthcoming annual general meeting. Mr. Huang Yi, Mr. Si Wei, Mr. Cheah Kim Teck and Mr. Shen Jinjun, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Shen Jinjun will have served as an independent non-executive Director for 9 years in November 2018. As an independent non-executive Director with in-depth understanding of the Company's operations and business, Mr. Shen has expressed objective views and given independent guidance to the Company over the years, and he continues demonstrating a firm commitment to his role. The Board considers that the long service of Mr. Shen would not affect his exercise of independent judgement and is satisfied that he has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director. The Board considers the re-election of Mr. Shen as an independent non-executive Director is in the best interest of the Company and Shareholders as a whole.

Mr. Shoichi Ota will not offer himself for re-election as he would like to spend more time pursuing alternative business opportunities and accordingly will retire as an independent non-executive Director upon the conclusion of the 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 33 to 38 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. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei, 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 2017 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 2017, 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 (Note 1)	334,704,504	14.76
	Founder of a discretionary trust/Beneficiary of a Trust (Note 2)	486,657,686	21.47
	Agreement to acquire interests	486,657,686	21.47
Mr. Li Guoqiang	Deemed Interest/Interest of Controlled Company (Note 3)	182,026,000	8.03
	Founder of a discretionary trust/Beneficiary of a Trust (Note 4)	486,657,686	21.47
	Agreement to acquire interests	639,336,190	28.20

Notes:

1. Mr. Huang Yi owns 100% of Light Yield Ltd., which is the beneficial owner of 152,678,504 shares of the Company. In addition, Light Yield Ltd. owns 62.30% of Blue Natural Development Ltd., which is the beneficial owner of 182,026,000 shares of the Company.

2. Mr. Huang Yi is the founder of Huang Family Settlement, which has an interest in 486,657,686 shares in the Company.

3. Mr. Li Guoqiang owns 100% of Vest Sun Ltd., which in turn owns 37.70% of Blue Natural Development Ltd., which is the beneficial owner of 182,026,000 shares of the Company.

4. Mr. Li Guoqiang is the founder of Li Family Settlement, which has an interest in 486,657,686 shares in the Company.

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 2017, 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	1,308,019,876 (long position)	57.70
Light Yield Ltd. (Note 2)	Beneficial owner, interest of controlled company and agreement to acquire interests	1,308,019,876 (long position)	57.70
Vest Sun Ltd. (Note 3)	Interest of controlled company and agreement to acquire interests	1,308,019,876 (long position)	57.70
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,308,019,876 (long position)	57.70
UBS TC (Jersey) Ltd.	Trustee, interest of controlled company and agreement to acquire interests	1,308,019,876 (long position)	57.70
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,308,019,876 (long position)	57.70
Jardine Strategic Holdings Limited	Interest of controlled company	453,412,844 (long position)	20
Jardine Matheson Holdings Limited	Interest of controlled company	453,412,844 (long position)	20
JSH Investment Holdings Limited	Beneficial owner	453,412,844 (long position)	20

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 UBS TC (Jersey) Ltd. 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 UBS TC (Jersey) Ltd. 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.

CONVERTIBLE BONDS

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) in principal amount of HK$3,091,500,000 with interest rate of 2.85 per cent. convertible bonds due 2017 (the "**2014 Convertible Bonds**"). The 2014 Convertible Bonds matured on 25 April 2017 and none of the convertible bonds were converted into any shares of the Company.

On 11 October 2017, the Company and J.P. Morgan Securities Plc (the "**Manager**") entered into a subscription agreement, according to which the Company agreed to issue, and the Manager agreed to subscribe for (or procure its nominee to subscribe for) in principal amount of HK$2,350,000,000 with zero coupon rate convertible bonds due 2018 (the "**Convertible Bonds**").

The Convertible Bonds are convertible into shares at the initial conversion price of HK$20.2860 per conversion share at the option of the holder thereof, at any time on or after the 41st day after the issue date up to the close of business on the date falling ten days prior to the maturity date, being a date falling on or about 25 October 2018. 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 30 October 2017. Upon full conversion of the outstanding Convertible Bonds, the Company may issue 115,843,438 shares, adding the issued shares of the Company to 2,382,907,658 shares. Details of the Convertible Bonds during the year are set out in note 27 to the financial statements.

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 2017 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 2017 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, UBS TC (Jersey) Ltd. 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 2017 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

On 13 April 2017, the Company entered into a subscription agreement with the Investor (the "**Subscription Agreement**"), according to which the Company agreed to issue, and the Investor agreed to subscribe for, 120,557,263 shares of the Company (the "**Subscription Shares**") at an aggregate subscription price of HK$1,344,290,639 (the "**Placing**"). The Placing was completed on 26 June 2017 and the Subscription Shares were successfully placed and issued to JSH investment Holdings Limited, a wholly-owned subsidiary of the Investor and a substantial shareholder of the Company. Upon completion of the Placing, the total number of the issued shares of the Company has increased to 2,267,064,220. As of the date of the Subscription Agreement, the Investor, through its wholly-owned subsidiary JSH Investment Holdings Limited, indirectly holds 332,855,581 Shares, representing 15.51% of the issued share capital the Company, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Placing constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcements of the Company dated 13 April 2017, 1 June 2017 and 26 June 2017 and the circular of the Company dated 9 May 2017 for detailed information.

Save as disclosed above, the Board confirmed that none of the related party transactions set out in note 44 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 2017 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 31 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 2017, the total number of Shares available for issue under the Share Option Scheme remained to be 155,999,280, representing approximately 6.88% 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 one year 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 2017.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the year ended 31 December 2017. Save for the Convertible Bonds and the Share Option Scheme, no equity-linked agreements were existed during the year ended 31 December 2017.

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 2017 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 32.5% and 78.0%.

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 2017.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the Reporting Period of our Group are set out in note 47 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.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2017 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 on the forthcoming annual general meeting of the Company on 11 June 2018 (the "**AGM**") for the distribution of a final dividend of HK$0.36 per ordinary share for the year ended 31 December 2017 payable to the Shareholders whose names are listed in the register of the Company on 19 June 2018, in an aggregate amount of HK$813.6 million (equivalent to RMB680.1 million). It is expected that the final dividend will be paid on 6 July 2018. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 6 June 2018 to Monday, 11 June 2018 (both days inclusive) and from Friday, 15 June 2018 to Tuesday, 19 June 2018 (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 Tuesday, 5 June 2018. 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 Thursday, 14 June 2018.

By order of the Board
Huang Yi
Chairman

Hong Kong, 18 March 2018

INDEPENDENT AUDITOR'S 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)

OPINION

We have audited the consolidated financial statements of Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 147, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisitions	
During the year ended 31 December 2017, the Group completed acquisitions of certain car dealerships at a total consideration of approximately RMB3,700,817,000. The accounting for these acquisitions involved significant judgement of the management for the purchase price allocation mainly in relation to the valuation of property, plant and equipment, land use rights, intangible assets which include dealership agreements, customer relationship and the remaining goodwill balance. The Group engaged an external independent appraiser to perform the valuation. Information about the acquisitions were disclosed in Note 2.4 *Summary of significant accounting policies — business combinations and goodwill* and Note 36 *Business combination* to the financial statements.	We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation and involved our internal valuation specialists to review the valuation methodologies adopted by the appraiser, and the assumptions used in valuation of the assets acquired and liabilities by reference to the historical experience and the market practices. We have reviewed the identification of the acquired assets and liabilities, and tested the prospective financial information assumptions used in the calculation of the fair value allocated to the acquired assets. We also checked the related disclosures.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
The carrying values of goodwill and intangible assets amounted to approximately RMB3,940,056,000 and RMB5,737,441,000 as at 31 December 2017, respectively. Under HKFRSs, the Group is required to perform an impairment test for goodwill annually and the intangible assets with definite useful lives are reviewed whether there is any indication of impairment at each reporting period end. An impairment test itself for intangible assets with definite useful lives only has to be carried out if there are such indications. The impairment test is based on the recoverable value of each of the cash-generating units ("CGU") or group of CGUs to which the goodwill and the intangible assets are assigned to. Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the discount rate applied. Information about the goodwill and intangible assets was disclosed in Note 2.4 *Summary of significant accounting policies — Impairment of non-financial assets*, Note 3 *Significant accounting judgement and estimates — Estimation uncertainty*, Note 17 *Goodwill* and Note 16 *Intangible assets* to the financial statements.	We have involved our internal valuation specialists to assist us in evaluating the models and certain assumptions used by the Group in the impairment test of goodwill and intangible assets. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGU or group of CGUs. We have also reviewed Group's assessment of whether there had been any indicators of impairment of the intangible assets with definite useful lives for the year. We also checked the related disclosures.
Vendor rebate receivables	
The Group recognised volume-related vendor rebates on an accrual basis based on the terms of the suppliers' contracts. As at 31 December 2017, the rebate receivables recognised in the consolidated statement of financial position amounted to approximately RMB3,892,694,000. The balance of rebate receivables was significant and the process of calculating the accrual was complex. Information about the rebate receivables was disclosed in Note 2.4 *Summary of significant accounting policies — vendor rebates* and Note 21 *Prepayments, deposits and other receivables* to the financial statements.	We understood and tested management's key internal controls in relation to the recognition of vendor rebates. We checked the rebate policies adopted against the terms of the relevant supplier contracts and checked the calculation of the rebate receivables based on the rebate policies. We also checked subsequent settlement of the rebates against the accrued balance.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

18 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5(a)	**86,290,288**	71,599,221
Cost of sales and services provided	6(b)	**(77,606,286)**	(65,046,942)
Gross profit		**8,684,002**	6,552,279
Other income and gains, net	5(b)	**1,842,863**	1,325,514
Selling and distribution expenses		**(3,294,302)**	(2,806,807)
Administrative expenses		**(1,347,069)**	(1,178,687)
Profit from operations		**5,885,494**	3,892,299
Finance costs	7	**(1,076,712)**	(1,018,020)
Share of profits and losses of:			
Joint ventures	18	**4,595**	4,148
Profit before tax	6	**4,813,377**	2,878,427
Income tax expense	8	**(1,337,523)**	(836,689)
Profit for the year		**3,475,854**	2,041,738
Attributable to:			
Owners of the parent		**3,350,413**	1,860,228
Non-controlling interests		**125,441**	181,510
		3,475,854	2,041,738
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
— For profit for the year (RMB)	12	**1.52**	0.87
Diluted			
— For profit for the year (RMB)	12	**1.48**	0.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**3,475,854**	2,041,738
Other comprehensive income/(loss)		
Exchange differences on translation of foreign operations	**309,921**	(279,938)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**309,921**	(279,938)
Other comprehensive income/(loss) for the year, net of tax	**309,921**	(279,938)
Total comprehensive income for the year	**3,785,775**	1,761,800
Attributable to:		
Owners of the parent	**3,660,334**	1,580,290
Non-controlling interests	**125,441**	181,510
	3,785,775	1,761,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**10,055,748**	8,810,138
Land use rights	14	**2,495,923**	1,953,734
Prepayments	15	**984,591**	999,506
Intangible assets	16	**5,737,441**	3,306,307
Goodwill	17	**3,940,056**	2,732,547
Investments in joint ventures	18	**42,614**	48,019
Deferred tax assets	32(b)	**278,923**	307,243
Total non-current assets		**23,535,296**	18,157,494
CURRENT ASSETS			
Inventories	19	**7,509,806**	6,529,742
Trade receivables	20	**1,082,746**	1,149,141
Prepayments, deposits and other receivables	21	**8,644,378**	8,062,394
Amounts due from related parties	44(b)(i)	**555**	952
Available-for-sale investments	22	**19,100**	25,850
Pledged bank deposits	23	**1,405,646**	1,241,999
Cash in transit	24	**356,063**	320,223
Cash and cash equivalents	25	**5,027,202**	4,157,264
Total current assets		**24,045,496**	21,487,565
CURRENT LIABILITIES			
Bank loans and other borrowings	26	**16,828,479**	13,382,299
Convertible bonds	27	**1,883,958**	2,753,130
Trade and bills payables	28	**3,470,593**	4,057,369
Other payables and accruals	29	**2,935,400**	2,011,732
Other liabilities	30	**245,000**	245,000
Amounts due to related parties	44(b)(ii)	**577**	820
Income tax payable	32(a)	**1,373,395**	1,133,583
Dividends payable		**9**	9
Total current liabilities		**26,737,411**	23,583,942
NET CURRENT LIABILITIES		**(2,691,915)**	(2,096,377)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,843,381**	16,061,117

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	32(b)	**1,679,590**	1,068,885
Bank loans and other borrowings	26	**2,494,628**	1,893,273
Total non-current liabilities		**4,174,218**	2,962,158
NET ASSETS		**16,669,163**	13,098,959
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**197**	186
Reserves	35	**15,912,794**	12,218,142
		15,912,991	12,218,328
Non-controlling interests		**756,172**	880,631
Total equity		**16,669,163**	13,098,959

Huang Yi
Director

Li Guoqiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium* ** 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	186	6,277,615	203,729	37,110	714,398	(1,386,176)	(129,732)	(221,643)	5,773,024	11,268,511	1,347,484	12,615,995
Profit for the year	–	–	–	–	–	–	–	–	1,860,228	1,860,228	181,510	2,041,738
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(279,938)	–	(279,938)	–	(279,938)
Total comprehensive income for the year	–	–	–	–	–	–	–	(279,938)	1,860,228	1,580,290	181,510	1,761,800
Disposal of subsidiaries	–	–	–	–	(57,872)	–	–	–	57,872	–	(633,058)	(633,058)
Acquisition of non-controlling interests	–	–	–	–	–	–	(307,686)	–	–	(307,686)	(377,538)	(685,224)
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	366,030	366,030
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(3,797)	(3,797)
Final 2015 dividend declared	–	(90,153)	–	–	–	–	–	–	–	(90,153)	–	(90,153)
Put option over non-controlling interests	–	–	–	–	–	–	(232,634)	–	–	(232,634)	–	(232,634)
Transfer from retained profits	–	–	–	–	198,212	–	–	–	(198,212)	–	–	–
At 31 December 2016	186	6,187,462	203,729	37,110	854,738	(1,386,176)	(670,052)	(501,581)	7,492,912	12,218,328	880,631	13,098,959

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium* ** 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	186	6,187,462	203,729	37,110	854,738	(1,386,176)	(670,052)	(501,581)	7,492,912	12,218,328	880,631	13,098,959
Profit for the year	–	–	–	–	–	–	–	–	3,350,413	3,350,413	125,441	3,475,854
Other comprehensive income for the year: Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	309,921	–	309,921	–	309,921
Total comprehensive income for the year	–	–	–	–	–	–	–	309,921	3,350,413	3,660,334	125,441	3,785,775
Disposal of subsidiaries	–	–	–	–	(7,485)	–	–	–	7,485	–	(7,409)	(7,409)
Issue of shares	11	1,175,867	–	–	–	–	–	–	–	1,175,878	–	1,175,878
Acquisition of non-controlling interests	–	–	–	–	–	–	(637,124)	–	–	(637,124)	(199,119)	(836,243)
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	6,000	6,000
Transfer from retained profits	–	–	–	–	523,673	–	–	–	(523,673)	–	–	–
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	7,631	7,631
Issue of 2017 convertible bonds	–	–	56,779	–	–	–	–	–	–	56,779	–	56,779
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(57,003)	(57,003)
Final 2016 dividend declared	–	(561,204)	–	–	–	–	–	–	–	(561,204)	–	(561,204)
Transfer of equity component of convertible bonds upon the redemption of the 2014 convertible bonds	–	–	(203,729)	–	–	–	203,729	–	–	–	–	–
At 31 December 2017	197	6,802,125	56,779	37,110	1,370,926	(1,386,176)	(1,103,447)	(191,660)	10,327,137	15,912,991	756,172	16,669,163

* These reserve accounts comprise the consolidated reserves of RMB15,912,794,000 (2016: RMB12,218,142,000) in the consolidated statement of financial position.

** Share premium account has been adjusted for the proposed final 2016 dividend in accordance with the current year's presentation.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before tax		**4,813,377**	2,878,427
Adjustments for:			
Share of profits and losses of joint ventures	18(b)	**(4,595)**	(4,148)
Depreciation and impairment of property, plant and equipment	13	**751,906**	712,031
Amortisation of land use rights	14	**57,674**	43,618
Amortisation of intangible assets	16	**183,907**	153,749
Impairment of intangible assets	16	**15,164**	29,355
Impairment of goodwill	17	**32,257**	58,208
Write-down of inventories to net realisable value	6(c)	**1,573**	(1,833)
Interest income	5(b)	**(26,375)**	(31,243)
Net loss on disposal of items of property, plant and equipment	5(b)	**67,596**	71,845
Finance costs	7	**1,076,712**	1,018,020
Net loss on disposal of subsidiaries	5(b)	**18,186**	1,293
		6,987,382	4,929,322
Increase in cash in transit		**(20,635)**	(87,888)
Decrease/(increase) in trade receivables		**130,426**	(172,156)
Increase in prepayments, deposits and other receivables		**(657,244)**	(74,451)
(Increase)/decrease in inventories		**(403,842)**	405,765
Increase/(decrease) in trade and bills payables		**87,899**	(116,737)
Increase in other payables and accruals		**170,726**	42,062
Decrease in amounts due from related parties — trade related		**397**	233
Decrease in amounts due to related parties — trade related		**(243)**	(3,673)
Cash generated from operations		**6,294,866**	4,922,477
Tax paid		**(1,060,365)**	(409,836)
Net cash generated from operating activities		**5,234,501**	4,512,641
Investing activities			
Purchase of items of property, plant and equipment		**(1,848,983)**	(1,433,212)
Proceeds from disposal of items of property, plant and equipment		**533,636**	408,557
Purchase of land use rights		**(259,944)**	(113,625)
Purchase of intangible assets		**(218,011)**	(6,654)
Redemption/(purchase) of available-for-sale investments, net		**17,750**	(1,970)
Prepayments for the potential acquisitions of equity interests from third parties		**(387,570)**	(406,653)
Acquisitions of subsidiaries		**(2,694,162)**	(725,224)
Increase in prepayments, deposits and other receivables		**(80,348)**	(17,000)
Dividends received from a joint venture		**10,000**	—
Disposal of subsidiaries, net of cash		**62,871**	(516,523)
Interest received		**26,967**	32,536
Net cash used in investing activities		**(4,837,794)**	(2,779,768)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from issue of new shares		**1,175,878**	—
Proceeds from issue of convertible bonds		**1,959,922**	—
Proceeds from bank loans and other borrowings		**55,283,344**	37,674,921
Repayments of bank loans and other borrowings		**(51,664,556)**	(37,044,380)
Decrease in pledged bank deposits		**37,494**	28,603
Capital contribution from a non-controlling shareholder of a subsidiary		**6,000**	—
Decrease in notes payable		**(1,207,520)**	(450,056)
Acquisition of non-controlling interests		**(650,000)**	(94,500)
Repayment of short term bonds		**—**	(400,000)
Repayment of bonds payable		**—**	(600,000)
Interest paid for bank loans and other borrowings		**(1,051,881)**	(916,274)
Redemption of convertible bonds		**(2,735,297)**	—
Interest paid for short term bonds		**—**	(23,680)
Interest paid for convertible bonds	27	**(38,978)**	(75,457)
Interest paid for bonds payable		**—**	(42,000)
Capital element of finance lease rental payments		**(5,332)**	(10,049)
Dividends paid to the non-controlling shareholders		**(57,003)**	(5,267)
Dividends paid		**(561,204)**	(90,153)
Net cash generated from/(used in) financing activities		**490,867**	(2,048,292)
Net increase/(decrease) in cash and cash equivalents		**887,574**	(315,419)
Cash and cash equivalents at beginning of year		**4,157,264**	4,464,517
Effect of foreign exchange rate changes, net		**(17,636)**	8,166
Cash and cash equivalents at end of year		**5,027,202**	4,157,264

Huang Yi
Director

Li Guoqiang
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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 1803-09, 18th 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.

As at 31 December 2017, the Group had net current liabilities of approximately RMB2,691,915,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

BASIS OF CONSOLIDATION

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

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PRESENTATION (continued)

BASIS OF CONSOLIDATION (continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 38(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

(a) CLASSIFICATION AND MEASUREMENT

The Group currently classifies its financial assets into loans and receivables (cash and cash equivalents, cash in transit, pledged bank deposits, trade and other receivables and etc.) which are measured at amortised cost, and available-for-sale financial investments which are measured at cost less impairment. The Group's debt instruments are currently classified as measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9. The available-for-sale investments of RMB19,100,000 were wealth management products issued by banks in the PRC with variable interest rate, which would not pass the contractual cash flow characteristics test in HKFRS 9 and will be reclassified as financial assets at fair value through profit or loss.

(b) IMPAIRMENT

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

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

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

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

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 42(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB3,060,765,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN 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 or loss.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

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.

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.

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 amount paid for such a right is recorded as land use rights, which are amortised over the lease terms of 17 to 62 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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading. 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.

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 earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS (continued)

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

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

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

FINANCIAL ASSETS CARRIED AT AMORTISED COST

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS (continued)

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, and convertible bonds.

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.

FINANCIAL GUARANTEE CONTRACTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

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.

PUT OPTION OVER NON-CONTROLLING INTEREST

During the process of acquiring the majority equity interests of a subsidiary, the Group provided the non-controlling shareholder the right to dispose of its equity interests to the Group. The equity interests in the subsidiary held by the non-controlling shareholder shall be recognised as non-controlling interests in the consolidated financial statements of the Group. At the same time, for the put option, the Group shall assume the obligations to redeem in cash the equity interests in the subsidiary held by the non-controlling shareholder. The present value of the amount payable at the time of redemption of such put option shall be deducted from equity (other than non-controlling interests) and is recognised as the financial liability of the Group. Such financial liability shall be re-measured at the present value of the amount payable upon redemption in the subsequent period, with changes recognised in the consolidated statement of profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 of 6.0% has been applied to the expenditure on the individual assets.

DIVIDENDS

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

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 currencies. 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 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 RMB278,923,000 (2016: RMB307,243,000) as at 31 December 2017. More details are given in note 32(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 of goodwill as at 31 December 2017 was RMB3,940,056,000 (2016: RMB2,732,547,000). 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

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 non-current assets other than deferred tax assets 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:

	2017 RMB'000	2016 RMB'000
Revenue from the sale of motor vehicles	**74,696,340**	62,459,485
Others	**11,593,948**	9,139,736
	86,290,288	71,599,221

(b) Other income and gains, net:

	2017 RMB'000	2016 RMB'000
Commission income	**1,788,556**	1,282,816
Rental income	**23,730**	22,684
Interest income	**26,375**	31,243
Government grants	**10,063**	9,026
Net loss on disposal of items of property, plant and equipment	**(67,596)**	(71,845)
Net loss on disposal of subsidiaries	**(18,186)**	(1,293)
Others	**79,921**	52,883
	1,842,863	1,325,514

6. PROFIT BEFORE TAX

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

		2017 RMB'000	2016 RMB'000
(a)	**Employee benefit expense (including directors' and chief executive officer's remuneration (note 9)):**		
	Wages and salaries	**2,346,934**	1,906,072
	Pension scheme contributions	**327,339**	267,938
	Other welfare	**175,699**	139,261
		2,849,972	2,313,271
(b)	**Cost of sales and services provided:**		
	Cost of sales of motor vehicles	**71,684,639**	60,370,388
	Others	**5,921,647**	4,676,554
		77,606,286	65,046,942
(c)	**Other items:**		
	Depreciation and impairment of property, plant and equipment	**751,906**	712,031
	Amortisation of land use rights	**57,674**	43,618
	Amortisation of intangible assets	**183,907**	153,749
	Impairment of goodwill	**32,257**	58,208
	Impairment of intangible assets	**15,164**	29,355
	Auditor's remuneration	**5,800**	5,800
	Lease expenses	**276,286**	254,427
	Advertisement and promotion expenses	**722,759**	619,519
	Office expenses	**225,527**	212,464
	Logistics expenses	**113,924**	91,015
	Write-down of inventories to net realisable value	**1,573**	(1,833)
	Net loss on disposal of items of property, plant and equipment	**67,596**	71,845
	Net loss on disposal of subsidiaries	**18,186**	1,293

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest expense on bank borrowings	**900,458**	763,653
Interest expense on convertible bonds	**68,065**	155,363
Interest expense on other borrowings	**168,340**	160,552
Interest expense on finance leases	**166**	561
Interest expense on short term bonds	**–**	8,703
Interest expense on bonds payable	**–**	19,354
Less: Interest capitalised	**(60,317)**	(90,166)
	1,076,712	1,018,020

8. INCOME TAX EXPENSE

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

	2017 RMB'000	2016 RMB'000
Current Mainland China corporate income tax	**1,302,753**	848,422
Deferred tax (note 32(b))	**34,770**	(11,733)
	1,337,523	836,689

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 (but 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% (2016: 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 rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	**4,813,377**	2,878,427
Tax at the statutory tax rate (25%)	**1,203,344**	719,607
Tax effect of non-deductible expenses	**94,827**	95,888
Income not subject to tax	**(330)**	(321)
Profits attributable to joint ventures	**(1,149)**	(1,037)
Lower tax rates for specific provinces or enacted by local authority	**13,540**	8,808
Tax losses not recognised	**27,291**	13,744
Tax charge	**1,337,523**	836,689

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:

	2017 RMB'000	2016 RMB'000
Fees	**709**	662
Other emoluments:		
Salaries, allowances and other benefits	**15,217**	15,677
Discretionary bonuses	**17,304**	—
Contributions to defined contribution retirement schemes	**426**	437
	32,947	16,114
	33,656	16,776

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

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

	2017 RMB'000	2016 RMB'000
— Mr. Ng Yuk Keung	–	102
— Mr. Shen Jinjun	216	217
— Mr. Lin Yong	216	217
— Mr. Shoichi Ota	216	126
— Mr. Ying Wei	61	–
	709	662

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(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
2017					
Executive directors:					
— Mr. Huang Yi	–	2,250	8,652	16	10,918
— Mr. Yu Guangming	–	1,371	–	50	1,421
— Mr. Du Qingshan	–	2,916	–	76	2,992
— Mr. Si Wei	–	600	–	114	714
— Mr. Zhang Zhicheng	–	2,916	–	76	2,992
Executive director and chief executive:					
— Mr. Li Guoqiang	–	5,164	8,652	94	13,910
Non-executive directors:					
— Mr. Cheah Kim Teck	–	–	–	–	–
— Mr. Pang Yiu Kai	–	–	–	–	–
	–	15,217	17,304	426	32,947

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

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

	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
2016					
Executive directors:					
— Mr. Huang Yi	—	2,252	—	16	2,268
— Mr. Yu Guangming	—	1,823	—	83	1,906
— Mr. Du Qingshan	—	2,917	—	72	2,989
— Mr. Si Wei	—	600	—	104	704
— Mr. Zhang Zhicheng	—	2,917	—	72	2,989
Executive director and chief executive:					
— Mr. Li Guoqiang	—	5,168	—	90	5,258
Non-executive directors:					
— Mr. Adam Keswick	—	—	—	—	—
— Mr. Pang Yiu Kai	—	—	—	—	—
	—	15,677	—	437	16,114

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

Mr. Cheah Kim Teck has been appointed as a non-executive director of the Company with effect from 12 June 2017.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three directors and the chief executive (2016: three 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 one (2016: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, bonuses, allowances and benefits in kind	**2,913**	2,914
Pension scheme contributions	**76**	72
	2,989	2,986

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 2017	 2016
HKD3,500,001 to HKD4,000,000	**1**	1

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Proposed final — HKD0.36 (approximately RMB0.30) (2016: HKD0.30) per ordinary share	**680,119**	572,164

The calculation of the proposed final dividend for the year ended 31 December 2017 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 18 March 2018.

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 2017, a final dividend of HKD0.30 per ordinary share in respect of the year ended 31 December 2016 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 2017 was HKD643,952,000.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,208,602,205 (2016: 2,146,506,957) 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

	2017 **RMB'000**	2016 RMB'000
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,350,413**	1,860,228
Interest on convertible bonds	**68,065**	155,363
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**3,418,478**	2,015,591

SHARES

	Number of shares **2017**	 2016
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,208,602,205**	2,146,506,957
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	**94,186,747**	238,560,258
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,302,788,952**	2,385,067,215

EARNINGS PER SHARE

	2017 **RMB**	2016 RMB
Basic	**1.52**	0.87
Diluted	**1.48**	0.85

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2017	**7,618,840**	**324,099**	**615,296**	**592,177**	**1,308,541**	**537,129**	**10,996,082**
Exchange realignment	**—**	**(61)**	**—**	**(10)**	**(346)**	**—**	**(417)**
Additions	**344,719**	**82,998**	**77,557**	**40,243**	**900,057**	**577,584**	**2,023,158**
Acquisition of subsidiaries (note 36)	**447,543**	**28,517**	**56,820**	**24,234**	**100,332**	**250**	**657,696**
Transfer	**656,834**	**6,281**	**1,770**	**2,257**	**—**	**(667,142)**	**—**
Disposals	**(54,607)**	**(4,363)**	**(25,438)**	**(53,430)**	**(737,143)**	**—**	**(874,981)**
Disposals of subsidiaries (note 37)	**(104,278)**	**(1,334)**	**(7,893)**	**(5,507)**	**(11,662)**	**—**	**(130,674)**
At 31 December 2017	**8,909,051**	**436,137**	**718,112**	**599,964**	**1,559,779**	**447,821**	**12,670,864**
Accumulated depreciation and impairment:							
At 1 January 2017	**1,194,395**	**185,866**	**241,186**	**349,848**	**214,649**	**—**	**2,185,944**
Exchange realignment	**—**	**(33)**	**—**	**(11)**	**(273)**	**—**	**(317)**
Depreciation and impairment provided during the year	**351,651**	**33,882**	**63,038**	**76,099**	**227,236**	**—**	**751,906**
Disposals	**(3,956)**	**(2,894)**	**(15,453)**	**(45,349)**	**(220,873)**	**—**	**(288,525)**
Disposals of subsidiaries (note 37)	**(22,192)**	**(517)**	**(4,577)**	**(3,590)**	**(3,016)**	**—**	**(33,892)**
At 31 December 2017	**1,519,898**	**216,304**	**284,194**	**376,997**	**217,723**	**—**	**2,615,116**
Net book amount:							
At 31 December 2017	**7,389,153**	**219,833**	**433,918**	**222,967**	**1,342,056**	**447,821**	**10,055,748**
Cost:							
At 1 January 2016	6,459,146	510,369	660,846	521,290	1,282,313	716,515	10,150,479
Exchange realignment	—	50	—	15	384	—	449
Additions	109,651	40,449	45,757	53,913	660,716	588,559	1,499,045
Acquisition of subsidiaries	752,851	9,571	53,722	79,145	147,366	8,228	1,050,883
Transfer	745,978	8,127	3,643	6,367	—	(764,115)	—
Disposals	—	(4,067)	(86,725)	(23,157)	(659,714)	(2,675)	(776,338)
Disposals of subsidiaries	(448,786)	(240,400)	(61,947)	(45,396)	(122,524)	(9,383)	(928,436)
At 31 December 2016	7,618,840	324,099	615,296	592,177	1,308,541	537,129	10,996,082
Accumulated depreciation and impairment:							
At 1 January 2016	916,767	287,956	281,738	322,478	248,786	—	2,057,725
Exchange realignment	—	50	—	15	94	—	159
Depreciation and impairment provided during the year	347,713	31,636	62,763	81,293	188,626	—	712,031
Disposals	—	(3,014)	(75,690)	(22,192)	(193,402)	—	(294,298)
Disposals of subsidiaries	(70,085)	(130,762)	(27,625)	(31,746)	(29,455)	—	(289,673)
At 31 December 2016	1,194,395	185,866	241,186	349,848	214,649	—	2,185,944
Net book amount:							
At 31 December 2016	6,424,445	138,233	374,110	242,329	1,093,892	537,129	8,810,138

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 RMB5,214,599,000 as at 31 December 2017 (2016: RMB4,586,293,000). Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these buildings as at 31 December 2017 and 2016.

As at 31 December 2017, certain of the Group's buildings with an aggregate net book value of approximately RMB502,055,000 (2016: RMB412,808,000) were pledged as security for the Group's bank loans (note 26(a)(ii)).

14. LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000
Cost:		
At the beginning of the year	**2,175,227**	2,737,321
Additions	**472,229**	25,230
Acquisition of subsidiaries (note 36)	**129,453**	103,841
Disposals of subsidiaries	**(2,583)**	(691,165)
At the end of the year	**2,774,326**	2,175,227
Amortisation:		
At the beginning of the year	**221,493**	216,990
Charge for the year	**57,674**	43,618
Disposals of subsidiaries	**(764)**	(39,115)
At the end of the year	**278,403**	221,493
Net book value:		
At the end of the year	**2,495,923**	1,953,734

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 17 to 62 years.

As at 31 December 2017, certain of the Group's land use rights with an aggregate net book value of approximately RMB449,359,000 (2016: RMB209,921,000) were pledged as security for the Group's bank loans (note 26(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 RMB300,047,000 as at 31 December 2017 (2016: RMB399,427,000). Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 31 December 2017 and 2016.

15. PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Prepaid lease for land	**172,886**	128,325
Prepayment for land use rights	**211,614**	282,151
Prepaid lease for buildings	**115,039**	95,146
Prepayments for potential acquisitions	**485,052**	493,884
	984,591	999,506

16. INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationships RMB'000	Others RMB'000	Total RMB'000
Cost:					
At 1 January 2017	**56,724**	**3,191,115**	**684,254**	**85,383**	**4,017,476**
Exchange realignment	**(27)**	**—**	**—**	**(478)**	**(505)**
Additions	**7,146**	**169,405**	**41,450**	**10**	**218,011**
Acquisition of subsidiaries (note 36)	**2,768**	**2,341,900**	**103,800**	**—**	**2,448,468**
Disposals	**(14)**	**—**	**—**	**—**	**(14)**
Disposals of subsidiaries (note 37)	**(783)**	**(36,350)**	**(16,560)**	**—**	**(53,693)**
At 31 December 2017	**65,814**	**5,666,070**	**812,944**	**84,915**	**6,629,743**
Accumulated amortisation and impairment:					
At 1 January 2017	**36,586**	**429,927**	**214,240**	**30,416**	**711,169**
Exchange realignment	**(27)**	**—**	**—**	**(84)**	**(111)**
Amortisation provided during the year	**7,763**	**122,606**	**48,969**	**4,569**	**183,907**
Impairment provided during the year	**—**	**10,337**	**4,827**	**—**	**15,164**
Disposals	**(14)**	**—**	**—**	**—**	**(14)**
Disposals of subsidiaries (note 37)	**(473)**	**(10,164)**	**(7,176)**	**—**	**(17,813)**
At 31 December 2017	**43,835**	**552,706**	**260,860**	**34,901**	**892,302**
Net book value:					
At 31 December 2017	**21,979**	**5,113,364**	**552,084**	**50,014**	**5,737,441**
Cost:					
At 1 January 2016	54,239	2,702,145	786,024	122,553	3,664,961
Exchange realignment	26	—	—	498	524
Additions	6,654	—	—	—	6,654
Acquisition of subsidiaries	359	1,063,200	96,770	—	1,160,329
Disposals	—	(34,300)	—	(37,668)	(71,968)
Disposals of subsidiaries	(4,554)	(539,930)	(198,540)	—	(743,024)
At 31 December 2016	56,724	3,191,115	684,254	85,383	4,017,476
Accumulated amortisation and impairment:					
At 1 January 2016	31,539	385,046	232,153	62,588	711,326
Exchange realignment	24	—	—	—	24
Amortisation provided during the year	7,336	96,460	45,259	4,694	153,749
Impairment provided during the year	—	22,236	6,317	802	29,355
Disposals	—	—	—	(37,668)	(37,668)
Disposals of subsidiaries	(2,313)	(73,815)	(69,489)	—	(145,617)
At 31 December 2016	36,586	429,927	214,240	30,416	711,169
Net book value:					
At 31 December 2016	20,138	2,761,188	470,014	54,967	3,306,307

16. INTANGIBLE ASSETS (continued)

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.

As at 31 December 2017, the operating results of three 4S dealership stores located in Chengdu, Longkou and Kunming, did not meet management's expectation. Based on analysis of relevant cash-generating units, the Group recognised a full impairment against the carrying amount of RMB15,164,000.

17. GOODWILL

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**2,732,547**	2,622,410
Acquisition of subsidiaries (note 36)	**1,289,942**	566,197
Disposal of subsidiaries (note 37)	**(50,176)**	(397,852)
Impairment during the year	**(32,257)**	(58,208)
At the end of the year	**3,940,056**	2,732,547

IMPAIRMENT TESTING OF GOODWILL

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

Goodwill acquired through business combinations has been allocated to the relevant 4S dealership business (or group of 4S dealership businesses) from which the goodwill was resulted. These individual 4S dealership businesses are treated as individual cash-generating unit for impairment testing.

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period from the end of the reporting period is 3%. The discount rate applied to the cash flow projections beyond the one-year period is 12% (2016: 13%).

The carrying amount of goodwill allocated to each cash-generating unit (or group of cash-generating units) of the operation of 4S dealership businesses is:

	2017 RMB'000	2016 RMB'000
4S dealership businesses	**3,940,056**	2,732,547

17. GOODWILL (continued)

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.

As at 31 December 2017, the operating results of five 4S dealership stores located in Chengdu, Longkou, Kunming, Yulin and Panjin, did not meet management's expectation. Based on analysis of relevant cash-generating units, the Group recognised a full impairment against the carrying amount of RMB32,257,000.

18. INVESTMENTS IN JOINT VENTURES

	2017 **RMB'000**	2016 RMB'000
Share of net assets	**42,614**	48,019

廈門中升豐田汽車銷售服務有限公司 (Xiamen Zhongsheng Toyota Automobile Sales & Service Co., Ltd.) ("Xiamen Zhongsheng"), 中升泰克提汽車服務(大連)有限公司 (Zhongsheng Tacti Automobile Service (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, 1998	RMB12,000,000	50%	50%	50%	Sale and service of motor vehicles
Zhongsheng Tacti	Dalian, the PRC, 2009	USD3,000,000	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:

	2017 RMB'000	2016 RMB'000
Non-current assets	**1,721**	1,536
Current assets	**48,234**	51,961
Current liabilities	**(7,341)**	(5,478)
Net assets	**42,614**	48,019

Share of the joint ventures' results:

	2017 RMB'000	2016 RMB'000
Income	**217,837**	160,900
Expenses	**(211,550)**	(156,058)
Tax	**(1,692)**	(694)
Profit for the year	**4,595**	4,148
Dividend received	**(10,000)**	—

19. INVENTORIES

Inventories in the consolidated statement of financial position represent:

	2017 RMB'000	2016 RMB'000
Motor vehicles	**6,846,563**	5,839,065
Spare parts and others	**668,374**	694,235
	7,514,937	6,533,300
Less: Provision for inventories	**5,131**	3,558
	7,509,806	6,529,742

As at 31 December 2017, certain of the Group's inventories with a carrying amount of approximately RMB3,494,023,000 (2016: RMB2,481,770,000) were pledged as security for the Group's bank loans and other borrowings (notes 26(a)(iii) and 26(b)).

As at 31 December 2017, certain of the Group's inventories with a carrying amount of approximately RMB1,345,204,000 (2016: RMB1,812,774,000) were pledged as security for the Group's bills payable.

20. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**1,082,746**	1,149,141
Impairment	**—**	—
	1,082,746	1,149,141

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 ageing 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:

	2017 RMB'000	2016 RMB'000
Within 3 months	**1,051,824**	1,089,745
More than 3 months but less than 1 year	**15,553**	14,490
Over 1 year	**15,369**	44,906
	1,082,746	1,149,141

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**1,067,377**	1,130,651
Over one year past due	**15,369**	18,490
	1,082,746	1,149,141

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments and deposits to suppliers	**2,653,965**	2,285,109
Deposits paid for acquisition of land use rights	**847,507**	980,198
Advances to certain companies to be acquired	**80,348**	17,000
Rebate receivables	**3,892,694**	3,594,429
VAT recoverable (i)	**44,546**	35,966
Receivables on disposal of subsidiaries	**88,674**	6,474
Receivables on disposal of items of property, plant and equipment	**36,433**	51,209
Receivables on disposal of land use rights	**34,425**	34,425
Receivables from original shareholders of subsidiaries acquired	**62,381**	173,812
Interest receivables	**—**	592
Prepaid finance costs	**15,144**	32,061
Others	**888,261**	851,119
	8,644,378	8,062,394

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.

	2017 RMB'000	2016 RMB'000
Prepayments, deposits, and other receivables	**5,083,216**	4,729,060

22. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Financial products issued by financial institution, at cost	**19,100**	25,850

As at 31 December 2017, certain financial products with a carrying amount of RMB19,100,000 were stated at cost less impairment. All the financial products as at 31 December 2017 have been disposed of by the Group with respective investment income as of the date of this report.

23. PLEDGED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks	**1,405,646**	1,241,999

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

24. CASH IN TRANSIT

	2017 RMB'000	2016 RMB'000
Cash in transit	**356,063**	320,223

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

25. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**4,705,153**	3,634,881
Short term deposits	**322,049**	522,383
Cash and cash equivalents	**5,027,202**	4,157,264

As at 31 December 2017, the cash and bank balances and short term deposits of the Group denominated in a currency other than RMB amounted to RMB427,858,000 (2016: RMB93,979,000). 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.

26. BANK LOANS AND OTHER BORROWINGS

	Notes	2017 Effective interest rate (%)	2017 Maturity	2017 RMB'000	2016 Effective interest rate (%)	2016 Maturity	2016 RMB'000
Current							
Finance lease payables (note 33)		1–5	2018	3,476	2–6	2017	2,114
Bank loans							
— secured	(a)	2–6	2018	4,674,655	4–6	2017	2,405,663
— guaranteed		—	—	—	5	2017	36,000
— unsecured		3–6	2018	7,600,188	3–6	2017	8,631,038
Other borrowings							
— secured	(b)	2–8	2018	2,635,311	2–8	2017	1,801,483
— unsecured		2–8	2018	24,027	3–8	2017	63,546
Current portion of long term bank loans							
— secured	(a)	3–7	2018	516,018	4–6	2017	55,000
— unsecured		3–7	2018	346,234	7	2017	41,500
Syndicated term loans							
— secured	(c)	3–5	2018	983,570	3–4	2017	345,955
— unsecured		5	2018	45,000	—	—	—
				16,828,479			13,382,299
Non-current							
Finance lease payables (note 33)		1–5	2019–2020	1,373	2–6	2018	1,687
Bank loans							
— secured	(a)	3–7	2019–2021	685,318	3–6	2018–2019	700,000
— unsecured		3–7	2020	952,937	3–7	2018	153,720
Syndicated term loans							
— secured	(c)	—	—	—	3–4	2018	1,037,866
— unsecured		5	2020	855,000	—	—	—
				2,494,628			1,893,273
				19,323,107			15,275,572

26. BANK LOANS AND OTHER BORROWINGS (continued)

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**13,137,095**	11,169,201
In the second year	**559,330**	208,720
In the third to fifth years	**1,078,925**	645,000
	14,775,350	12,022,921
Other borrowings repayable:		
Within one year	**2,659,338**	1,865,029
Syndicated term loans:		
Within one year	**1,028,570**	345,955
In the second year	**90,000**	1,037,866
In the third year	**765,000**	—
	1,883,570	1,383,821
Finance lease payables:		
Within one year	**3,476**	2,114
In the second year	**1,373**	1,687
	4,849	3,801
	19,323,107	15,275,572

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 RMB449,359,000 (2016: RMB209,921,000) as at 31 December 2017;

(ii) mortgages over the Group's buildings, which had an aggregate carrying amount of approximately RMB502,055,000 (2016: RMB412,808,000) as at 31 December 2017;

(iii) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB954,532,000 (2016: RMB716,400,000) as at 31 December 2017; and

(iv) mortgages over the entire shares of certain subsidiaries of the Company.

26. 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 RMB2,539,491,000 (2016: RMB1,765,370,000) as at 31 December 2017.

(c) Certain of the Group's syndicated term loans were secured by mortgages over the entire shares of Billion Great Corporation Limited (wholly owned by Well Snape Holdings limited (BVI)) and Loong Wah Motors Limited (wholly owned by Loong Wah Motors (Cayman) Co., Ltd.).

(d) All bank loans and other borrowings were denominated in RMB, except for certain bank loans which were denominated in Hong Kong dollars, United States dollars and Euros, amounting to RMB3,114,810,000, RMB1,388,535,000 and RMB58,789,000, respectively. (2016: RMB174,429,000, RMB1,795,394,000 and RMB442,780,000).

27. CONVERTIBLE BONDS

Liability components:

	Notes	**2017** **RMB'000**	2016 RMB'000
2014 convertible bonds	(i)	**–**	2,753,130
2017 convertible bonds	(ii)	**1,883,958**	—
		1,883,958	2,753,130

(i) On 25 April 2014, the Company issued convertible bonds with a nominal value of HKD3,091,500,000 2.85% (the "2014 convertible bonds"). The 2014 convertible 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 HKD12.95899 per share. The 2014 convertible bonds are redeemable at the option of the bondholders at 100% of its 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. On 25 April 2017, all the 2014 convertible bonds were fully redeemed.

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.

27. CONVERTIBLE BONDS (continued)

(i) (continued)

The 2014 convertible bonds issued during the year have been split into the liability and equity components as follows:

	2017 RMB'000	2016 RMB'000
Nominal value of 2014 convertible bonds	**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	**439,054**	388,310
Interest paid	**(220,305)**	(181,327)
Repayment of 2014 convertible bonds	**(2,735,297)**	—
Exchange realignment	**269,969**	299,568
Liability component at the end of the year	**—**	2,753,130
Less: Portion classified as current liabilities	**—**	2,753,130
Long-term portion	**—**	—

(ii) On 30 October 2017, the Company issued zero coupon convertible bonds with a nominal value of HKD2,350,000,000 (the "2017 convertible bonds"). 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 at any time on or after 10 December 2017 until and including 15 October 2018 at a conversion price of HKD20.2860 per share. Any convertible bonds not converted will be redeemed on 25 October 2018 at 100% of their principal amount. There was no conversion of the 2017 convertible bonds during the year.

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.

The 2017 convertible bonds issued during the year have been split into the liability and equity components as follows:

	2017 RMB'000	2016 RMB'000
Nominal value of 2017 convertible bonds	**2,002,177**	—
Equity component	**(58,003)**	—
Direct transaction costs attributable to the liability component	**(41,031)**	—
Liability component at the issuance date	**1,903,143**	—
Interest expense	**17,321**	—
Exchange realignment	**(36,506)**	—
Liability component at the end of the year	**1,883,958**	—
Less: Portion classified as current liabilities	**1,883,958**	—
Long-term portion	**—**	—

28. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**1,205,263**	1,007,924
Bills payable	**2,265,330**	3,049,445
Trade and bills payables	**3,470,593**	4,057,369

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:

	2017 RMB'000	2016 RMB'000
Within 3 months	**3,176,626**	3,808,531
3 to 6 months	**282,975**	242,724
6 to 12 months	**4,386**	4,101
Over 12 months	**6,606**	2,013
	3,470,593	4,057,369

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

29. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Payables for purchase of property, plant and equipment and land use rights	**179,338**	134,617
Advances and deposits from distributors	**52,203**	53,315
Advances from customers	**1,721,995**	1,327,257
Payables for purchase of equity interests from third parties	**478,165**	225,492
Staff payroll and welfare payables	**26,151**	1,734
Others	**477,548**	269,317
	2,935,400	2,011,732

30. OTHER LIABILITIES

Included in other liabilities are a put option over non-controlling interest of RMB245,000,000 (2016: RMB245,000,000) arising from the acquisition of Hainan Jiahua Weiye Investment Co., Ltd. and its subsidiaries in 2016.

31. 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% (2016: 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% (2016: 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 2017, the Group had no significant obligations apart from the contributions as stated above.

32. INCOME TAX PAYABLE AND DEFERRED TAX

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

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**1,133,583**	714,068
Provision for current tax for the year	**1,302,753**	848,422
Income tax payable arising from acquisition of subsidiaries	**15,484**	4,311
Income tax payable decrease due to disposal of subsidiaries	**(18,060)**	(23,382)
Current tax paid	**(1,060,365)**	(409,836)
At the end of the year	**1,373,395**	1,133,583

32. 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 2017	**307,243**
Deferred tax arising from acquisition of subsidiaries (note 36)	**15,533**
Deferred tax decrease due to disposal of subsidiaries (note 37)	**(1,335)**
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	**(42,518)**
At 31 December 2017	**278,923**
At 1 January 2016	357,649
Deferred tax arising from acquisition of subsidiaries	17,189
Deferred tax decrease due to disposal of subsidiaries	(51,398)
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	(16,197)
At 31 December 2016	307,243

The Group has tax losses arising in Hong Kong of RMB181,771,000 (2016: RMB66,766,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB81,607,000 (2016: RMB51,505,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

32. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

(b) (continued)

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 2017	**856,105**	**179,109**	**33,671**	**1,068,885**
Deferred tax arising from acquisition of subsidiaries (note 36)	**629,118**	**—**	**—**	**629,118**
Deferred tax decrease due to disposal of subsidiaries (note 37)	**(9,725)**	**(940)**	**—**	**(10,665)**
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	**(49,055)**	**41,307**	**—**	**(7,748)**
At 31 December 2017	**1,426,443**	**219,476**	**33,671**	**1,679,590**
At 1 January 2016	764,222	164,997	50,586	979,805
Deferred tax arising from acquisition of subsidiaries	299,487	—	—	299,487
Deferred tax decrease due to disposal of subsidiaries	(152,816)	(12,746)	(16,915)	(182,477)
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	(54,788)	26,858	—	(27,930)
At 31 December 2016	856,105	179,109	33,671	1,068,885

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 temporary differences aggregating approximately RMB11,517,381,000 (2016: RMB8,052,597,000) associated with investments in these subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2017.

33. 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.

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 2017 RMB'000	Minimum lease payments 2016 RMB'000	**Present value of minimum lease payments 2017 RMB'000**	Present value of minimum lease payments 2016 RMB'000
Amounts payable:				
Within one year	**3,861**	2,333	**3,476**	2,114
In the second year	**1,577**	1,874	**1,329**	1,687
In the third to fifth years	**59**	—	**44**	—
Total minimum finance lease payments	**5,497**	4,207	**4,849**	3,801
Future finance charges	**(648)**	(406)		
Total net finance lease payables	**4,849**	3,801		
Portion classified as current liabilities (note 26)	**3,476**	2,114		
Non-current portion (note 26)	**1,373**	1,687		

34. SHARE CAPITAL

Shares	2017 HKD'000	2016 HKD'000
Issued and fully paid:		
2,267,064,220 (2016: 2,146,506,957) ordinary shares	**227**	215
Equivalent to RMB'000	**197**	186

During the years ended 31 December 2017 and 2016, the movements in the Company's share capital were as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2016	2,146,506,957	186	6,277,615	6,277,801
Final 2015 dividend declared	—	—	(90,153)	(90,153)
At 31 December 2016	2,146,506,957	186	6,187,462	6,187,648
Issue of shares	120,557,263	11	1,175,867	1,175,878
Final 2016 dividend declared	—	—	(561,204)	(561,204)
At 31 December 2017	2,267,064,220	197	6,802,125	6,802,322

On 13 April 2017, the Company entered into a subscription agreement with Jardine Strategic Holdings Limited (the "Investor"), according to which the Company agreed to issue and the Investor agreed to subscribe for 120,557,263 shares of the Company (the "Subscription Shares") at an aggregate subscription price of HKD1,344,290,639 (the "Placing"). The Placing was completed on 26 June 2017 and the Subscription Shares were successfully placed and issued to JSH Investment Holdings Limited, a wholly-owned subsidiary of the Investor and an existing shareholder of the Company. Upon completion of the Placing, the total number of issued shares of the Company has increased to 2,267,064,220.

35. 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 and the present value of the amount payable at the time of redemption of a put option over non-controlling interests.

36. BUSINESS COMBINATION

(a) As part of the Group's plan to expand its motor vehicle sales and service business in Jiangsu province, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 January 2017 at a total consideration of RMB675,383,000. The purchase consideration for the acquisition was in the form of cash, with RMB675,383,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
藍永投資有限公司 (Lanyong Investments Co., Ltd.)	100%
藍永有限公司 (Lanyong Ltd.)	100%
常熟市中川汽車銷售服務有限公司 (Changshu Zhongchuan Automobile Sales & Service Co., Ltd.)	100%
蘇州海星汽車銷售服務有限公司 (Suzhou Haixing Automobile Sales & Service Co., Ltd.)	100%
蘇州海星高新汽車銷售服務有限公司 (Suzhou Haixing Gaoxin Automobile Sales & Service Co., Ltd.)	100%
張家港海星汽車銷售服務有限公司 (Zhangjiagang Haixing Automobile Sales & Service Co., Ltd.)	100%
張家港海昌汽車銷售服務有限公司 (Zhangjiagang Haichang Automobile Sales & Service Co., Ltd.)	100%
常熟海邦汽車銷售服務有限公司 (Changshu Haibang Automobile Sales & Service Co., Ltd.)	100%

36. 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	92,961
Land use rights	14	25,170
Intangible assets	16	464,700
Available-for-sale investment		11,000
Deferred tax assets	32(b)	8,906
Inventories		145,533
Trade receivables		20,122
Prepayments, deposits and other receivables		40,878
Pledged bank deposits		45,715
Cash in transit		6,641
Cash and cash equivalents		138,432
Trade and bills payables		(113,187)
Other payables and accruals		(204,959)
Bank loans and other borrowings		(132,225)
Income tax payable	32(a)	(3,469)
Deferred tax liabilities	32(b)	(121,065)
Total identifiable net assets at fair value		425,153
Goodwill on acquisition		250,230
Total purchase consideration		675,383

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB20,122,000 and RMB40,878,000, respectively, which are equal to the gross contractual amounts.

36. BUSINESS COMBINATION (continued)

(a) (continued)

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

	RMB'000
Cash consideration paid	(675,383)
Cash and cash equivalents acquired	138,432
Net cash outflow	(536,951)

Since the acquisition, the acquired business contributed RMB2,473,494,000 to the Group's revenue and RMB221,846,000 to the consolidated profit for the year ended 31 December 2017.

(b) As part of the Group's plan to expand its motor vehicle sales and service business in Jiangxi, Guangdong and Hainan province, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from three third parties on 1 January 2017 at a total consideration of RMB6,083,000. The purchase consideration for the acquisition was in the form of cash, with RMB5,340,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
安泰控股(香港)有限公司 (Foremostar Holdings (HK) Ltd.)	100%
安泰汽車有限公司 (Foremostar Motors Ltd.)	100%
安泰控股(南昌)有限公司 (Foremostar Holdings (Nanchang) Ltd.)	100%
泰雄星(南昌)汽車銷售服務有限公司 (Taixiongxing (Nanchang) Automobile Sales & Service Co., Ltd.)	100%
星諾(海南)有限公司 (Vstar (Hainan) Co., Ltd.)	100%
海南南星汽車銷售服務有限公司 (Hainan Nanxing Automobile Sales & Service Co., Ltd.)	100%
佛山泰雄星汽車維修有限公司 (Foshan Taixiongxing Automobile Sales & Service Co., Ltd.)	100%
安泰控股(東莞)有限公司 (Foremostar Holdings (Dongguan) Ltd.)	100%
東莞泰雄星汽車銷售服務有限公司 (Dongguan Taixiongxing Automobile Sales & Service Co., Ltd.)	100%

36. BUSINESS COMBINATION (continued)

(b) (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	55,848
Intangible assets	16	27,045
Inventories		14,472
Trade receivables		1,961
Prepayments, deposits and other receivables		33,236
Cash and cash equivalents		14,574
Trade and bills payables		(1,396)
Other payables and accruals		(85,909)
Bank loans and other borrowings		(56,081)
Income tax payable	32(a)	(329)
Deferred tax liabilities	32(b)	(6,213)
Total identifiable net assets at fair value		(2,792)
Goodwill on acquisition		8,875
Total purchase consideration		6,083

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,961,000 and RMB33,236,000, respectively, which are equal to the gross contractual amounts.

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

	RMB'000
Cash consideration paid	(5,340)
Cash and cash equivalents acquired	14,574
Net cash inflow	9,234

Since the acquisition, the acquired business contributed RMB345,333,000 to the Group's revenue and RMB17,006,000 to the consolidated profit for the year ended 31 December 2017.

36. BUSINESS COMBINATION (continued)

(c) As part of the Group's plan to expand its motor vehicle sales and service business in Sichuan province, the Group acquired 100% of the equity interests in Mianyang Jiacheng Jiaxin Automobile Sales & Service Co., Ltd (綿陽嘉程嘉信汽車銷售服務有限公司) which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 31 January 2017 at a total consideration of RMB30,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB28,000,000 paid by the end of the year of 2017.

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	4,425
Intangible assets	16	18,900
Inventories		5,594
Trade receivables		672
Prepayments, deposits and other receivables		5,182
Cash in transit		559
Cash and cash equivalents		1,160
Trade and bills payables		(6,762)
Other payables and accruals		(629)
Deferred tax liabilities	32(b)	(4,735)
Total identifiable net assets at fair value		24,366
Goodwill on acquisition		5,634
Total purchase consideration		30,000

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB672,000 and RMB5,182,000, respectively, which are equal to the gross contractual amounts.

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

	RMB'000
Cash consideration paid	(28,000)
Cash and cash equivalents acquired	1,160
Net cash outflow	(26,840)

Since the acquisition, the acquired business contributed RMB98,415,000 to the Group's revenue and RMB1,704,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB86,300,587,000 and RMB3,475,543,000, respectively.

36. BUSINESS COMBINATION (continued)

(d) As part of the Group's plan to expand its motor vehicle sales and service business in Jilin province, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 1 September 2017 at a total consideration of RMB240,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB223,650,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
吉林省成邦之星汽車銷售服務有限公司 (Jilin Chengbang Star Automobile Sales & Service Co., Ltd.)	100%
吉林省成銘汽車銷售服務有限公司 (Jilin Chengming Automobile Sales & Service Co., Ltd.)	100%

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	54,216
Intangible assets	16	140,600
Deferred tax assets	32(b)	2,195
Inventories		31,785
Trade receivables		1,598
Prepayments, deposits and other receivables		38,578
Pledged bank deposits		230
Cash in transit		215
Cash and cash equivalents		11,324
Trade and bills payables		(20,575)
Other payables and accruals		(36,422)
Bank loans and other borrowings		(20,064)
Income tax payable	32(a)	(189)
Deferred tax liabilities	32(b)	(35,343)
Total identifiable net assets at fair value		168,148
Goodwill on acquisition		71,852
Total purchase consideration		240,000

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,598,000 and RMB38,578,000, respectively, which are equal to the gross contractual amounts.

36. BUSINESS COMBINATION (continued)

(d) (continued)

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

	RMB'000
Cash consideration paid	(223,650)
Cash and cash equivalents acquired	11,324
Net cash outflow	(212,326)

Since the acquisition, the acquired business contributed RMB143,090,000 to the Group's revenue and RMB11,828,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB86,619,526,000 and RMB3,490,815,000 respectively.

(e) As part of the Group's plan to expand its motor vehicle sales and service business, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 1 September 2017 at a total consideration of RMB870,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB850,000,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
西安市創豐盛汽車銷售服務有限公司 (Xi'an Chuangfengsheng Automobile Sales & Service Co., Ltd.)	100%
西安榮寶汽車銷售服務有限公司 (Xi'an Rongbao Automobile Sales & Service Co., Ltd.)	100%
西安昌寶汽車銷售服務有限公司 (Xi'an Changbao Automobile Sales & Service Co., Ltd.)	100%
深圳市寶昌汽車銷售服務有限公司 (Shenzhen Baochang Automobile Sales & Service Co., Ltd.)	100%

36. BUSINESS COMBINATION (continued)

(e) (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	210,349
Land use rights	14	31,082
Intangible assets	16	602,900
Deferred tax assets	32(b)	1,827
Inventories		264,484
Trade receivables		17,021
Prepayments, deposits and other receivables		159,933
Pledged bank deposits		78,192
Cash in transit		3,249
Cash and cash equivalents		91,509
Trade and bills payables		(296,890)
Other payables and accruals		(79,568)
Bank loans and other borrowings		(326,168)
Income tax payable	32(a)	(7,246)
Deferred tax liabilities	32(b)	(157,119)
Total identifiable net assets at fair value		593,555
Goodwill on acquisition		276,445
Total purchase consideration		870,000

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB17,021,000 and RMB159,933,000, respectively, which are equal to the gross contractual amounts.

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

	RMB'000
Cash consideration paid	(850,000)
Cash and cash equivalents acquired	91,509
Net cash outflow	(758,491)

Since the acquisition, the acquired business contributed RMB934,143,000 to the Group's revenue and RMB44,945,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB87,885,880,000 and RMB3,528,335,000, respectively.

36. BUSINESS COMBINATION (continued)

(f) As part of the Group's plan to expand its motor vehicle sales and service business in Chongqing, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 September 2017 at a total consideration of RMB372,540,000. The purchase consideration for the acquisition was in the form of cash, with RMB167,643,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
Fung Lai Investment Holdings Limited Co., Ltd.	100%
重慶易信達信息科技有限公司 (Chongqing Yixinda Information Technology Co., Ltd.)	100%
重慶市寶馴汽車銷售服務有限公司 (Chongqing Baoxun Automobile Sales & Service Co., Ltd.)	100%

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	76,769
Land use rights	14	35,200
Intangible assets	16	233,100
Inventories		112,317
Trade receivables		8,454
Prepayments, deposits and other receivables		90,493
Pledged bank deposits		75,663
Cash in transit		2,237
Cash and cash equivalents		55,131
Trade and bills payables		(113,137)
Other payables and accruals		(50,156)
Bank loans and other borrowings		(174,031)
Income tax payable	32(a)	(2,389)
Deferred tax liabilities	32(b)	(60,664)
Total identifiable net assets at fair value		288,987
Goodwill on acquisition		83,553
Total purchase consideration		372,540

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB8,454,000 and RMB90,493,000, respectively, which are equal to the gross contractual amounts.

36. BUSINESS COMBINATION (continued)

(f) (continued)

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

	RMB'000
Cash consideration paid	(167,643)
Cash and cash equivalents acquired	55,131
Net cash outflow	(112,512)

Since the acquisition, the acquired business contributed RMB442,296,000 to the Group's revenue and RMB18,341,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB86,953,647,000 and RMB3,495,150,000, respectively.

(g) As part of the Group's plan to expand its motor vehicle sales and service business in Shangdong province, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from five third parties on 1 July 2017 at a total consideration of RMB262,367,000. The purchase consideration for the acquisition was in the form of cash, with RMB262,367,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
青島恒潤汽車銷售服務有限公司 (Qingdao Hengrun Automobile Sales & Service Co., Ltd)	100%
煙台恒潤汽車銷售服務有限公司 (Yantai Hengrun Automobile Sales & Service Co., Ltd)	100%
濰坊恒潤汽車銷售服務有限公司 (Weifang Hengrun Automobile Sales & Service Co., Ltd)	100%
臨沂恒潤汽車銷售服務有限公司 (Linyi Hengrun Automobile Sales & Service Co., Ltd)	100%

36. BUSINESS COMBINATION (continued)

(g) (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	38,246
Land use rights	14	38,001
Intangible assets	16	144,523
Deferred tax assets	32(b)	883
Inventories		20,694
Trade receivables		2,238
Prepayments, deposits and other receivables		14,662
Cash in transit		2,757
Cash and cash equivalents		9,994
Trade and bills payables		(993)
Other payables and accruals		(48,273)
Income tax payable	32(a)	(504)
Deferred tax liabilities	32(b)	(38,721)
Total identifiable net assets at fair value		183,507
Goodwill on acquisition		78,860
Total purchase consideration		262,367

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB2,238,000 and RMB14,662,000, respectively, which are equal to the gross contractual amounts.

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

	RMB'000
Cash consideration paid	(262,367)
Cash and cash equivalents acquired	9,994
Net cash outflow	(252,373)

Since the acquisition, the acquired business contributed RMB178,810,000 to the Group's revenue and RMB11,116,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB86,458,234,000 and RMB3,478,387,000 respectively.

36. BUSINESS COMBINATION (continued)

(h) As part of the Group's plan to expand its motor vehicle sales and service business in Guangdong province, the Group acquired 100% of the equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 1 December 2017 at a total consideration of RMB1,082,624,000. The purchase consideration for the acquisition was in the form of cash, with RMB890,000,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
香港大興寶利投資有限公司 (Hong Kong Daihing Bao Li Investment Co., Ltd.)	100%
香港大興寶志投資有限公司| (Hong Kong Daihing Bao Zhi Investment Co., Ltd.)	100%
湛江晨興雷克薩斯汽車銷售服務有限公司 (Zhanjiang Chenxing Lexus Automobile Sales & Service Co., Ltd.)	100%
深圳晨興雷克薩斯汽車銷售服務有限公司 (Shenzhen Chenxing Lexus Automobile Sales & Service Co., Ltd.)	100%
深圳悦晟汽車銷售服務有限公司 (Shenzhen Yuesheng Automobile Sales & Service Co., Ltd.)	100%
深圳騰晟雷克薩斯汽車銷售服務有限公司 (Shenzhen Tengsheng Lexus Automobile Sales & Service Co., Ltd.)	100%
東莞悦晟汽車銷售服務有限公司 (Dongguan Yuesheng Automobile Sales & Service Co., Ltd.)	100%
茂名大興雷克薩斯汽車銷售服務有限公司 (Maoming Daxing Lexus Automobile Sales & Service Co., Ltd.)	100%

36. BUSINESS COMBINATION (continued)

(h) (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	74,296
Intangible assets	16	730,800
Deferred tax assets	32(b)	179
Inventories		12,338
Trade receivables		1,904
Prepayments, deposits and other receivables		28,266
Cash in transit		944
Cash and cash equivalents		22,581
Trade and bills payables		(6,143)
Other payables and accruals		(23,064)
Bank loans and other borrowings		(4,250)
Income tax payable	32(a)	(1,358)
Deferred tax liabilities	32(b)	(183,223)
Total identifiable net assets at fair value		653,270
Goodwill on acquisition		429,354
Total purchase consideration		1,082,624

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,904,000 and RMB28,266,000, respectively, which are equal to the gross contractual amounts.

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

	RMB'000
Cash consideration paid	(890,000)
Cash and cash equivalents acquired	22,581
Net cash outflow	(867,419)

Since the acquisition, the acquired business contributed RMB38,660,000 to the Group's revenue and RMB6,418,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB86,500,014,000 and RMB3,487,223,000,respectively.

36. BUSINESS COMBINATION (continued)

(i) As part of the Group's plan to expand its motor vehicle sales and service business in Hebei and Guangdong provinces, the Group acquired certain equity interests in the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from six third parties on 1 July 2017 at a total consideration of RMB161,820,000. The purchase consideration for the acquisition was in the form of cash, with RMB159,580,000 paid by the end of the year of 2017.

Company name	Acquired equity interests%
保定保匯汽車銷售有限公司 (Baoding Baohui Automobile Sales Co., Ltd)	80%
保定鋭安汽車銷售有限公司 (Baoding Ruian Automobile Sales & Service Co., Ltd)	80%
深圳市易達通汽車銷售有限公司 (Shenzhen Yidatong Automobile Sales Co., Ltd.)	100%
深圳市易達通汽車工貿有限公司 (Shenzhen Yidatong Automobile Industrial & Trading Co., Ltd.)	100%
深圳市易達豐田汽車銷售服務有限公司 (Shenzhen Yida Toyota Automobile Sales & Service Co., Ltd.)	100%

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	50,586
Intangible assets	16	85,900
Deferred tax assets	32(b)	1,543
Inventories		71,479
Trade receivables		11,570
Prepayments, deposits and other receivables		15,818
Pledged bank deposits		1,328
Cash in transit		2,954
Cash and cash equivalents		12,888
Trade and bills payables		(8,995)
Other payables and accruals		(68,450)
Bank loans and other borrowings		(70,274)
Deferred tax liabilities	32(b)	(22,035)
Total identifiable net assets at fair value		84,312
Non-controlling interests arising from the business combination		7,631
Goodwill on acquisition		85,139
Total purchase consideration		161,820

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

36. BUSINESS COMBINATION (continued)

(i) (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB11,570,000 and RMB15,818,000, respectively, which are equal to the gross contractual amounts.

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

	RMB'000
Cash consideration paid	(159,580)
Cash and cash equivalents acquired	12,888
Net cash outflow	(146,692)

Since the acquisition, the acquired business contributed RMB595,264,000 to the Group's revenue and RMB33,328,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB86,711,070,000 and RMB3,472,915,000, respectively.

37. DISPOSAL OF SUBSIDIARIES

	Notes	2017 RMB'000
Net assets disposed of:		
Property, plant and equipment	13	**96,782**
Land use rights	14	**1,819**
Intangible assets	16	**35,880**
Deferred tax assets	32(b)	**1,335**
Inventories		**100,901**
Prepayments, deposits and other receivables		**151,454**
Trade receivables		**1,509**
Prepayments		**7,538**
Cash and cash equivalents		**31,729**
Cash in transit		**4,351**
Bank loans and other borrowings		**(92,240)**
Trade and bills payables		**(35,233)**
Other payables and accruals		**(124,881)**
Income tax payable	32(a)	**(18,060)**
Deferred tax liabilities	32(b)	**(10,665)**
Non-controlling interests		**(7,409)**
		144,810
Goodwill	17	**50,176**
Loss on disposal of subsidiaries	5(b)	**(18,186)**
Total consideration		**176,800**

37. DISPOSAL OF SUBSIDIARIES (continued)

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

	2017 RMB'000
Cash consideration received	**94,600**
Cash and bank balances disposed of	**(31,729)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**62,871**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year, the Group did not enter into any material non-cash transaction.

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other loans RMB'000	**Bills Payable** RMB'000	**Finance lease Payable** RMB'000	**Convertible bonds** RMB'000	**Dividends payable** RMB'000
At 1 January 2017	15,271,771	3,049,445	3,801	2,753,130	9
Changes from financing cash flows	3,618,788	(1,207,520)	(5,332)	(814,353)	(618,207)
Equity component of convertible bonds	—	—	—	(56,779)	—
Exchange realignment	(263,154)	—	—	(66,105)	—
New finance lease	—	—	6,214	—	—
Interest expense	—	—	166	68,065	—
Increase arising from acquisition of subsidiaries	783,093	457,605	—	—	—
Decrease due to disposal of subsidiaries	(92,240)	(34,200)	—	—	—
Final 2016 dividend declared	—	—	—	—	561,204
Dividends paid to the non-controlling shareholders	—	—	—	—	57,003
At 31 December 2017	19,318,258	2,265,330	4,849	1,883,958	9

39. 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:

2017

FINANCIAL ASSETS

	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Available-for-sale investments	19,100	–	19,100
Trade receivables	–	1,082,746	1,082,746
Financial assets included in prepayments, deposits and other receivables	–	5,083,216	5,083,216
Amounts due from related parties	–	555	555
Pledged bank deposits	–	1,405,646	1,405,646
Cash in transit	–	356,063	356,063
Cash and cash equivalents	–	5,027,202	5,027,202
	19,100	12,955,428	12,974,528

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,470,593
Financial liabilities included in other payables and accruals	1,161,202
Amounts due to related parties	577
Bank loans and other borrowings	19,323,107
Convertible bonds	1,883,958
Other liabilities	245,000
	26,084,437

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2016

FINANCIAL ASSETS

	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Available-for-sale investments	25,850	—	25,850
Trade receivables	—	1,149,141	1,149,141
Financial assets included in prepayments, deposits and other receivables	—	4,729,060	4,729,060
Amounts due from related parties	—	952	952
Pledged bank deposits	—	1,241,999	1,241,999
Cash in transit	—	320,223	320,223
Cash and cash equivalents	—	4,157,264	4,157,264
	25,850	11,598,639	11,624,489

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	4,057,369
Financial liabilities included in other payables and accruals	631,160
Amounts due to related parties	820
Bank loans and other borrowings	15,275,572
Convertible bonds	2,753,130
Other liabilities	245,000
	22,963,051

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

ASSETS MEASURED AT FAIR VALUE:

The Group did not have any financial assets measured at fair value as at 31 December 2017 and 2016.

LIABILITIES MEASURED AT FAIR VALUE:

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 2016.

41. CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities.

42. COMMITMENTS

(a) CAPITAL COMMITMENTS

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

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for land use rights and buildings	192,935	278,064
Contracted, but not provided for potential acquisitions	487,250	359,617
	680,185	637,681

(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:

	2017		2016	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	120,676	168,763	106,807	124,341
After one year but within five years	386,127	656,438	304,158	501,991
After five years	577,231	1,151,530	286,184	964,036
	1,084,034	1,976,731	697,149	1,590,368

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.

43. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in note 13, note 14, note 19 and note 23, respectively, to the consolidated financial statements.

44. 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:

	2017 RMB'000	2016 RMB'000
(i) Sales of goods to a joint venture:		
— Xiamen Zhongsheng	**9,381**	10,750
(ii) Purchase of goods or services from joint ventures:		
— Xiamen Zhongsheng	**5,078**	10,165
— TAC	**2,195**	885
	7,273	11,050

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:

	2017 RMB'000	2016 RMB'000
(i) Due from related parties:		
Trade related		
Joint ventures		
— Xiamen Zhongsheng	**555**	882
— Zhongsheng Tacti	**—**	70
	555	952
(ii) Due to related parties:		
Trade related		
Joint ventures		
— Zhongsheng Tacti	**—**	172
— TAC	**577**	648
	577	820

44. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2017 RMB'000	2016 RMB'000
Short term employee benefits	36,034	18,592
Post-employee benefits	503	509
Total compensation paid to key management personnel	36,537	19,101

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.

45. SUBSIDIARIES

The following is a list of the Group's principal subsidiaries, all of which are unlisted, at 31 December 2017:

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	 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
大連中升豐田汽車銷售服務有限公司** (Dalian Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of USD8,000,000	–	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 & Service 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 & Service 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 & Service 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 & Service Co., Ltd.)	Dalian, the PRC 2005	Registered and paid-in capital of RMB90,000,000	–	100%	Sale and service of motor vehicles
廣州中升凌志汽車銷售服務有限公司** (Guangzhou Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Guangzhou, the PRC 2002	Registered and paid-in capital of USD10,000,000	–	100%	Sale and service of motor vehicles
大連中升凌志汽車銷售服務有限公司** (Dalian Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of USD17,500,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
泉州中升之星汽車銷售服務有限公司** (Quanzhou Zhongsheng Star Automobile Sales & Service 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 & Service Co., Ltd.)	Kunming, the PRC 2006	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
Zhongsheng Holdings Co., Ltd.	Hong Kong 1996	Registered and paid-in capital of HKD32,000,000	–	100%	Investment holding
東莞中升雷克薩斯汽車銷售服務有限公司* (Dongguan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of USD10,000,000	–	100%	Sale and service of motor vehicles
Billion Great Co., Ltd.	Hong Kong 2007	Registered and paid-in capital of HKD1	–	100%	Investment holding
煙台中升匯迪汽車銷售服務有限公司 (Yantai Zhongsheng Huidi Automobile Sales & Service Co., Ltd.)	Yantai, the PRC 2002	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
佛山中升之星汽車銷售服務有限公司** (Foshan Zhongsheng Star Automobile Sales & Service 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 & Service 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 & Service Co., Ltd.)	Changshu, the PRC 2008	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
沈陽中升豐田汽車銷售服務有限公司* (Shenyang Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Shenyang, the PRC 2009	Registered and paid-in capital of USD6,000,000	–	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 & Service 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 & Service 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 Ltd.	BVI 2008	Registered and paid-in capital of USD1	100%	–	Investment holding

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
成都中升之星汽車銷售服務有限公司** (Chengdu Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
重慶中升雷克薩斯汽車銷售服務有限公司** (Chongqing Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Chongqing, the PRC 2010	Registered and paid-in capital of RMB40,000,000	–	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 & Service Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB200,000,000	–	100%	Sale and service of motor vehicles
南京中升恆岳汽車銷售服務有限公司** (Nanjing Zhongsheng Hengyue Automobile Sales & Service 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 & Service 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 & Service Co., Ltd.)	Taicang, the PRC 2011	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 & Service 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 & Service Co., Ltd.)	Chengdu, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
樂清中升星輝汽車銷售服務有限公司** (Yueqing Zhongsheng Xinghui Automobile Sales & Service Co., Ltd.)	Yueqing, the PRC 2011	Registered and paid-in capital of RMB80,000,000	–	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 & Service Co., Ltd.)	Shenzhen, the PRC 2013	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
上海中升雷克薩斯汽車銷售服務有限公司** (Shanghai Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	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 & Service Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest		Principal activities
			Held by the Company %	Held by a subsidiary %	
武漢中升聚星汽車銷售服務有限公司** (Wuhan Zhongsheng Juxing Automobile Sales & Service Co., Ltd.)	Wuhan, the PRC 2014	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
合肥中升匯迪汽車銷售服務有限公司** (Hefei Zhongsheng Huidi Automobile Sales & Service Co., Ltd)	Hefei, 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 & Service Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB40,000,000	–	100%	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 & Service Co., Ltd.)	Jinan, the PRC 2001	Registered and paid-in capital of RMB10,000,000	–	100%	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 & Service Co., Ltd.)	Qingdao, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	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 & Service Co., Ltd.)	Dalian, the PRC 2014	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
深圳觀瀾中升雷克薩斯汽車銷售服務有限公司** (Shenzhen Guanlan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2014	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
北京中升之星汽車銷售服務有限公司** (Beijing Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Beijing, the PRC 2007	Registered and paid-in capital of RMB50,000,000	–	75%	Sale and service of motor vehicles
浙江中升星輝汽車銷售服務有限公司 * (Zhejiang Zhongsheng Xinghui Automobile Sales & Service Co., Ltd.)	Hangzhou, the PRC 1993	Registered and paid-in capital of USD13,980,000	–	100%	Sale and service of motor vehicles
杭州中升星宏汽車服務有限公司** (Zhejiang Zhongsheng Xinghong Automobile Sales & Service Co., Ltd.)	Hangzhou, the PRC 2006	Registered and paid-in capital of USD20,067,700	–	100%	Sale and service of motor vehicles
黑龍江中升之星汽車銷售服務有限公司** (Heilongjiang Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Harbin, the PRC 2014	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
成都中升智星汽車服務有限公司** (Chengdu Zhongsheng Zhixing Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2016	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
雲南中升遠安昆星汽車銷售服務有限公司* (Yunnan Zhongsheng Yuanan Kunxing Automobile Sales & Service Co., Ltd)	Kunming, the PRC 2004	Registered and paid-in capital of USD8,000,000	–	100%	Sale and service of motor vehicles
南京中升星徽汽車銷售服務有限公司** (Nanjing Zhongsheng Xinghui Automobile Sales & Service Co., Ltd)	Nanjing, the PRC 2016	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
上海中升奉星汽車銷售服務有限公司** (Shanghai Zhongsheng Fengxing Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
蘇州海星汽車銷售服務有限公司** (Suzhou Haixing Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2005	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
張家港海星汽車銷售服務有限公司** (Zhangjiagang Haixing Automobile Sales & Services Co., Ltd.)	Zhangjiagang, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
張家港海昌汽車銷售服務有限公司** (Zhangjiagang Haichang Automobile Sales & Services Co., Ltd.)	Zhangjiagang, the PRC 2007	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
常熟市海邦汽車銷售服務有限公司** (Changshu Haibang Automobile Sales & Service Co., Ltd.)	Changshu, the PRC 2003	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
常熟市中川汽車銷售服務有限公司* (Changshu Zhongchuan Automobile Sales & Service Co., Ltd.)	Changshu, the PRC 2016	Registered and paid-in capital of USD20,000,000	–	100%	Investment holding
泰雄星(南昌)汽車銷售服務有限公司* (Taixiongxing (Nanchang) Automobile Sales & Service Co., Ltd.)	Nanchang, the PRC 2014	Registered and paid-in capital of HKD30,000,000	–	100%	Sale and service of motor vehicles
海南南星汽車銷售服務有限公司* (Hainan Nanxing Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
東莞泰雄星汽車銷售服務有限公司* (Dongguan Taixiongxing Automobile Sales & Service Co., Ltd.)	Dongguan, the PRC 2014	Registered and paid-in capital of HKD20,000,000	–	100%	Sale and service of motor vehicles
佛山泰雄星汽車維修有限公司* (Foshan Taixiongxing Automobile Sales & Service Co., Ltd.)	Foshan, the PRC 2010	Registered and paid-in capital of HKD10,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
綿陽嘉程佳信汽車銷售服務有限公司** (Mianyang Jiacheng Jiaxin Automobile Sales & Service Co., Ltd.)	Mianyang, the PRC 2016	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
保定保匯汽車銷售有限公司** (Baoding Baohui Automobile Sales Co., Ltd)	Baoding, the PRC 2015	Registered and paid-in capital of RMB12,000,000	–	80%	Sale and service of motor vehicles
保定銳安汽車銷售服務有限公司** (Baoding Ruian Automobile Sales & Service Co., Ltd.)	Baoding, the PRC 2015	Registered and paid-in capital of RMB10,000,000	–	80%	Sale and service of motor vehicles
青島恆潤汽車銷售服務有限公司** (Qingdao Hengrun Automobile Sales & Service Co., Ltd.)	Qingdao, the PRC 2008	Registered and paid-in capital of RMB56,000,000	–	100%	Sale and service of motor vehicles
煙台恆潤汽車銷售服務有限公司** (Yantai Hengrun Automobile Sales & Service Co., Ltd.)	Yantai, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
濰坊恆潤汽車銷售服務有限公司** (Weifang Hengrun Automobile Sales & Services Co., Ltd)	Weifang, the PRC 2011	Registered and paid-in capital of RMB26,000,000	–	100%	Sale and service of motor vehicles
臨沂恆潤汽車銷售服務有限公司** (Linyi Hengrun Automobile Sales & Services Co., Ltd)	Linyi, the PRC 2011	Registered and paid-in capital of RMB16,000,000	–	100%	Sale and service of motor vehicles
吉林省成邦之星汽車銷售服務有限公司** (Jilin Chengbang Star Automobile Sales & Services Co., Ltd)	Changchun, the PRC 2012	Registered and paid-in capital of RMB70,000,000	–	100%	Sale and service of motor vehicles
吉林省成銘汽車銷售服務有限公司** (Jilin Chengming Automobile Sales & Services Co., Ltd)	Changchun, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
西安中升仕豪汽車銷售服務有限公司** (Xi'an Zhongsheng Shihao Automobile Sales & Services Co., Ltd)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安榮寶汽車銷售服務有限公司** (Xi'an Rongbao Automobile Sales &Services Co., Ltd)	Xi'an, the PRC 2009	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安昌寶汽車銷售服務有限公司** (Xi'an Changbao Automobile Sales & Services Co., Ltd)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
深圳市寶昌汽車銷售服務有限公司** (Shenzhen Baochang Automobile Sales & Services Co., Ltd)	Shenzhen, the PRC 2010	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
重慶市寶馴汽車銷售服務有限公司** (Chongqing Baoxun Automobile Sales & Services Co., Ltd)	Chongqing, the PRC 2010	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
深圳市易達通汽車銷售有限公司** (Shenzhen Yidatong Automobile Sales Co., Ltd.)	Shenzhen, the PRC 2007	Registered and paid-in capital of RMB18,000,000	–	100%	Sale and service of motor vehicles
深圳市易達通汽車工貿有限公司** (Shenzhen Yidatong Automobile Industrial & Trading Co., Ltd.)	Shenzhen, the PRC 2011	Registered and paid-in capital of RMB12,500,000	–	100%	Sale and service of motor vehicles
深圳市易達豐田汽車銷售服務有限公司** (Shenzhen Yida Toyota Automobile Sales & Services Co., Ltd)	Shenzhen, the PRC 2002	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
深圳悦晟汽車銷售服務有限公司** (Shenzhen Yuesheng Automobile Sales & Services Co., Ltd)	Shenzhen, the PRC 2017	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
深圳騰晟雷克薩斯汽車銷售服務有限公司 ** (Shenzhen Tengsheng Lexus Automobile Sales & Services Co., Ltd)	Shenzhen, the PRC 2017	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
東莞悦晟汽車銷售服務有限公司** (Dongguan Yuesheng Automobile Sales & Services Co., Ltd)	Dongguan, the PRC 2017	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
湛江晨興雷克薩斯汽車銷售服務有限公司* (Zhanjiang Chenxing Lexus Automobile Sales & Services Co., Ltd)	Zhanjiang, the PRC 2017	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
深圳晨興雷克薩斯汽車銷售服務有限公司* (Shenzhen Chenxing Lexus Automobile Sales & Services Co., Ltd)	Shenzhen, the PRC 2017	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
茂名大興雷克薩斯汽車銷售服務有限公司* (Maoming Daxing Lexus Automobile Sales & Services Co., Ltd)	Maoming, the PRC 2017	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
重慶易信達信息科技有限公司* (Chongqing Yixinda Information Technology Co., Ltd.)	Chongqing, the PRC 2017	Registered and paid-in capital of USD20,000,000	–	100%	Investment holding
天津中升匯迪汽車銷售有限公司** (Tianjing Zhongsheng Huidi Automobile Sales Co., Ltd)	Tianjin, the PRC 2007	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
成都中升匯迪汽車銷售服務有限公司** (Chengdu Zhongsheng Huidi Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
杭州中升之星汽車銷售服務有限公司** (Hangzhou Zhongsheng Star Sales & Service Co., Ltd.)	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
海南嘉華偉業投資有限公司** (Hainan Jiahua Weiye Investments Limited)	Haikou, the PRC 2009	Registered and paid-in capital of RMB28,571,429	–	65%	Investment holding
海口中升捷豐汽車銷售服務有限公司** (Haikou Zhongsheng Jiefeng Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	65%	Sale and service of motor vehicles
海口中升豐田汽車銷售服務有限公司** (Haikou Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2010	Registered and paid-in capital of RMB25,000,000	–	65%	Sale and service of motor vehicles
海口中升宏達汽車銷售服務有限公司** ((Haikou Zhongsheng Hongda Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2000	Registered and paid-in capital of RMB10,000,000	–	65%	Sale and service of motor vehicles
海南中升之星汽車銷售服務有限公司** (Hainan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2013	Registered and paid-in capital of RMB25,000,000	–	65%	Sale and service of motor vehicles
Loong Wah Motors Ltd.	Hong Kong 1978	Registered and paid-in capital of HKD10,000,000	–	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 HKD30,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest		Principal activities
			Held by the Company %	Held by a subsidiary %	
惠州中升雷克薩斯汽車服務有限公司* (Hui Zhongsheng Lexus Automobile Service Co., Ltd.)	Huizhou, the PRC 2008	Registered and paid-in capital of HKD30,000,000	–	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 & Service Co., Ltd.)	Foshan, the PRC 2008	Registered and paid-in capital of HKD30,000,000	–	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 USD10,000,000	–	100%	Sale and service of motor vehicles
大連星之寶汽車銷售服務有限公司* (Dalian Xingzhibao Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 2008	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
南京星之寶汽車銷售服務有限公司** (Nanjing Xingzhibao Automobile Sales & Service Co., Ltd.)	Nanjing, the PRC 2008	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
合肥星之寶汽車銷售服務有限公司** (Hefei Xingzhibao Automobile Sales & Service Co., Ltd.)	Hefei, the PRC 2009	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
福建星之寶汽車銷售服務有限公司** (Fujian Xingzhibao Automobile Sales & Service Co., Ltd.)	Fuzhou, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
無錫中升匯迪汽車銷售服務有限公司** (Wuxi Zhongsheng Huidi Automobile Sales&Service Co., Ltd)	Wuxi, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
青島中升仕豪汽車銷售服務有限公司** (Qingdao Zhongsheng Shihao Automobile Sales&Service Co., Ltd)	Qingdao,the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

45. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
濰坊中升仕豪汽車銷售服務有限公司** (Weifang Zhongsheng Shihao Automobile Sales&Service Co., Ltd)	Weifang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
沈陽中升仕豪汽車銷售服務有限公司** (Shenyang Zhongsheng Shihao Automobile Sales&Service Co., Ltd)	Shenyang, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
中升(中國)企業管理有限公司* (Zhongsheng (China) Business Management Co.,Ltd)	Beijing, the PRC 2009	Registered and paid-in capital of USD40,000,000	–	100%	Investment holding

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

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

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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, finance leases, 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 and other payables, which arise directly from its operations.

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

INTEREST RATE RISK

The Group has no significant interest-bearing assets other than pledged bank deposits (note 23) and cash and cash equivalents (note 25).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 26. 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
2017		
RMB	**15**	**(10,428)**
RMB	**(15)**	**10,428**
2016		
RMB	15	(10,154)
RMB	(15)	10,154

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 Hong Kong dollars, United States dollars and Euros as disclosed in note 25, note 26 and note 27, respectively.

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

46. 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 2017, 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:

	2017					
	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	—	5,865,952	11,059,368	2,570,316	—	19,495,636
Other liabilities	245,000	—	—	—	—	245,000
Trade and bills payables	—	3,278,549	192,044	—	—	3,470,593
Other payables	—	491,248	669,954	—	—	1,161,202
Amounts due to related parties	577	—	—	—	—	577
Convertible bonds	—	—	1,883,958	—	—	1,883,958
	245,577	9,635,749	13,805,324	2,570,316	—	26,256,966

	2016					
	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	—	3,896,915	9,831,586	1,971,648	—	15,700,149
Other liabilities	245,000	—	—	—	—	245,000
Trade and bills payables	—	3,808,531	248,838	—	—	4,057,369
Other payables	—	260,998	370,162	—	—	631,160
Amounts due to related parties	820	—	—	—	—	820
Convertible bonds	—	—	2,804,784	—	—	2,804,784
	245,820	7,966,444	13,255,370	1,971,648	—	23,439,282

46. 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 2017.

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, other liabilities, 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 the reporting date were as follows:

	2017 **RMB'000**	2016 RMB'000
Bank loans and other borrowings	**19,323,107**	15,275,572
Other liabilities	**245,000**	245,000
Convertible bonds	**1,883,958**	2,753,130
Trade and bills payables	**3,470,593**	4,057,369
Other payables and accruals	**2,935,400**	2,011,732
Amounts due to related parties	**577**	820
Less: Cash and cash equivalents	**(5,027,202)**	(4,157,264)
Cash in transit	**(356,063)**	(320,223)
Pledged bank deposits	**(1,405,646)**	(1,241,999)
Net debt	**21,069,724**	18,624,137
Total equity	**16,669,163**	13,098,959
Total equity and net debt	**37,738,887**	31,723,096
Gearing ratio	**55.8%**	58.7%

47. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 31 December 2017 and up to the date of approval of these financial statements.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,088,801**	2,233,720
Amounts due from subsidiaries	**7,276,421**	8,006,057
Total non-current assets	**9,365,222**	10,239,777
CURRENT ASSETS		
Prepayments, deposits and other receivables	**11,075**	22,042
Cash and cash equivalents	**169,013**	59,647
Total current assets	**180,088**	81,689
CURRENT LIABILITIES		
Bank loans and other borrowings	**334,363**	658,076
Other payables and accruals	**1,936**	258
Convertible bonds, current portion	**1,883,958**	2,753,130
Total current liabilities	**2,220,257**	3,411,464
NET CURRENT LIABILITIES	**(2,040,169)**	(3,329,775)
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,325,053**	6,910,002
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	**1,364,959**	1,176,587
Total non-current liabilities	**1,364,959**	1,176,587
NET ASSETS	**5,960,094**	5,733,415
EQUITY		
Share capital	**197**	186
Reserves (note)	**5,959,897**	5,733,229
Total equity	**5,960,094**	5,733,415

48. 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	Other reserve RMB'000	Total RMB'000
As at 1 January 2016	6,277,615	203,729	(301,386)	(361,296)	—	5,818,662
Total comprehensive income for the year	—	—	286,655	(281,935)	—	4,720
Final 2015 dividend declared	(90,153)	—	—	—	—	(90,153)
As at 31 December 2016	6,187,462	203,729	(14,731)	(643,231)	—	5,733,229
Total comprehensive loss for the year	—	—	(327,458)	(117,316)	—	(444,774)
Issue of shares	1,175,867	—	—	—	—	1,175,867
Transfer of equity component of convertible bonds upon the redemption of the 2014 convertible bonds	—	(203,729)	—	—	203,729	—
Issue of 2017 convertible bonds	—	56,779	—	—	—	56,779
Final 2016 dividend declared	(561,204)	—	—	—	—	(561,204)
As at 31 December 2017	6,802,125	56,779	(342,189)	(760,547)	203,729	5,959,897

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2018.

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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**86,290,288**	71,599,221	59,142,607	54,786,660	52,527,376
Cost of sales and services provided	**(77,606,286)**	(65,046,942)	(54,473,414)	(50,011,837)	(47,766,636)
Gross profit	**8,684,002**	6,552,279	4,669,193	4,774,823	4,760,740
Other income and gains, net	**1,842,863**	1,325,514	1,104,143	944,500	759,403
Selling and distribution expenses	**(3,294,302)**	(2,806,807)	(2,609,155)	(2,373,479)	(2,130,114)
Administrative expenses	**(1,347,069)**	(1,178,687)	(1,154,254)	(981,466)	(929,548)
Profit from operations	**5,885,494**	3,892,299	2,009,927	2,364,378	2,460,481
Finance costs	**(1,076,712)**	(1,018,020)	(1,295,697)	(1,272,568)	(1,075,227)
Share of profits and losses of:					
Joint ventures	**4,595**	4,148	1,408	3,638	4,791
Profit before tax	**4,813,377**	2,878,427	715,638	1,095,448	1,390,045
Income tax expense	**(1,337,523)**	(836,689)	(234,329)	(314,727)	(366,958)
Profit for the year	**3,475,854**	2,041,738	481,309	780,721	1,023,087
Attributable to:					
Owners of the parent	**3,350,413**	1,860,228	460,964	750,905	1,010,067
Non-controlling interests	**125,441**	181,510	20,345	29,816	13,020
	3,475,854	2,041,738	481,309	780,721	1,023,087

	31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**47,580,792**	39,645,059	38,725,315	38,908,251	33,735,178
TOTAL LIABILITIES	**(30,911,629)**	(26,546,100)	(26,109,320)	(26,527,323)	(24,038,052)
NON-CONTROLLING INTERESTS	**(756,172)**	(880,631)	(1,347,484)	(1,262,131)	(1,278,154)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**15,912,991**	12,218,328	11,268,511	11,118,797	8,418,972