ULTRA-LUXURY AND LUXURY BRANDS

Annual Report 2013 年報

CHINA ZHENGTONG AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

正通

Stock Code 股份代號：1728

CONTENTS

China ZhengTong Auto Services Holdings Limited

China ZhengTong Auto Services Holdings Limited (the "Company" or "ZhengTong" or "ZhengTong Auto", and together with its subsidiaries the "Group" or "we") is the leading 4S dealership group in China focused on dealership of premium and ultra premium branded automobiles such as BMW, MINI, Audi, Jaguar, Land Rover, Volvo, Imported Volkswagen, Benz, Cadillac, Infiniti, Acura, Lamborghini and Porsche. The Group also operates dealership stores of middle market brands, such as Nissan, Hyundai and Honda.

We have developed forward-looking strategic network covering developed regions and fast growing provinces in China so as to lay down a solid foundation for rapid growth of the Group in the future. As at 31 December 2013, we operated 92 dealership outlets in 31 cities across 14 provinces nationwide not only covering the developed automobile market of some of the affluent first-tier and capital cities, but also effectively expanding to second and third-tier cities and regions with rapid growth and low automobile penetration.

The Group has endeavored to provide our customers the most superior automobile sales and after-sale services. The provision of comprehensive automobile solutions and the adoption of customer-oriented business model allow the Group to facilitate its long-term relationship with customers. To address growing demand in automobile market, we have also strengthened its after-sale services with an aim to deliver our customers high quality services in a rapid manner. The Group's automobile logistics and lubricant oil trading business has been complementary to our automobile dealership and after-sale services business. Meanwhile, the Group has been developing its derivative services, such as sales of accessories for automobiles, pre-owned automobile business, automobile financing and insurance agency, in order to complete the strategic transformation of our business operation for achieving our goal of sustainable healthy growth.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2010 (stock code: 1728).

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

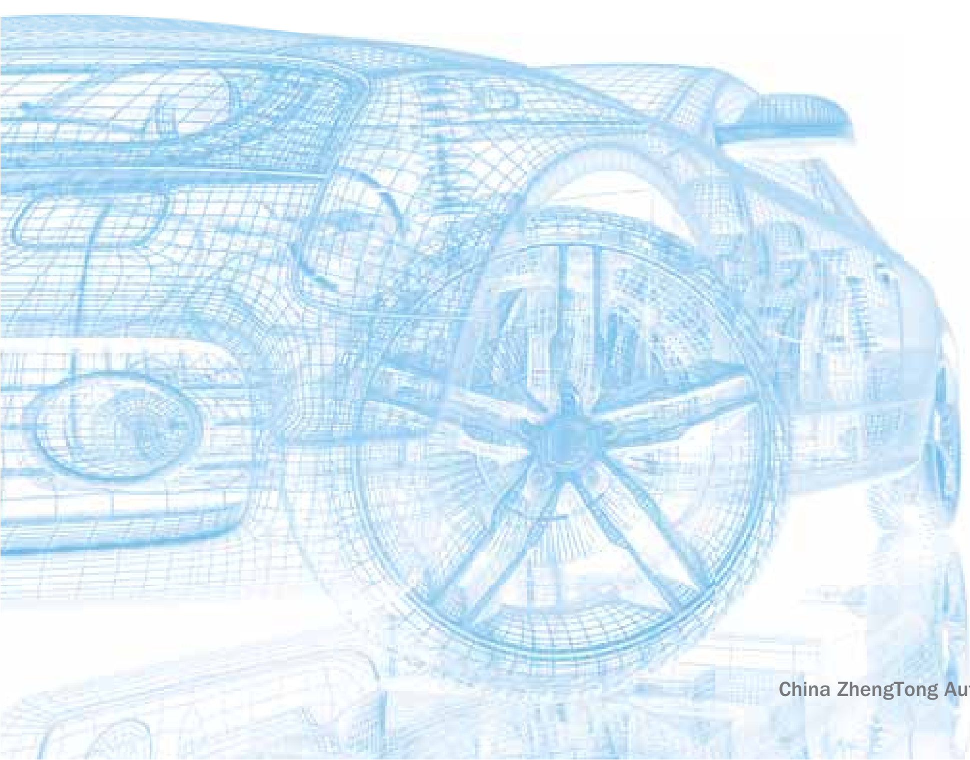
	2009	2010	2011	2012	2013
(RMB'000)	(note 1)				
Turnover	4,981,174	8,034,249	14,443,927	27,649,440	**29,840,269**
Profit before taxation	198,099	390,023	748,832	915,111	**1,206,330**
Income tax	(48,277)	(90,571)	(187,016)	(281,520)	**(352,132)**
Profit for the year	149,822	299,452	561,816	633,591	**854,198**
Attributable to:					
Shareholders of the Company	145,854	276,004	524,045	604,467	**837,390**
Non-controlling interests	3,968	23,448	37,771	29,124	**16,808**
	149,822	299,452	561,816	633,591	**854,198**

ASSETS AND LIABILITIES

	2009	2010	2011	2012	2013
(RMB'000)					
Total assets	2,508,749	6,732,293	15,989,422	16,942,232	**19,115,791**
Total liabilities	(2,049,084)	(2,659,302)	(9,667,503)	(10,141,645)	**(11,477,704)**
	459,665	4,072,991	6,321,919	6,800,587	**7,638,087**
Equity attributable to shareholders of the Company	444,024	4,014,783	6,210,404	6,708,738	**7,543,262**
Non-controlling interests	15,641	58,208	111,515	91,849	**94,825**
	459,665	4,072,991	6,321,919	6,800,587	**7,638,087**

Note:

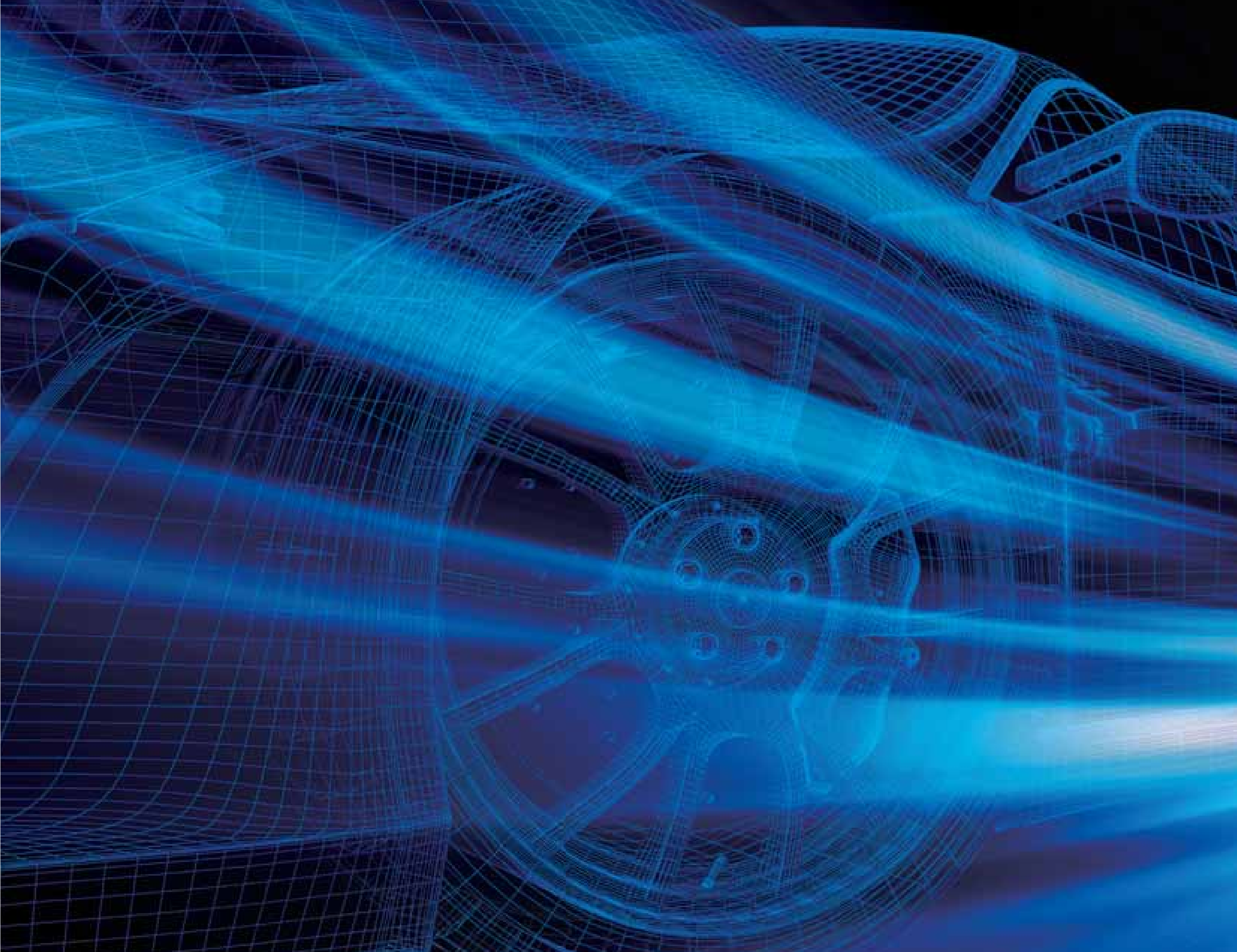
1. The figures for the year ended 31 December 2009 have been extracted from the prospectus of the Company dated 29 November 2010 (the "Prospectus").



CHAIRMAN'S STATEMENT

PERSEVERANCE AND DETERMINATION

Being determined to become the world's top automobile integrated services supplier

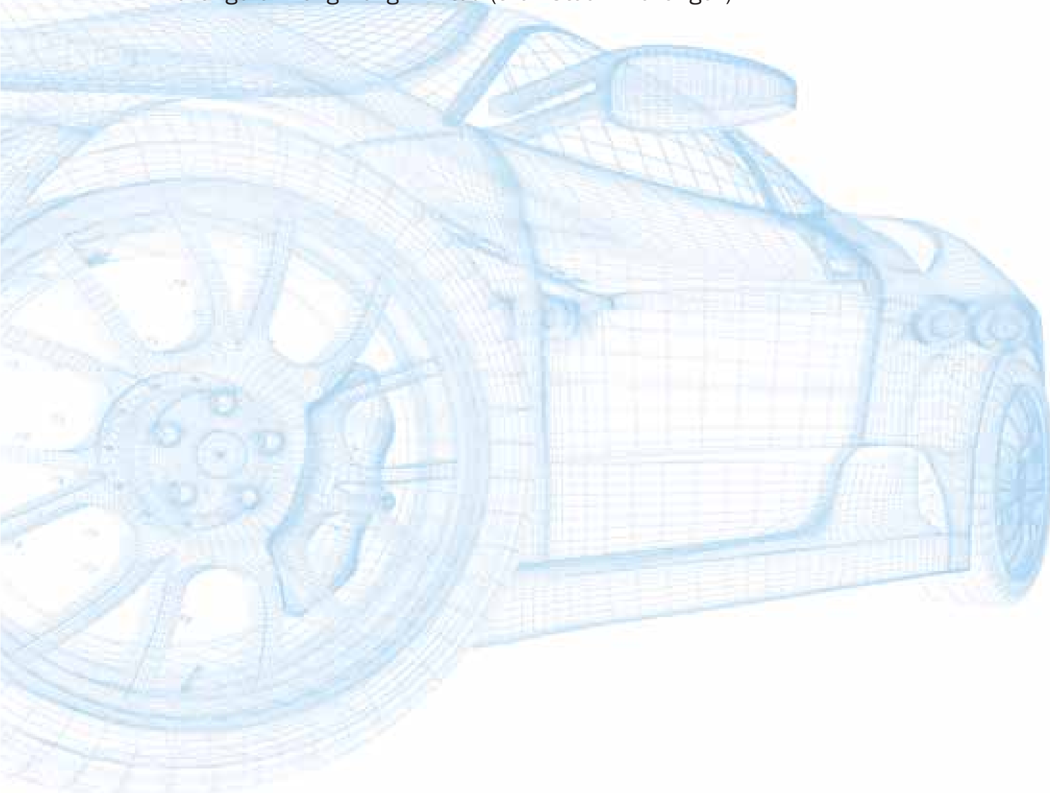



SALES
SPARE PARTS
SERVICE
SURVEY

DEAR SHAREHOLDERS:

It is my pleasure to be appointed as the chairman of the Board of China ZhengTong Auto Services Holdings Limited ("ZhengTong Auto" or the "Company",) and its subsidiaries (collectively the "Group", "We" or "us") with effect from 28 August 2013. On behalf of the board (the "Board") of the Company, I am very delighted to present our Shareholders the annual results of the Group for 2013 and share my vision for ZhengTong Auto with you.

As the global economy was improving in 2013, China's automobile market achieved double-digit growth with the volumes of automobiles manufactured and sold in China in 2013 were 22,116,800 and 21,984,100 respectively, representing increases of 14.8% and 13.9% respectively over 2012. Over 20 million of automobiles manufactured and sold in a single year have broken a new record, ranking China the top in the world for the fifth consecutive year. The sales volume of passenger automobile in China grew to 17,928,900 in 2013, representing an increase of 15.7% as compared with last year. Growth rate of sales volume of luxury and ultra-luxury branded automobiles continued to be ahead of the average of the automobile markets. For example, in 2013, the sales volume of Audi, BMW, Jaguar and Land Rover and Volvo, the major well-received luxury automobile brands in China market, were 488,488, 390,713, 95,237 and 61,146 respectively, representing increases of 21.2%, 19.7%, 30% and 45.6% respectively as compared with those in 2012. In addition, according to the China Association of Automobile Manufacturers, the automobile ownership in China was in excess of 137 million at the end of 2013, indicating an enormous demand for automobile after-markets services. With unceasing growth in sales volume of luxury and ultra-luxury branded automobiles as well as after-markets services business and derivative services business, we achieved satisfactory results in 2013. For the year ended 31 December 2013, the Group recorded a total turnover of RMB29,840 million, representing an increase of 7.9% over RMB27,649 million in 2012. The Group's overall gross profit amounted to RMB2,588 million, representing an increase of 5.5% over RMB2,452 million in 2012. Profit for the year increased by 34.7% to RMB854 million, as compared to RMB634 million in 2012. Profit attributable to shareholders increased by 38.6% to RMB837 million as compared to RMB604 million in 2012. Basic earnings per share amounted to RMB37.9 cents (2012: RMB27.4 cents). The Board recommended the distribution of a final dividend of HK$0.10 per share for the year ended 31 December 2013 for the first time after the Listing of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").



BUILDING UP A EXCELLENT BRAND IN AUTOMOBILE AFTER-MARKETS SERVICES

In 2013, the development of automobile after-markets services was in the phase of prosperity. "After-markets services" include all services provided after automobile sold to customer from dealer up to the automobile being scrapped at auto recycling center, such as automobile maintenance and repair, parts replacement, accessories installment, cleaning and fueling. As learnt from automobile markets in the U.S. and the Europe, the developed countries, profit of automobile industry chain was mainly derived from three major businesses, namely manufacturing and sales of automobile, parts and accessories as well as automobile after-markets services. Profit of manufacturing and sales of new automobile accounted for merely approximately 20%, and profit of automobile after-markets services accounted for approximately 60%. In contrast, at the present stage, profit of automobile after-markets services in China accounted for approximately 20% of the total in China's automobile industry chain, leaving huge potential for further development. Due to our early anticipation of future development of automobile markets and the potential in automobile after-markets services business, the Group has completed its strategic transformation in advance by shifting its strategic focus from sales of new automobiles to automobile after-markets services business.

Competition in after-markets services business in China has been fierce despite a huge potential for development, and quality of services in general have been low with a serious problem of product homogeneity. To seize the market opportunities for development, we have endeavored to provide high-quality and comprehensive services by capitalizing our scale of sales, sales network and financial strength, building up a excellent service brand and thus consolidating our leading position in China's automobile after-markets services business.

FAST AND BALANCED EXPANSION OF BUSINESS NETWORK

In 2013, we set up 6 new dealership stores, including 1 BMW 5S dealership store in Chengdu, 2 Cadillac 4S dealership stores in Dongguan and Zhanjiang respectively, 1 Acura 4S dealership store in Nanchang, 1 BMW authorized maintenance and repair services center in Wuhan and 1 Benz authorized maintenance and repair services center in Shenzhen. As at 31 December 2013, our dealership network had 92 opened dealership outlets covering 14 provinces and 31 cities across the country. The on-going expansion of our dealership network over years has gained us an evenly distributed nationwide coverage. In addition, as at the date of this report, other than the 3 new dealership stores opened in the beginning of 2014, we have been authorized to operate 28 new dealership outlets for brands of Porsche, BMW, MINI, Audi, Jaguar and Land Rover, Volvo and Benz. In future, we will accelerate the expansion of dealership network mainly by way of self-establishment.

With rapid increase in demand for automobile after-sales markets services, 4S dealership stores, in general, have been facing the shortage of stations for after-sales services which could not be fully resolved by expanding network or internal upgrade of our 4S dealership stores. Such problem has been effectively solved by setting up professional repair centers authorized by automobile brands, satisfying the increasing demand for automobile after-sales services in a short period of time by expanding business network rapidly with shorter time and lower cost needed for setting up of the repair centers than those for 4S dealership stores. In 2013, we set up 1 BMW authorized maintenance and repair services center and 1 Benz authorized maintenance and repair services center. It is our plan to set up additional maintenance and repair services center authorized by luxury brands, further enlarging our market share.

IMPLEMENTATION OF STRATEGIC PLAN THAT FOCUSING ON DERIVATIVE SERVICES BUSINESS

In 2013, our derivative services business, mainly including pre-owned automobiles, automobile insurance and automobile financing, continued to grow rapidly in addition to astonishing progress made in our automobile after-markets business. The commission income from our derivative services business increased by 46.6% from approximately RMB204 million in 2012 to approximately RMB299 million in 2013, becoming our fastest growing business sector. At present, derivative services business in China is at the initial stage of development, leaving an enormous room for future growth. As a result of our strategic planning for pre-owned automobile, automobile insurance and automobile financing businesses in advance, positive results have been shown, but we will continue to make additional efforts in developing derivative services business. Since our strategic development has focused on the derivative services business, we set up DingZe Insurance Agency Company Limited* (鼎澤保險代理有限公司) ("DingZe Insurance") upon the approval by the China Insurance Regulatory Commission in 2013, driving our insurance business to a higher level with the qualifications for insurance agency business in China. Such qualifications allowed us to directly participate automobile insurance business, access to customers' information, provide customers information about after-sales and insurance renewal services by fully capitalizing our scale of sales and the advantages of distribution channels, increasing our after-sales absorption rate and insurance renewal rate. On a wide base of high-end customers, we have provided our customers comprehensive insurance services in addition to automobile insurance, creating demand for insurance from high-end customers.

POSITIVE INTERLOCK-PERFORMANCE RELATIONSHIP BETWEEN AUTOMOBILE SALES BUSINESS AND AFTER-MARKETS SERVICES AND DERIVATIVE SERVICES BUSINESS

Gross margin of sales of new automobile has returned to a reasonable level despite an accelerated growth in sales of luxury branded new automobiles has been maintained. Given the equilibrium of supply and demand as well as an increase in proportion of entry-level luxury branded automobiles with lower gross margin, the gross margin of sales of luxury branded new automobiles will maintain at a reasonable level. Profit margin of sales of luxury branded new automobiles has been shrunk, while plenty of opportunities for automobile after-markets business have been brought about by sales of new automobiles. With China's market becoming mature, customers in China have acted in a more rational way that taking much count of the quality of services. As such, provision of high quality automobile after-markets services facilitates the sales of new automobiles indirectly. In short, the positive interlock-performance relationship between automobile sales business and after-markets services and derivative services business will drive the growth in both sales of new automobiles and after-markets services business.

STRATEGIC COOPERATION

We have maintained sound cooperation relationship with automobile manufacturers. In 2013, the Group entered into strategic cooperative agreements with Audi and Volvo, the luxury automobile brands, respectively, pursuant to which, Audi and Volvo undertook to grant us additional authorizations for dealership stores as well as more resources of best-selling automobiles. We believe that there will be enormous room for both Audi and Volvo to grow in China. By capitalizing on the support of Audi and Volvo, we may facilitate rapid growth in our business associated with Audi and Volvo.

Given the demand for the development of our insurance business, we entered strategic cooperative agreements with a number of top insurance companies in 2013. As the prospects of insurance business for luxury and ultra-luxury automobiles in China are intriguing, the entering of the strategic cooperative agreements will provide us strong support from the management team of the insurance companies as well as more favorable insurance rebate policies, expanding the business scale of high-margin auto insurance for accidents and repairs. Through the newly established DingZe Insurance, we are able to provide customers personalized insurance products in addition to automobile insurance, accelerating the development of our insurance business.

OUTLOOK

In 2014, there will be tremendous opportunities brought about by constant growth in China's luxury branded automobile market and huge development potential in after-markets services business. We will tap the opportunities brought about by the surge in automobile after-markets services business by capitalizing our wide loyal customer base established over years as well as the advantages of our nationwide dealership channels, in a bid to build up a excellent services brand in after-markets services for luxury branded automobiles and consolidate our market leader position in dealership, after-markets services and derivative services for luxury and ultra-luxury branded automobiles, endeavoring to become one of the world's top automobile integrated services providers.

APPRECIATION

We acknowledge that the Group's remarkable results for 2013 were attributable to the efforts and dedication of all its staff as well as the trust and support of our business partners and shareholders. In this regard, I would like to thank the shareholders, business partners and customers on behalf of the Board for their long-term support and trust. At the same time, I would also like to express my heartfelt gratitude to the staff of the Group for their loyalty, efforts and contributions over the past year. We will keep on striving for excellence with diligence, returning our Shareholders with extraordinary results.

Chairman of the Board
Wang Muqing

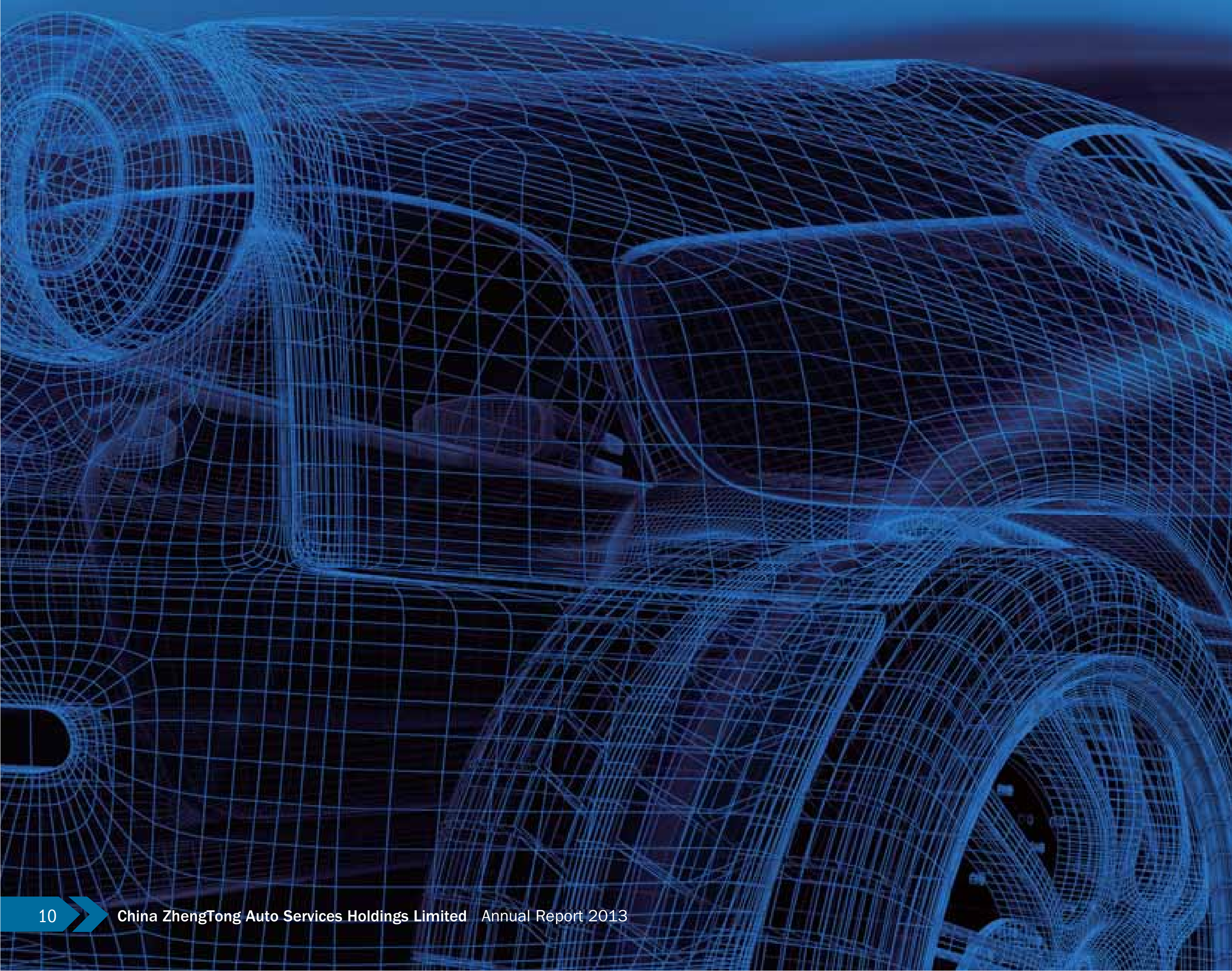
31 March 2014

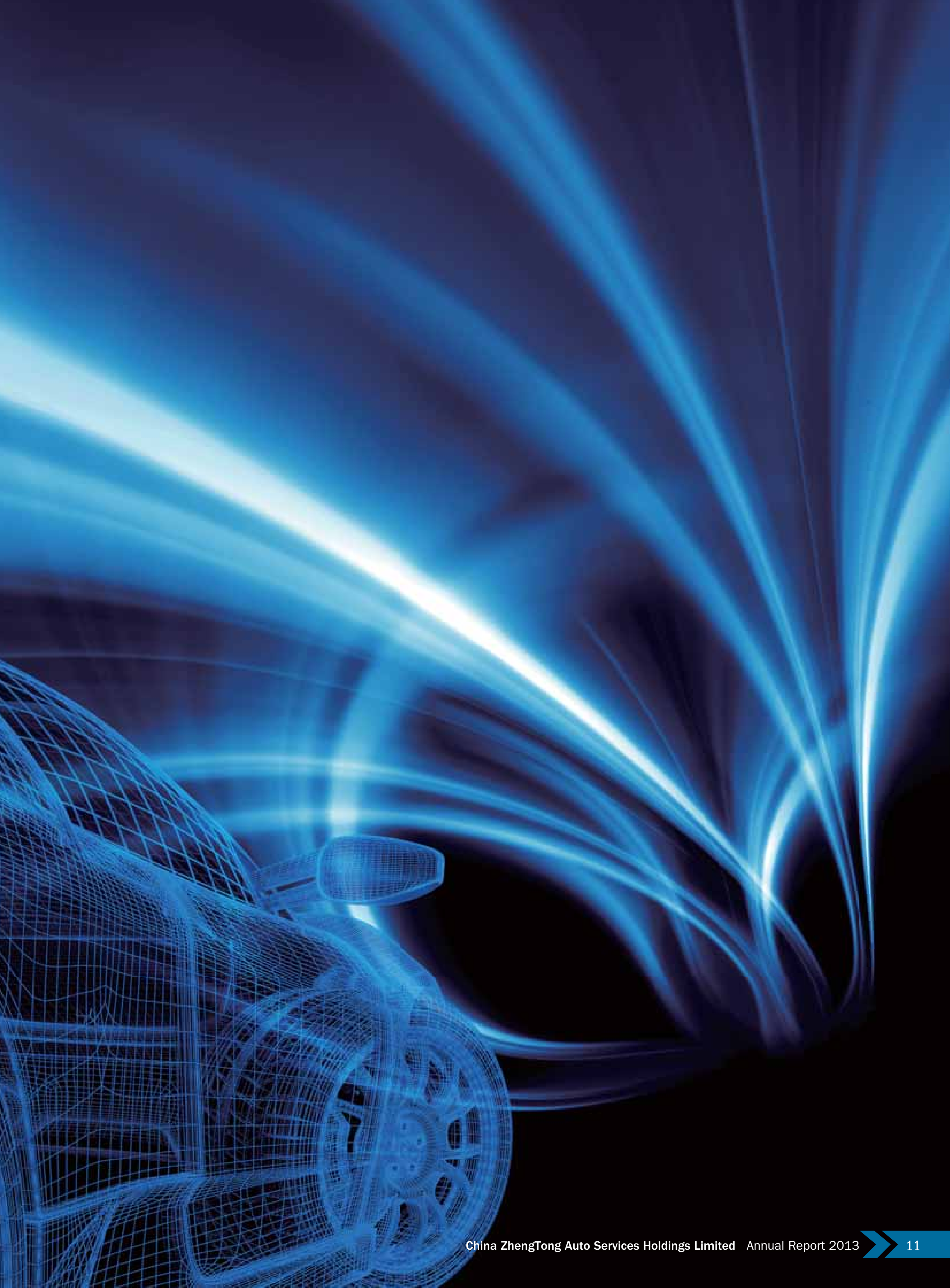
* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

SINCERE SERVICES

Establishing a top class brand by providing every customer with sincere services





MARKET REVIEW

In 2013, the global economy was improving and China's economy continued to grow steadily. According to the statistics released by the National Bureau of Statistics of China, the gross domestic products (GDP) of China in 2013 recorded a year-on-year growth rate of approximately 7.7%, same as that of 2012 but higher than the official target of 7.5%. According the China Association of Automobile Manufacturers, the sales volume of passenger automobiles in China grew by 15.7% to approximately 17,930,000 in 2013. As benefited from increased number of entry-level luxury automobiles launched in the market, growing demand for automobile upgrade and replacement as well as increase in penetration rate of automobile financing, the performance of luxury and ultra-luxury branded automobiles remained above the market average in 2013. In particular, the sales volume of Audi branded automobiles in China reached 488,488 (2012: 402,888), representing a growth of approximately 21.2%. The sales volume of BMW and MINI branded automobiles in China reached 390,713 (2012: 326,444), representing a year-on-year growth of approximately 19.7%. The sales volume of Jaguar and Land Rover branded automobiles in China reached 95,237 (2012: 73,347), representing a year-on-year growth of approximately 30%. The sales volume of Volvo branded automobiles in China reached 61,146 (2012: 41,989), representing a year-on-year growth of approximately 45.6%. However, gross profit margin of luxury and ultra-luxury branded automobiles have been dragged down by increasingly intensive competition in the market as well as a vast number of entry-level models of automobile at lower price launched by car makers in 2013.

Meanwhile, the rising penetration rate of automobiles has promoted a rapid growth in automobile after-markets services business, mainly including repair and maintenance services and sales of accessories, as well as derivative services business including pre-owned cars and agency for automobile insurance and automobile financing. The profitability of automobile after-markets business has been in excess of that of sales of new automobiles, becoming a new growth driver of the automobile market in China. In general, the China's automobile market has shown signs of recovery, sales volume of luxury and ultra-luxury branded automobile have got back on the right track for rapid growth, and the automobile after-markets business, including after-sales services and derivative services business, has entered into its stage of remarkable development.

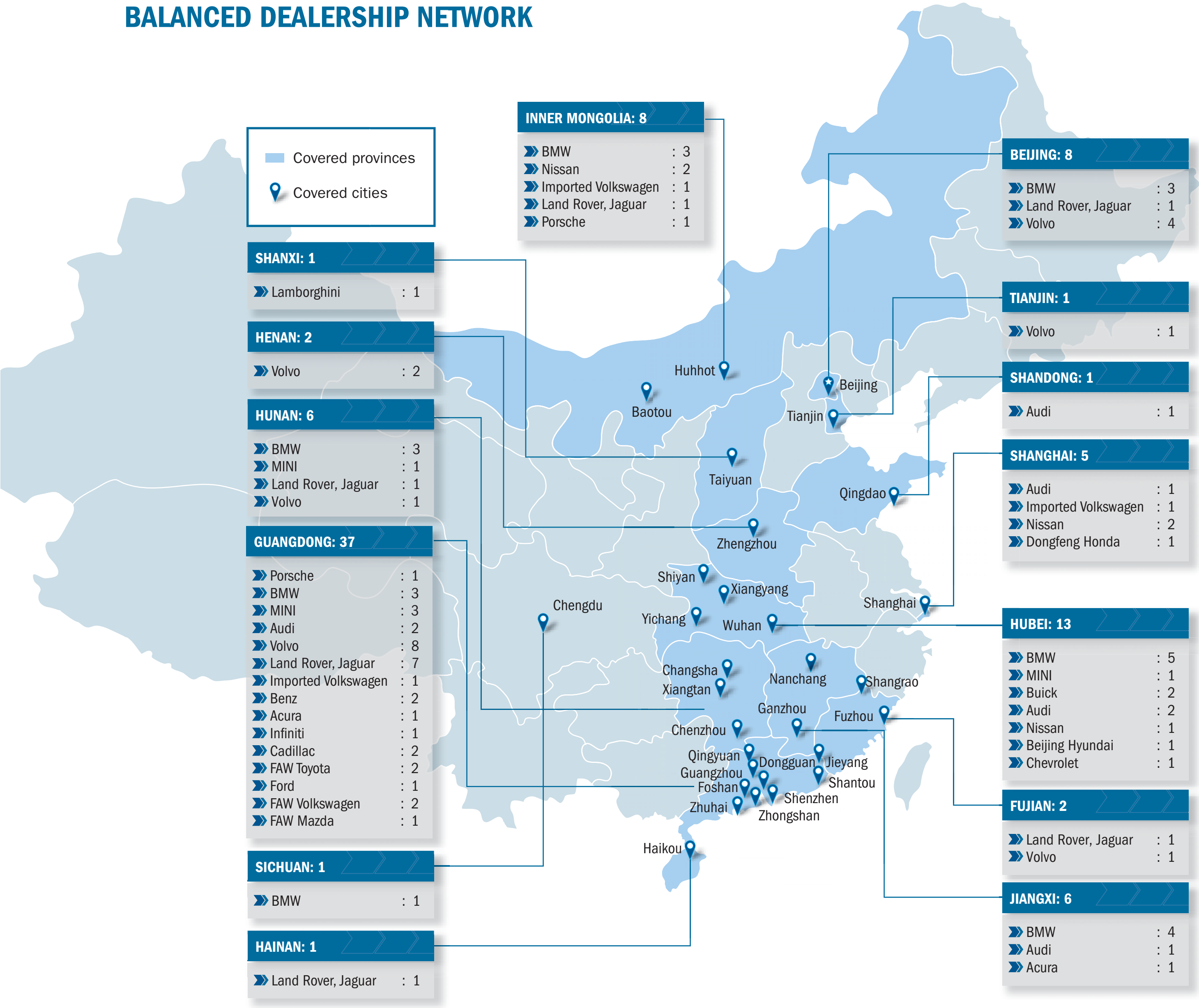
BUSINESS REVIEW

In 2013, by focusing on luxury and ultra-luxury branded automobiles, our performance has grown steadily. For the year ended 31 December 2013, our turnover was approximately RMB29,840 million, representing a year-on-year growth of 7.9%; gross profit was RMB2,588 million, a growth of 5.5%. Profit attributable to shareholders of the Company was RMB837 million, a growth of 38.6%. Earnings per share was RMB37.9 cents, representing a growth of 38.3%. In terms of sales volume, we sold 80,069 automobiles in total for the year ended 31 December 2013, representing a growth of 13.6%, in which 54,394 automobiles sold were luxury and ultra-luxury branded automobiles, up by 18.8%.

Well balanced expansion of sales network

Well balanced nationwide network has been the Group's important strategic advantage. Depending on such strategic advantage, we can realize scale effects and synergies to the largest extent. In addition to stimulating growth in sales volume of new automobiles, the Group has endeavored to promote the development of the high-margin after-markets services business and derivative services business, which provides us tremendous competitive advantage in the highly scattered Chinese automobile dealership market. During the year under review, we set up 6 new dealership stores for luxury and ultra-luxury branded automobiles, including 1 BMW 5S dealership store in Chengdu, 2 Cadillac 4S dealership stores in Dongguan and Zhanjiang, 1 Acura 4S dealership store in Nanchang, 1 BMW authorized maintenance and repair services center in Wuhan and 1 Benz authorized maintenance and repair services center in Shenzhen. As at 31 December 2013, the Group had 92 dealership outlets in operation, including 75 5S/4S dealership stores, 15 city showrooms and 2 authorized maintenance and repair services centers, out of which 76 dealership outlets were engaged in sales or services of luxury and ultra-luxury branded automobiles.

BALANCED DEALERSHIP NETWORK



INNER MONGOLIA: 8

BMW	: 3
Nissan	: 2
Imported Volkswagen	: 1
Land Rover, Jaguar	: 1
Porsche	: 1

SHANXI: 1

Lamborghini	: 1

HENAN: 2

Volvo	: 2

HUNAN: 6

BMW	: 3
MINI	: 1
Land Rover, Jaguar	: 1
Volvo	: 1

GUANGDONG: 37

Porsche	: 1
BMW	: 3
MINI	: 3
Audi	: 2
Volvo	: 8
Land Rover, Jaguar	: 7
Imported Volkswagen	: 1
Benz	: 2
Acura	: 1
Infiniti	: 1
Cadillac	: 2
FAW Toyota	: 2
Ford	: 1
FAW Volkswagen	: 2
FAW Mazda	: 1

SICHUAN: 1

BMW	: 1

HAINAN: 1

Land Rover, Jaguar	: 1

BEIJING: 8

BMW	: 3
Land Rover, Jaguar	: 1
Volvo	: 4

TIANJIN: 1

Volvo	: 1

SHANDONG: 1

Audi	: 1

SHANGHAI: 5

Audi	: 1
Imported Volkswagen	: 1
Nissan	: 2
Dongfeng Honda	: 1

HUBEI: 13

BMW	: 5
MINI	: 1
Buick	: 2
Audi	: 2
Nissan	: 1
Beijing Hyundai	: 1
Chevrolet	: 1

FUJIAN: 2

Land Rover, Jaguar	: 1
Volvo	: 1

JIANGXI: 6

BMW	: 4
Audi	: 1
Acura	: 1

Total number of dealership stores in operation in the PRC as at 31 December 2013: 92

We will endeavor to expand our sales network in order to consolidate and boost our large scale of sales volume and distribution channel. As at the date of this report, in addition to our 3 new dealership stores opened in the beginning of 2014, the Group has 28 authorized dealership outlets to be opened which are located in first tier cities, such as Beijing, Shanghai, Guangzhou, Shenzhen, and regions with potential for rapid development, such as Inner Mongolia, Shandong, Hebei, Henan, Zhejiang, Hubei, Hunan, Jiangxi and Guangdong, brands involved include BMW, MINI, Audi, Jaguar and Land Rover, Volvo, Porsche and Benz. The following table sets forth the details our dealership outlets as at 31 December 2013:

	Opened dealership outlets	Authorized dealership outlets to be opened	Total
Luxury and ultra-luxury branded 5S/4S store	59	24	83
Mid-to-high end branded 4S store	16	0	16
Showroom for luxury branded automobile in urban area	15	3	18
Authorized maintenance and repair services center for luxury brands	2	3	5
Pre-owned automobile center	0	1	1
Total	92	31	123

Optimization of strategic advantages of brand portfolio and geographical coverage

With our on-going strategic expansion over years, the brands under our operations have covered those regions where having the highest demand for luxury and ultra-luxury branded automobiles and highest market shares of luxury and ultra-luxury branded automobiles. Our dealership network has expanded to the economically developed regions or regions with the most high potential for development. The brands under our dealership include luxury and ultra-luxury brands like Lamborghini, Porsche, BMW/MINI, Audi, Jaguar and Land Rover, Benz, Volvo as well as certain high-to-mid end brands, in which the Group has successfully become core dealer of BMW/MINI, Audi, Jaguar and Land Rover and Volvo. During the period under review, we became a strategic partner with Audi and Volvo, gaining more dealership authorizations and best-selling automobile resources from Audi and Volvo. Audi has the highest market share in luxury branded automobile market in China and Volvo is one of the fastest growing luxury branded automobile in China. As at the date of this report, our dealership network covers 14 provinces and 31 cities across the nation, including first tier cities in coastal regions, such as Beijing, Shanghai, Guangzhou and Shenzhen, as well as second and third tier cities with huge potential for development. In 2014, the Group will optimize its strategic advantages in brand portfolio and geographical coverage, consistently providing a driving force for the development of sales of new automobiles, after-sales services and derivative services.

After-sales services with improved quality and innovative business model

With the on-going expansion of our scale of operation, the Group has established a wide loyal customer base of after-sales services, supporting the after-sales services to consistently achieve satisfactory results and bringing the Group steady revenue and considerable profit. For the year ended 31 December 2013, the Group's after-sales services business contributed turnover of approximately RMB2,783 million, up by approximately 20.1% from the turnover of approximately RMB2,317 million over the same period last year. Gross profit generated from the after-sales services increased from approximately RMB1,044 million in 2012 to approximately RMB1,262 million, representing a growth of 20.9%. Gross profit margin of the after-sales services increased to 45.3% from 45.1% in 2012. The contribution of its revenue increased from 8.4% in 2012 to 9.3% in 2013. The contribution of its gross profit increased from 42.6% in 2012 to 48.8% in 2013. As our core business, profitability of the after-sales services will be in excess of that from the sales of new automobiles, significantly improving our profitability and stability.

The Group has placed a great emphasis on its after-sales services focusing on improvement of service quality, design of innovative after-sales model and establishment of reputation of our after-sales services. It is our key development strategy to tap huge economic potential of our after-sales services business. We have adhered to our operational notion of "customer comes first", and quality and innovation are the key elements of our after-sales services. Our after-sales services are provided not only in our existing 4S dealership stores, but also in the authorized repair centre for luxury and ultra-luxury branded automobile customers set up by the Group, which provide the consumers express and convenient after-sales services in a professional manner. In 2013, we have set up a Benz authorized repair center and a BMW repair centers. Not only could the establishment of luxury branded automobiles authorized repair centers accelerate the expansion of geographical coverage of our after-sales services, but also effectively reduce the operation cost of after-sales services, improve the repair efficiency, shorten the waiting time of services, attract the customers, allows the Group to grasp opportunities ahead of the peers in expanding our share in the after-sales services market with huge potential for development.

Rapid development of derivative services business by leveraging economies of scale

With further increases in automobile penetration rate in China, the derivative services business will become our third greatest source of profit following sales of new automobiles and after-sales services. In 2013, our derivative services business made astonishing progress, with commission income of RMB299 million recorded, representing an increase of 46.6% as compared with RMB204 million in 2012, becoming our fastest growing business sector.

Our large-scale operations and a wide range of distribution channels have further accelerated the development of the derivative services business. In respect of sales of accessories for automobiles, our large-scale operation as well as collective procurement model that allow us to procure high quality products at low price have significantly reduced costs of purchase and enhanced customers' satisfaction, promoting rapid and consistent growth in our automobile accessories business. In respect of pre-owned automobiles business, our pre-owned automobile business gained recognition of customers by providing them excellent experience through our professional pre-owned automobile assessment system as well as our smooth online trading platform, contributing a relatively substantial increase in trading volume of pre-owned automobiles as compared with last year. For insurance business, our large-scale operations and the nationwide dealership network have established a wide customer base for insurance business. Approved by the China Insurance Regulatory Commission, the Group established a nationwide insurance agency company in September 2013, DingZe Insurance Agency Company Limited* (鼎澤保險代理有限公司) (DingZe Insuarnce), to full take the advantages of such wide customer base. In order to commerce automobile insurance business across the country as soon as possible, the Group has set up branches of DingZe Insurance in major cities in China in a timely manner. DingZe Insurance will provide comprehensive and tailor-made automobile insurance services to the customers of our insurance business. Establishment of professional insurance agency company is advantageous for our commencement of automobile insurance business. It allows us not only to obtain more revenue share from the insurance company through leveraging economies of scale, but also to strengthen communication with customers through access of detailed customer information so as to enhance the rate of insurance renewal. For automobile financing business, the automobile financing business in China's automobile market grew rapidly in 2013, and financing penetration rate of luxury and ultra-luxury branded automobiles increased significantly in general. Also, the increasing number of young buyers of luxury and ultra-luxury branded automobiles has escalated the acceptance of automobile financing rapidly. We will seize opportunities of automobile financing and achieve rapid growth of automobile financing business by ways of cooperating with well-known financial institutions, taking the advantages of large sales scale and nationwide distribution channels, diversifying our financial products and expanding our scope of financial services.

The strategic layout of the Group's nationwide sales network and tremendous sales of automobile built up over the years will provide considerable advantage and on-going driving force for rapid development of our derivative services business, we will fully take such strategic advantage, turning the derivative services business to be our major driver for on-going development.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2013, the Group generated turnover of approximately RMB29,840 million, representing an increase of approximately 7.9% over the turnover of approximately RMB27,649 million in 2012. The increase in turnover was mainly due to the year-on-year increase in turnover of dealership stores opened last year as well as increase in number of dealership stores during the year under review. For the year ended 31 December 2013, sales revenue from luxury and ultra-luxury branded new automobiles increased to RMB23,494 million, representing a growth of approximately 7.6% over RMB21,834 million in 2012, the sales revenue attributable to total sales of new automobiles increased to 88.3% from 87.9% in 2012; revenue from after-sales services of luxury and ultra-luxury branded automobiles was RMB2,334 million, representing a growth of approximately 22.8% as compared to RMB1,901 million in 2012, and accounted for 83.9% of the total revenue of after-sales services business. The following table sets forth a breakdown of our turnover and relevant information for the periods indicated.

	For the year ended 31 December		
Sources of turnover	Turnover 2013 (RMB'000)	Turnover 2012 (RMB'000)	Change (%)
Sales of new automobiles			
Luxury and ultra-luxury brands	23,493,902	21,833,857	7.6
High-to-mid market brands	3,100,723	3,007,178	3.1
Sub-total	26,594,625	24,841,035	7.1
After-sales services			
Luxury and ultra-luxury brands	2,333,533	1,901,360	22.8
High-to-mid market brands	449,297	415,812	8.1
Sub-total	2,782,830	2,317,172	20.1
Logistics services and lubricant oil trading	462,814	491,233	(5.8)
Total	29,840,269	27,649,440	7.9

Cost of sales

For the year ended 31 December 2013, cost of sales of the Group amounted to approximately RMB27,252 million, representing an increase by 8.2% from RMB25,198 million in 2012. Such increase was substantially in line with the increase in turnover.

Gross profit and gross profit margin

For the year ended 31 December 2013, the Group's gross profit was approximately RMB2,588 million, representing an increase of approximately 5.5% over approximately RMB2,452 million in 2012. The gross profit for the sales of new automobiles in 2013 decreased by 5.5% to approximately RMB1,263 million from approximately RMB1,336 million in 2012; the gross profit for the after-sales services in 2013 increased by 20.9% to approximately RMB1,262 million from approximately RMB1,044 million in 2012, accounting for 48.8% of our total gross profit as compared with 42.6% in 2012. The gross profit for the sales of luxury and ultra-luxury branded automobiles decreased from approximately RMB1,300 million in 2012 to approximately RMB1,225 million. The gross profit for the provision of after-sales services of luxury and ultra-luxury branded automobiles was approximately RMB1,062 million, representing a growth of approximately 23.3% as compared to RMB861 million in 2012.

For the year ended 31 December 2013, the consolidated gross profit margin of the Group was approximately 8.7%, representing a decrease of approximately 0.2 percentage point as compared with approximately 8.9% for 2012. The gross profit margin for the sales of new automobiles was 4.7% (2012: 5.4%), among which, the gross profit margin for the sales of luxury and ultra-luxury branded new automobiles was 5.2% (2012: 6.0%). The decline was due to increasing competition in luxury and ultra-luxury automobile market in China as well as reduction in average selling price of luxury and ultra-luxury automobiles caused by a vast number of entry-level luxury automobiles launched by car makers in 2013. The gross profit margin for after-sales services was 45.3% (2012: 45.1%). The increase in the gross profit margin for the after-sales services business was due to the improvement in the operating efficiency and quality of the Group's after-sales services as well as increase in reputation of our after-sales services, with further room for growth expected.

Selling and distribution expenses

For the year ended 31 December 2013, the Group's selling and distribution expenses amounted to approximately RMB698 million, representing a slight increase of approximately 0.6% over approximately RMB694 million for 2012. Slight increase was due to synergy effects being utilized fully by the Group for integrating sales resources of a single brand name in the same region, cutting down the selling and distribution expenses.

Administrative expenses

For the year ended 31 December 2013, the Group's administrative expenses amounted to approximately RMB581 million, representing a decrease of approximately 20.2% over approximately RMB728 million for 2012. Such decrease was primarily due to the Group's re-assessment of the estimated useful life of car dealerships in the current period by our management. Such move was based on the outlook of the Chinese automobile market and the increasing number of automobile ownership with reference to general practice of automobile dealership industry.

Profit from operations

For the year ended 31 December 2013, the Group's profit from operations amounted to approximately RMB1,674 million, representing an increase of approximately 28.8% as compared with approximately RMB1,300 million for 2012. The operating profit margin was approximately 5.6%, an increase of approximately 0.9 percentage point over 4.7% in 2012.

Income tax expenses

For the year ended 31 December 2013, the Group's income tax expenses amounted to approximately RMB352 million and the effective tax rate was approximately 29.2%.

Profit for the year

For the year ended 31 December 2013, the Group's profit for the year was approximately RMB854 million, representing an increase of approximately 34.7% over approximately RMB634 million for 2012. During the year, net profit margin was 2.9%, up approximately 0.6 percentage point from 2.3% in 2012.

Final dividend

After the listing of the Group on the Stock Exchange, the Group has achieved rapid growth by establishment of new 4S dealership stores and acquisition of the Top Globe and its subsidiaries (the "SCAS group"). Coupling with the portfolio of luxury and ultra-luxury branded automobiles and balanced geographical coverage in economically developed regions and those regions with economically rapid growth in China, the growth in performance of the Group is expected to sustain steadily. In addition, the issuance of five years US dollar bonds in 2013 further optimized the debt structure of the Group, resulting in sufficient operating cash flow and maintaining good growth trend. Therefore, for the first time, the Board resolved to propose to the shareholders of the Company on the forthcoming annual general meeting on 28 May 2014 (the "AGM") for the distribution of a final dividend of HK$0.10 per share for the year ended 31 December 2013 payable to the shareholders of the Company whose names are listed in the register of the Company on 6 June 2014. The proposal for the distribution of the final dividend is subject to the consideration and approval of the shareholders at the AGM of the Company.

Contingent liabilities

As at 31 December 2013, the Group had no material contingent liabilities or guarantees save as those assets pledged to banks for loans and borrowings.

Current assets and current liabilities

As at 31 December 2013, the Group's current assets amounted to approximately RMB10,313 million, representing an increase of RMB1,477 million as compared to current assets of approximately RMB8,836 million as at 31 December 2012. Such increase was primarily attributable to increase in trade receivables due to temporary extension of our receivable turnover of installment payment by customer as at the end of 2013. As at 31 December 2013, the Group's current liabilities amounted to approximately RMB8,205 million, representing an increase of approximately RMB206 million as compared to current liabilities of approximately RMB7,999 million as at 31 December 2012. Such increase was due to the increase in notes payables for automobile purchase. As at 31 December 2013, our net current assets amounted to RMB2,108 million, representing a significant improvement as compared with our net assets of RMB837 million as at 31 December 2012.

Cash flow

As at 31 December 2013, the Group has cash and cash equivalents amounting to approximately RMB1,468 million, representing an increase of approximately RMB265 million over approximately RMB1,203 million as at 31 December 2012. The Group's transactions and monetary assets are principally conducted in RMB. The Group's primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and normal recurring expenses and to establish new dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the year ended 31 December 2013, the Group had net cash inflow of RMB1,271 million in its operating activities, representing a significant increase as compared with RMB822 million for the year ended 31 December 2012. Such increase was mainly attributable to increase in cash inflow due to improvement of our profitability as well as decrease in inventory balance at the end of the period derived from our enhanced inventory management.

Capital expenditure and investment

For the year ended 31 December 2013, the Group's capital expenditure and investment was approximately RMB1,198 million (2012: approximately RMB1,271 million). Our capital expenditure includes primarily property, equipment, land use rights and construction costs of new dealership outlets.

Inventory

The Group's inventories included vehicles and automobile spare parts. Generally, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventory, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group was approximately RMB2,528 million as at 31 December 2013, decreased by approximately RMB742 million when compared with RMB3,270 million as at 31 December 2012. Such decrease was due to the adjustment on our inventory strategy for adapting to changing market situations. The following table sets forth our average inventory turnover days for the years indicated:

	For the year ended 31 December (days)	
	2013	2012
Average inventory turnover days	38.8	47.2

Risks of foreign exchange fluctuation

The Group conducts its business primarily in Renminbi. Certain bank deposits, bank loans and credit enhanced bonds were denominated in foreign currencies. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. Nevertheless, the Group will closely monitor currency fluctuations and will consider hedging these exposures should the need arise.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks. As at 31 December 2013, the Group's cash and bank deposits were approximately RMB3,014 million (including: restricted bank deposits of approximately RMB1,546 million and cash and cash equivalents), representing an increase of approximately RMB513 million, from approximately RMB2,501 million as at 31 December 2012. As at 31 December 2013, loans and borrowings and bonds payable of the Group amounted to approximately RMB5,295 million (31 December 2012: RMB4,899 million). As at 31 December 2013, save as interest-bearing bank loans and other borrowings of approximately RMB4,062 million that bore interest at fixed rates, other interest-bearing bank loans and other borrowings bore interest at floating rates. As at 31 December 2013, net gearing ratio of the Group was 29.9% (31 December 2012: 35.3%). Net gearing ratio was calculated as loans and borrowings and bonds payable less cash and bank deposits divided by owner's equity.

Pledged assets of the group

The Group has pledged its group assets as the security for loans and borrowings as well as bank financings to be used as working capital for daily operations. As at 31 December 2013, the pledged assets of the Group amounted to approximately RMB2,795 million (31 December 2012: approximately RMB2,628 million).

Investments held in foreign currency and hedging

For the year ended 31 December 2013, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate. Currently, the Group does not employ any financial instruments for hedging purposes.

Employees and remuneration policies

As at 31 December 2013, the Group had a total of 7,903 employees in Mainland China and Hong Kong (31 December 2012: 7,258 employees). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provides good working environment and diversified training program. The Company has adopted share option schemes and a restricted share award scheme for granting shares to eligible employees as incentives or rewards for their contribution to the Group.

OUTLOOK AND STRATEGIES

Looking ahead 2014, macro-economy in China will continue to steadily improve, and we are confident that long-term development of automobile industry will be achieved, particularly luxury and ultra-luxury automobile industry. We anticipate a reasonable growth in sales volume of luxury branded automobile in China, and after-markets services business and derivative services business will enter into a stage of rapid development. The development of the automobile after-markets services business and derivative services business has a close relation with the dealer's accumulative sales volume and distribution channels. To take opportunities for development of the automobile after-markets services business and derivative services business, we are committed to expand the automobile after-markets business and complete our strategic transformation of business operation by capitalizing on our large-scale operations, and channel advantages from our nationwide dealership network, providing our shareholders, staff members and the society higher value, with an aim to become the top comprehensive automobile services supplier in the world.

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group also acknowledges the vital importance of good corporate governance to the Group's success and sustainability.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Board is of the view that throughout the year ended 31 December 2013, the Company has complied with the respective code provisions ("Code Provisions") of the CG Code, except for the deviations from Code Provisions A.2.1 and A.6.7 as follows:

Code Provision A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed a chairman of the Board for the period from 1 January 2013 to 27 August 2013, and Mr. Wang Kunpeng, the Chief Executive Officer, usually chairs meetings of the Board. In order to establish a clear division of responsibilities of the management of the Board and the day-to-day management of business of the Company to ensure a balance of power and authority, Mr. Wang Muqing, the non-executive Director of the Company, was appointed as the chairman of the Board with effect from 28 August 2013.

Code Provision A.6.7

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. However, due to other commitments, Mr. Wang Muqing, a non-executive Director and Mr. Tan Xiangyong, an independent non-executive Director, were unable to attend the 2013 annual general meeting of the Company.

The Company will periodically review and enhance its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a securities dealing code ("Securities Dealing Code") regarding securities transactions of the Directors with standards no less exacting than that 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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code and the Model Code throughout the year ended 31 December 2013.

The Company has also adopted a warning to employees about insider dealing ("Insider Dealing Warning") for securities transactions by employees.

No incident of non-compliance of the Insider Dealing Warning by the employees was noted by the Company.

BOARD OF DIRECTORS

Board Composition

The Board is currently made up of 8 members in total, with 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

The Board comprises the following Directors:

Non-executive Director:

Mr. Wang Muqing *(Chairman)*

Executive Directors:

Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo
Mr. Chen Tao
Mr. Shao Yong Jun

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin	
Mr. Zhao Chunjun	(appointed on 19 December 2013)
Mr. Chang Xiuze	(appointed on 19 December 2013)
Mr. Tan Xiangyong	(resigned on 19 December 2013)
Mr. Zhang Yansheng	(resigned on 19 December 2013)

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The updated list of Directors (by category) identifying their roles and functions is also disclosed in the Company's website and the Stock Exchange's website pursuant to the Listing Rules.

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

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The proportion of the independent non-executive Directors was more than one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. Therefore, the Company considers all such Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including the non-executive Director 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.

Responsibilities

The Board is collectively responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees (the "Committees") and has delegated to these Committees various responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

Delegation by the Board

The Board reserves for its decisions on all major matters of the Company, including: the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the secretary of the Company ("Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making such request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Operation and Management Committee which is the management authority of the Group. The members of it are the Chief Executive Officer, three other executive Directors, and members of the senior management. Its delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions to be entered into by the Group.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association (the "Articles"). The nomination Committee is responsible for reviewing the structure, size and composition of the Board, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. Details of the Nomination Committee are set out in the "Board Committees" section below.

Each of the Directors is engaged on a service contract (for executive Director) or a letter of appointment (for non-executive Director and independent non-executive Director). No Director proposed for re-election at the forthcoming 2014 annual general meeting of the Company (the "2014 AGM") has a 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.

Pursuant to the Articles, at each annual general meeting ("AGM"), one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) is required to retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot, and shall be eligible to offer themselves for re-election. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company and shall, being eligible, be subject to re-election at such meeting.

Accordingly, Dr. Wong Tin Yau, Kelvin, Mr. Zhao Chunjun and Mr. Chang Xiuze shall retire and being eligible, offer themselves for re-election at the 2014 AGM.

The Company's circular dated 26 April 2014 to be sent to the shareholders contains detailed information of the Directors standing for re-election.

The Board recommended the re-appointment of the Directors standing for re-election at the 2014 AGM of the Company.

Board Diversity

The Board adopted a new board diversity policy in September 2013 (the "Board Diversity Policy"). In designing the Board's composition, the Company considers whether a candidate will bring potential complementary benefits to the Board and contribute to the improvement of the Board's overall competence, experience and expertise, having due regard for diversity in terms of professional experience and qualifications, gender, age, ethnicity, and cultural and educational background, as well as any other factors that the Board from time to time deems relevant and appropriate for the purpose of Board diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications gender, age, ethnicity and cultural and educational background. The nomination Committee will review the Board Diversity Policy as and when appropriate to ensure its effectiveness.

Induction and Continuing Development of Directors

Every newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

The existing Directors are continuously updated with developments in legal and regulatory regime and the business and market environments so as to facilitate the discharge of their responsibilities. A 6-hour in-house seminar and workshop on director's duties, corporate governance requirements under the Listing Rules and Guidelines on Disclosure of Inside Information was organized for Directors and senior management by the Company in April 2013. Relevant seminar material was also provided to those were not able to attend the seminar and workshop.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual so as to ensure a balance of power and authority.

The Company has not appointed a chairman of the Board for the period from 1 January 2013 to 27 August 2013, Mr. Wang Kunpeng, the Chief Executive Officer, usually chairs the meetings of the Board. In order to establish a clear division of responsibilities of the management of the Board and the day-to-day management of business of the Company to ensure a balance of power and authority, Mr. Wang Muqing, the non-executive Director of the Company, was appointed as the chairman of the Board with effect from 28 August 2013.

Mr. Wang Kunpeng is also the chairman of the Operation and Management Committee and is responsible for running the Company's businesses, implementing the Company's strategic plans and business goals and formulating and recommending business plans and budgets to the Board.

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

During the year ended 31 December 2013, the Company held a total of 10 Board meetings. At the Board meetings, the Board reviewed and approved the final results for the year ended 31 December 2012 and interim results for the half year ended 30 June 2013 and other significant matters of the Company. The attendance records of each Director at the Board meetings are set out below:

Name of Director	Attendance/ Number of Meetings during the Tenure of Office
Mr. Wang Muqing	3/7 (Note 1)
Mr. Wang Kunpeng	8/10
Mr. Li Zhubo	9/10
Mr. Chen Tao	5/10
Mr. Shao Yong Jun	10/10
Dr. Wong Tin Yau, Kelvin	10/10
Mr. Zhao Chunjun (appointed on 19 December 2013)	0/0
Mr. Chang Xiuze (appointed on 19 December 2013)	0/0
Mr. Tan Xiangyong (resigned on 19 December 2013)	6/10
Mr. Zhang Yansheng (resigned on 19 December 2013)	8/10

Note:

1. There are three Board meetings discussing and approving the continuing connected transactions (the "Continuing Connected Transactions"). Mr. Wang Muqing, the non-executive Director and the controlling shareholder of the Company, has material interests in the Continuing Connected Transactions and absents himself from such Board meetings thereunder.

The Company has annual meeting schedules and draft agenda of each meeting of the Board and the Committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the meetings. For other Board and Committee meetings, reasonable notices are given.

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

Draft and final versions of minutes are circulated to Directors or relevant Committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and Committee meetings are kept by the Company Secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all Directors at all reasonable time.

The Articles contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest.

BOARD COMMITTEES

The Board has established three Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee and the Audit Committee are established with defined written terms of reference. These terms of reference are posted on the Company's website and are available to shareholders upon request. The Committees are provided with sufficient resources to discharge their duties and are required to report back to the Board on their decisions or recommendation. During the year ended 31 December 2013, one meeting of the Remuneration Committee was held, and two meetings of each of the Nomination Committee and the Audit Committee were held.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, including executive Director Mr. Wang Kunpeng and independent non-executive Directors Dr. Wong Tin Yau, Kelvin and Mr. Chang Xiuze. Mr. Chang Xiuze is the chairman of the Remuneration Committee.

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The responsibilities of the Remuneration Committee also include reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, and ensuring that no Director or any of his associates will participate in deciding his own remuneration.

During the year ended 31 December 2013, the Remuneration Committee has met once to review the Group's remuneration policies and strategy and make recommendations to the Board on remuneration of Directors and senior management.

Details of the amount of remuneration of Directors and senior management are set out in note 8 and note 9 to the financial statements.

For the year ended 31 December 2013, the aggregate emoluments payable to member of senior management fell within the following band:

By Band	Number of individual(s)
HK$1,000,000 to HK$1,500,000	1

The attendance record of the Remuneration Committee meeting is as follows:

Name of Director	Attendance/ Number of Meeting during the Tenure of Office
Mr. Chang Xiuze (appointed on 19 December 2013)	0/0
Mr. Tan Xiangyong (resigned on 19 December 2013)	1/1
Mr. Wang Kunpeng	1/1
Dr. Wong Tin Yau, Kelvin	1/1

Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, including executive Director Mr. Shao Yong Jun and independent non-executive Directors Mr. Zhao Chunjun and Mr. Chang Xiuze. Mr. Zhao Chunjun is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations regarding any proposed changes, identifying suitable candidates for appointment as Directors, making recommendations to the Board on the appointment or re-appointment of and succession planning of Directors and assessing the independence of independent non-executive Directors. The Nomination Committee will also review the Board Diversity Policy as and when appropriate to ensure its effectiveness and discuss any revisions that may be required in the light of the Company's corporate strategy and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2013, there were two Nomination Committee meetings held. The Nomination Committee has performed the following work during the year: (1) reviewing the structure, size and composition of the Board to ensure the professional knowledge, skills and experience of the Board to cope with the business of the Company; (2) reviewing the annual confirmation of independence submitted by the independent non-executive Directors and assessing their independence; (3) recommendation to the Board on re-appointment of directors retiring at the 2014 AGM and offering themselves for re-election; and (4) recommendation to the Board on appointment of chairman of the Board.

The attendance record of the Nomination Committee meeting is as follows:

Name of Director	Attendance/ Number of Meeting during the Tenure of Office
Mr. Zhao Chunjun (appointed on 19 December 2013)	0/0
Mr. Chang Xiuze (appointed on 19 December 2013)	0/0
Mr. Zhang Yansheng (resigned on 19 December 2013)	2/2
Mr. Shao Yong Jun	2/2
Mr. Tan Xiangyong (resigned on 19 December 2013)	2/2

Audit Committee

As at the date of this report, the Audit Committee comprises three members, of which all are independent non-executive Directors (including one independent non-executive Director with appropriate professional qualifications and accounting expertise), namely Dr. Wong Tin Yau, Kelvin, Mr. Zhao Chunjun and Mr. Chang Xiuze. Dr. Wong Tin Yau, Kelvin is the chairman of the Audit Committee.

None of the committee members is a former partner of the Company's current external auditors.

The Audit Committee reviews financial information of the Group, monitors the external auditor's independence and objectivity and effectiveness of the audit process and makes recommendations to the Board on the appointment, re-appointment, removal and approve remuneration and terms of engagement of the Company's external auditor. The audit committee is also responsible for reviewing the financial reporting process and financial controls, internal controls and risk management systems, including the internal audit function as well as arrangements for concerns about possible improprieties in financial reporting, internal control or other matters raised by employees of the Company ("whistle blowing").

The Audit Committee reviews the annual report and accounts, interim report of the Group before submission to the Board for approval.

During the year ended 31 December 2013, there were two Audit Committee meetings held. The Audit Committee has performed the following work during the year: (i) reviewing the annual results for the year ended 31 December 2012 and interim results for the half year ended 30 June 2013; (ii) reviewing the financial reporting procedures and compliance procedures, the report of internal audit on internal control procedures and risk management system; (iii) reviewing the non-exempt continuing connected transactions entered into by the Group and non-compete undertakings by the controlling shareholders of the Company; and (iv) reviewing and recommending to the Board the re-appointment of external auditors.

The attendance records of the Audit Committee meetings are as follows:

Name of Director	Attendance/ Number of Meetings during the Tenure of Office
Dr. Wong Tin Yau, Kelvin	2/2
Mr. Zhao Chunjun (appointed on 19 December 2013)	0/0
Mr. Chang Xiuze (appointed on 19 December 2013)	0/0
Mr. Zhang Yansheng (resigned on 19 December 2013)	2/2
Mr. Tan Xiangyong (resigned on 19 December 2013)	1/2

The Company's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

(a) to develop and review the Group's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management of the Group;

(c) to review and monitor the Group's policies and practices on compliance with any requirement, direction and regulation that may be prescribed by the Board or contained in any constitutional documents of the Group or imposed by the Listing Rules, the applicable laws and other applicable organisational governance standards;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group;

(e) to review the Group's compliance with the corporate governance code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports;

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about its reporting responsibilities for the financial statements is set out in the Section headed "Independent Auditor's Report" on page 48.

The remuneration charged by the Company's auditors, KPMG, during the year ended 31 December 2013 is set out below:

Category of Services	Fee Paid/ Payable RMB
Audit Service	6,400,000
Non-audit Services	–
Total	6,400,000

INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective internal controls to safeguard shareholders' investments and the Company assets.

The Board is committed to conduct at least annually a review of the effectiveness of the internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board, through the Audit Committee, has conducted a review on the internal control system of the Company and its subsidiaries for the year ended 31 December 2013. Such review covered the areas of finance, operation, supervision and risk management of the Group. The Board confirmed that the internal control system of the Company is sound and effective.

NON-COMPETE UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

In accordance with the non-compete undertakings ("Non-Compete Undertakings") contained in the share purchase agreement dated 17 November 2010 between the Company, Mr. Wang Muqing, Grand Glory Enterprises Limited ("Grand Glory") and Joy Capital Holdings Limited ("Joy Capital"), each of Mr. Wang, Grand Glory and Joy Capital (collectively, the "Covenantors") has undertaken to the Company that during the period in which he and his associates, individually or taken as a whole, remains a controlling shareholder (as defined under the Listing Rules) of the Company, they would comply with the terms of the Non-Compete Undertakings.

In addition, under the Non-Compete Undertakings, each of the Covenantors has undertaken to the Company that he shall provide to the Company and/or the Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertakings. Each of the Covenantors has also undertaken to issue an annual confirmation to the Company on compliance with the terms of the Non-Compete Undertaking, their interests in any projects or business opportunities, if any, and consenting to the disclosure of such confirmation in the annual reports of the Company, thereby enabling the Company to keep monitoring the relevant compliance by the Covenantors.

The Company has received an annual confirmation from the Covenantors in respect of their compliance with the terms of the Non-Compete Undertakings and that they have not engaged, nor been interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year ended 31 December 2013.

The independent non-executive Directors have reviewed the said undertakings and are of the view that the Covenantors have complied with the Non-Compete Undertakings during the year ended 31 December 2013.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

General meetings of the Company provide a forum for communication between the Board and the shareholders of the Company. The Company also communicates with the shareholders, investors and the general public through annual reports, interim reports and other corporate announcements.

The Company continues to maintain a high level of investor access through a range of investor relations activities including conference calls, one-to-one meetings, roadshows, conferences and site visits. The Company also regularly meets with institutional investors from overseas and Mainland China. These meetings enable the Company to update investors on major developments and strategies of the Group.

To promote communication, the Company maintains a website at *http://www.zhengtongauto.com*, where the updates on the Company's structure, the Board, business developments and operations, financial information, corporate governance practices and other information are posted.

COMPANY SECRETARY

As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and the Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. During the year under review, the Company Secretary has confirmed that she has undertaken no less than 15 hours of relevant professional training.

SHAREHOLDER RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under Paragraph O of the CG Code:

Procedures for shareholders to convene an extraordinary general meeting ("EGM")

1. One or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written resolution, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the Directors at the principal place of business of the Company in Hong Kong at Unit 5905, 59/F., The Center, 99 Queen's Road Central, Hong Kong or at Email: ir@zhengtongauto.com.

3. The EGM shall be held within two months after the deposit of such requisition.

4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at shareholders' meetings

1. A shareholder of the Company should lodge a written notice of his/her proposal ("Proposal") with his/her detailed contact information at the principal place of business of the Company in Hong Kong at Unit 5905, 59/F., The Center, 99 Queen's Road Central, Hong Kong.

2. The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the board of directors of the Company will be asked to include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the shareholders of the Company for consideration of the proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

   (a) At least 14 clear days' and 10 clear business days' notice in writing if the Proposal constitutes an ordinary resolution of the Company;

   (b) At least 21 clear days' and 10 clear business days' notice in writing if the Proposal constitutes a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

Procedures for shareholders to direct enquiries to the Company

For matters in relation to the Board, the shareholders of the Company can contact the Company at Unit 5905, 59/F., The Center, 99 Queen's Road Central, Hong Kong or at Email: ir@zhengtongauto.com.

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders of the Company can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Articles of Association during the year under review. A copy of the latest consolidated version of the Memorandum of Association and Articles of Association is posted on the websites of the Company and the Stock Exchange.

DIRECTORS

Non-executive Director

Mr. WANG Muqing (王木清先生), aged 63, is the founder of the Group and has served as a non-executive director of the Company since 9 July 2010. Mr. Wang was appointed as the chairman of the Board on 28 August 2013. Mr. Wang is also the controlling shareholder of the Company. He established an automobile trading business in 1996 and engaged in automobile dealership business. Mr. Wang founded the Group in 1999.

Executive Directors

Mr. WANG Kunpeng (王昆鵬先生), aged 42, a bachelor's degree holder in professional vehicle engineering of Jilin University of Technology. Mr. Wang Kunpeng has been an executive Director and a member of the Remuneration Committee of the Company since 20 July 2010. He has held several senior management positions with the Group and its major subsidiaries after joining the Group in 2006. Mr. Wang Kunpeng is the chief executive officer of the Group, responsible for the overall management and operations of the Company, as well as the mergers and acquisitions business and network development business of the Company. Before joining the Group, Mr. Wang Kunpeng held several positions in FAW-Volkswagen Sales Company Ltd. (一汽大眾銷售有限責任公司), a company engaged in distribution-related activities with respect of Volkswagen automobiles, from 1997 to 2006, where his primary responsibilities included the management of sales of, after-sales services for, and logistics services relating to Audi and Volkswagen branded automobiles.

Mr. LI Zhubo (李著波先生), aged 44, Executive Master of Business Administration from Wuhan University. Mr. Li has been an executive Director of the Company since 20 July 2010. He joined the Group in 1999 and is currently the chief financial officer of the Group, responsible for financial planning and management and oversees all the financial aspects of the Company. Before joining the Group, Mr. Li has engaged in financial management in automobile dealership industry with approximately 20 years of experience in financial management in automobile dealership industry.

Mr. CHEN Tao (陳弢先生), aged 43, a bachelor's degree holder in professional machinery design and manufacture of Zhejiang University. Mr. Chen had been a non-executive Director of the Company since 7 August 2010 and was re-designated as an executive Director on 12 March 2011. Mr. Chen was a member of the Audit Committee of the Company from 17 November 2010 to 12 March 2011. He joined the Group in 2009 and is currently the vice president of the Group, responsible for the Company's strategic planning and information systems planning. Before joining the Group, Mr. Chen has engaged in corporate management consulting with over 18 years of experience in corporate management consulting.

Mr. SHAO Yong Jun (邵永駿先生), aged 39, Executive Master of Business Administration from Shanghai Jiao Tong University. Mr. Shao has been an executive Director of the Company since 18 August 2011 and a member of the Nomination Committee of the Company since 1 June 2012. He has been the vice president of the Company since July 2011, responsible for investor relations and logistic services business. Before joining the Group, Mr. Shao engaged in management of logistics business in relation to automobile industry between 2004 and 2011, and was an auditor of KPMG China between 1997 and 2003.

Independent Non-executive Directors

Dr. WONG Tin Yau, Kelvin (黃天祐博士), aged 53, has served as an independent non-executive Director since 17 November 2010. Dr. Wong also serves as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Wong is also an executive Director and a deputy managing director of, the chairman of the corporate governance committee and a member of the executive committee of COSCO Pacific Limited 中遠太平洋有限公司 (stock code: 1199), where he is responsible for the work relating to capital markets and investor relations. Dr. Wong held various senior positions in several listed companies in Hong Kong before he joined COSCO Pacific Limited 中遠太平洋有限公司 in July 1996. In addition, Dr. Wong is the Chairman of The Hong Kong Institute of Directors, a non-executive Director of the Securities and Futures Commission, a former member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited (2007–2013), a convenor-cum-member of Financial Reporting Review Panel, a member of the Standing Committee on Company Law Reform and the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a member of the Appeal Board Panel (Town Planning), a Director of Hong Kong Sports Institute Limited, a council member of the Hong Kong Management Association, a member of the OECD/World Bank Asian

Corporate Governance Roundtable and a Council Advisor and past Chairman of Hong Kong Chinese Orchestra Limited. Dr. Wong obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong is currently an independent non-executive Director and chairman of the audit committee of Xinjiang Goldwind Science & Technology Co., Ltd. 新疆金風科技股份有限公司 (stock code: 2208), an independent non-executive Director and chairman of the audit committee of I.T Limited (stock code: 0999), and an independent non-executive Director of CIG Yangtze Ports PLC 中國基建港口有限公司 (stock code: 8233). Dr. Wong was also an independent non-executive Director and chairman of the audit committee of China Metal International Holdings Inc. 勤美達國際控股有限公司 (stock code: 0319) during the period from December 2004 to July 2013. All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited. Dr. Wong was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

Mr. Zhao Chunjun (趙純均先生), aged 72, has been appointed as an independent non-executive Director since 19 December 2013. Mr. Zhao is also the chairman of the Nomination Committee and a member of the Audit Committee of the Company. Mr. Zhao has acted as a professor of Tsinghua University, a member of Advisory Board of School of Economy and Management, Tsinghua University, and a member of each of Tsinghua University Administrative Affair Committee and Tsinghua University Academic Board. He has also acted as convenor of the Managing Department of Social Science Committee of Education Ministry and the chairman of Chinese Society for Management Modernization. Mr. Zhao graduated from Tsinghua University. From 1986 to 2005, he had served as an assistant to the dean, first vice-dean and dean of School of Economy and Management, Tsinghua University. He had also served as vice associate supervisor of China National MBA Education Supervisory Committee. Mr. Zhao offers tremendous experience and knowledge about corporate management. Mr. Zhao is currently an independent non-executive director, the chairman of nomination committee, a member of the audit committee and a member of the remuneration committee of Dongfang Electric Corporation Limited (a company listed both on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Shanghai Stock Exchange) and China Communications Services Corporation Limited (a company listed on Hong Kong Stock Exchange). He is also an independent director of China United Network Communications Limited (a company listed on the Shanghai Stock Exchange). Mr. Zhao had previously acted as the chairman of the supervisory committee of Tongfang Co., Limited, an independent director of each of Daheng New Epoch Technology, Inc. and Bank of China Investment Management Company Limited.

Mr. Chang Xiuze (常修澤先生), aged 68, has been appointed as an independent non-executive Director since 19 December 2013. Mr. Chang is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee of the Company. Mr. Chang has acted as a researcher of the National Center for Economic Research of Tsinghua University, professor and Ph.D supervisor of the Academy of Macroeconomic Research, National Development and Reform Commission, vice secretary-general of the Academic Committee of China Economic Academic Fund (Hong Kong) and honorary advisor of Asia Pacific Law Association. Mr. Chang had engaged in economic theory and strategy research for a long time. He is one of the famous economists and experts on macroeconomic field in the PRC. Mr. Chang graduated from the Department of Economic in Nankai University majoring in Plutonomy. He had acted as deputy head of Institute of Economic Research of Nankai University, executive deputy head of Institute of Economic Research of National Planning Commission and a member of the Academic Committee of National Development and Reform Commission. He has a profound understanding of China's macroeconomic. Mr. Chang has been an expert entitled to special subsidy from the State Council of the PRC since 1992. Mr. Chang is currently an independent director of Tianjin Property Development (Group) Company Limited (a company listed on the Shanghai Stock Exchange). He had previously acted as an independent director of Nanjing Pharmaceutical Co., Ltd.

OTHER SENIOR MANAGEMENT

Mr. Li Yi (李禕先生), aged 41, a bachelor's degree holder in automobile engineering from Wuhan Automotive Polytechnic University 武漢汽車工業大學. Mr. Li Yi joined the Group in 2004 and has held various senior managing positions in the headquarter and several major subsidiaries of the Group. He currently served as the chief operating officer of the Group, responsible for the operation, management and planning of all of the Group's dealership stores. Before joining the Group, Mr. Li Yi has engaged in operation and management in automobile dealership industry with over 12 years of experience in management in automobile dealership industry. He is currently the vice chairman of China Auto Dealers Chamber of Commerce 全國工商聯汽車經銷商商會.

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in Cayman Islands with limited liability where its registered office is located in Cayman Islands and its operating headquarters is located in Beijing, the PRC.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 18 to the consolidated financial statements.

SUBSIDIARIES

Please refer to note 18 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated financial statements.

FINAL DIVIDEND

After the listing of the Group on the Stock Exchange, the Group has achieved rapid growth by establishment of new 4S dealership stores and acquisition of the Top Globe and its subsidiaries (the "SCAS group"). Coupling with the portfolio of luxury and ultra-luxury branded automobiles and balances geographical coverage in economically developed regions and those regions with economically rapid growth in China, the growth in performance of the Group is expected to sustain steadily. In addition, the issuance of five years US dollar bonds in 2013 further optimized the debt structure of the Group, resulting in sufficient operating cash flow and maintaining good growth trend. Therefore, for the first time, the Board resolved to propose to the shareholders of the Company on the forthcoming annual general meeting on 28 May 2014 (the "2014 AGM") for the distribution of a final dividend of HK$0.10 per share for the year ended 31 December 2013 payable to the shareholders of the Company whose names are listed in the register of the Company on 6 June 2014. The proposal for the distribution of the final dividend is subject to the consideration and approval of the shareholders at the 2014 AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 26 May 2014 to Wednesday, 28 May 2014 (both days inclusive) and from Wednesday, 4 June 2014 to Friday, 6 June 2014 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the 2014 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, Wan Chai, Hong Kong for registration before 4:30 p.m. on Friday, 23 May 2014. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the 2014 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 Tuesday, 3 June 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The single largest customer and the top five customers in aggregate of the Group accounted for 1.10% and 1.95% of the Group's total sales for the year ended 31 December 2013 respectively. The single largest supplier and the top five suppliers in aggregate of the Group accounted for 17.87% and 78.46% of the Group's total purchases for the year respectively.

As far as the Directors are aware, neither the Directors, their associates, nor shareholders who own more than 5% of the Company's share capital as at 31 December 2013 had any interest in any of the five largest suppliers and customers disclosed above.

TRANSFER TO RESERVES

Total comprehensive income attributable to shareholders of the Company of RMB837.4 million (2012: RMB604.5 million) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

DIRECTORS

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

Non-executive Director:
Mr. Wang Muqing *(Chairman)*

Executive Directors:
Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo
Mr. Chen Tao
Mr. Shao Yong Jun

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin	
Mr. Zhao Chunjun	(appointed on 19 December 2013)
Mr. Chang Xiuze	(appointed on 19 December 2013)
Mr. Tan Xiangyong	(resigned on 19 December 2013)
Mr. Zhang Yansheng	(resigned on 19 December 2013)

Dr. Wong Tin Yau, Kelvin, Mr. Zhao Chunjun and Mr. Chang Xiuze shall retire and being eligible, offer themselves for re-election at the 2014 AGM. The Board proposed to re-appoint the directors standing for re-election at the 2014 AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2014 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in the section "Continuing Connected Transactions" in this report, no contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

Save as disclosed under the section "Continuing Connected Transactions" in this report, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

CONTINUING CONNECTED TRANSACTIONS

During 2013, the Group has entered into the following continuing connected transactions which constituted non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

(A) Contractual Arrangements

A series of contracts entered into by, among others, 武漢聖澤捷通物流有限公司 (Wuhan Shengze Jietong Logistics Co., Ltd.) ("Wuhan Jietong"), Rising Wave Development Limited ("Rising Wave"), both wholly-owned subsidiaries of the Company, Mr. Li Zhubo ("Mr. Li"), an executive Director, and 汕頭市宏祥物資有限公司 (Shantou Hongxiang Materials Co., Ltd.) ("Shantou Hongxiang"), serves the purpose of providing the Group with effective control over Shantou Hongxiang but not direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of Shantou Hongxiang of which are set out in note 35 to the consolidated financial statements to the Company) (the "Contractual Arrangements"). The Contractual Arrangements include:

1. **Equity Pledge Agreement**
   Pursuant to one equity pledge agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze Industry Co., Ltd. ("Hubei Shengze") (as the controlling shareholder of Shantou Hongxiang as pledgor, Hubei Shengze granted a continuing first priority security over all their direct equity interests in Shantou Hongxiang to Wuhan Jietong for guaranteeing the payment of the service fees under the relevant Exclusive Management and Consultation Services Agreements (as defined below).

2. **Exclusive Option Agreement**
   Pursuant to one option agreement dated 17 November 2010 and entered into between Rising Wave and Hubei Shengze (as the controlling shareholder of Shantou Hongxiang), Rising Wave was granted options to acquire, directly or through one or more nominees, any part of the equity interest in Shantou Hongxiang at nil consideration or the minimum amount as permitted under the applicable PRC laws.

3. **Exclusive Business Operation Agreement**
   Pursuant to one business operation agreement dated 17 November 2010 and entered into between Wuhan Jietong and Hubei Shengze (as the controlling shareholder of Shantou Hongxiang), Shantou Hongxiang has undertaken not to enter into any material business transaction without the prior written consent of Wuhan Jietong and to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shantou Hongxiang.

4. **Exclusive Management and Consultation Services Agreement**
   Pursuant to one management and consultation services agreement dated 17 November 2010 and entered into between Wuhan Jietong and Lin Limin, Wu Yihong (being the minority shareholders of Shantou Hongxiang) and Shantou Hongxiang, whereby Shantou Hongxiang has engaged Wuhan Jietong on an exclusive basis to provide consultation services and other supporting services in connection with the Shantou Hongxiang's business services as permitted under the PRC laws.

5. **Proxy Agreement**
   Pursuant to one proxy agreement dated 17 November 2010 and entered into between Wuhan Jietong, Mr. Li as chairman of Wuhan Jietong and an executive Director, and Hubei Shengze (as the controlling shareholder of Shantou Hongxiang), Mr. Li (or such other person being the chairman of Wuhan Jietong) is authorised to exercise the shareholders' rights in Shantou Hongxiang including attending shareholders' meeting and exercising voting rights according to the best interest and at the instructions of Wuhan Jietong; any person designated by Wuhan Jietong is authorised to enjoy and exercise the shareholders' rights in Shantou Hongxiang (in the event that Mr. Li shall cease to be the chairman of Wuhan Jietong); and any dividend and/or capital gain derived from the equity interests in Shantou Hongxiang shall be paid to Wuhan Jietong as soon as practicable and in any event no later than three days upon receipt of the payment or distribution.

The above Contractual Arrangements allow the Company to consolidate the financial results of Shantou Hongxiang into the Group's financial statements as if Shantou Hongxiang were the Group's wholly-owned subsidiaries. The Directors consider that the Contractual Arrangements are fundamental to the Group's legal structure and business operations and are on normal commercial terms or terms more favourable to the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the shareholders as a whole.

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2013 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, had been operated so that the profits generated by Shantou Hongxiang has been substantially retained by Wuhan Jietong; (ii) no dividends or other distributions had been made by Shantou Hongxiang to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) such are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the shareholders as a whole.

(B) Lease Agreements and Property Management Agreement

(1) Relationship between the Group and its connected persons

The relevant connected persons as lessor, with whom some of the Group's PRC operating entities or Wuhan Jietong have entered into the lease agreements (collectively, the "Lease Agreements" and each a "Lease Agreement") and/or property management agreement as lessee, are as follows:

1. Hubei Shengze, which is 100% owned by Mr. Wang Muqing, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

2. 內蒙古聖澤鼎傑汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.) ("Inner Mongolia Dingjie Auto-trading"), being a company demerged from Inner Mongolia Dingjie and wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

3. 長沙聖澤瑞寶電子產品貿易有限公司 (Changsha Shengze Ruibao Electronics Trading Co., Ltd.) ("Changsha Electronics"), being a company demerged from Changsha Ruibao and wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

4. 武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd.) ("Wuhan Jieyun"), being a company wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

5. 武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd.) ("Wuhan Jiezhong"), being a company wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

6. 北京寶澤汽車科技發展有限公司 (Beijing Baoze Automobile Technology Development Co., Ltd.) ("Beijing Development"), being a company held as to 90% by Hubei Shengze and 10% by 北京廣澤房地產開發有限公司 (Beijing Guangze Real Estate Development Co., Ltd.) ("Beijing Guangze")which is wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules; and

7. 武漢江融投資有限公司 (Wuhan Jiangrong Investment Co., Ltd.) ("Wuhan Investment"), being a company wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Under the Listing Rules, for so long as the above lessors remain as connected persons of the Company, the following transactions between the Group and the above lessors would constitute continuing connected transactions for the Company.

(2) The Lease Agreements

Referred to the prospectus of the Company dated 29 November 2010, the Group entered into eight lease agreements (the "Original Lease Agreements") with respective lessors for leasing of the premises necessary for the business operation of the Group in the PRC for an initial term of three years starting from the period between June and September in 2010 and expiring during the period between May and September 2013. Following expiry of the Original Lease Agreements, eight renewed leased agreements were entered into to renew the Original Lease Agreements (the "Renewed Lease Agreements"). In addition, on 30 September

2013, four new lease agreements were entered into with respective lessors for a term from 30 September 2013 to 31 December 2015 (the "New Lease Agreements"). Details of these agreements are as follows:

	Date of Agreement	Location	Lessor	Lessee	Monthly Rental (RMB)	Term (Note a)
Original Lease Agreements and Renewed Lease Agreements						
1.	1.6.2010 31.5.2013	4S Shop, No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC	Beijing Development	北京寶澤行汽車銷售服務有限公司 (Beijing Baozehang Automobile Sales Services Co., Ltd.*) ("Beijing Baozehang")	543,000.00 545,175.00	1.6.2010-31.5.2013 1.6.2013-31.5.2014
2.	1.8.2010 1.8.2013	4S Shop, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	Hubei Shengze	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*)	126,000.00 176,688.76	1.8.2010-31.7.2013 1.8.2013-31.5.2014
3.	1.8.2010 1.8.2013	4S Shop, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	Hubei Shengze	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*)	176,000.00 249,540.96	1.8.2010-31.7.2013 1.8.2013-31.5.2014
4.	1.8.2010 1.8.2013	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Wuhan Jieyun	Wuhan Jietong	525,000.00 997,373.05	1.8.2010-31.7.2013 1.8.2013-31.5.2014
5.	1.8.2010 1.8.2013	Lot 5C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Wuhan Jiezhong	Wuhan Jietong	125,000.00 179,069.63	1.8.2010-31.7.2013 1.8.2013-31.5.2014
6.	30.9.2010 30.9.2013	4S Shop, No. 40 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region (Note b)	Inner Mongolia Dingjie Auto-trading	呼和浩特市祺寶汽車銷售有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.*) ("Huhhot Qibao")	13,000.00 15,598.00 (Note c)	30.9.2010-29.9.2013 30.9.2013-31.12.2015

	Date of Agreement	Location	Lessor	Lessee	Monthly Rental (RMB)	Term (Note a)
7.	30.9.2010 30.9.2013	4S Shop, No. 688 Changsha Avenue, Yuhua District, Changsha City, Hunan Province, the PRC	Changsha Electronics	長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.*)	175,000.00 191,526.00 (Note c)	30.9.2010-29.9.2013 30.9.2013-31.12.2015
8.	30.9.2010 30.9.2013	4S Shop, No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region, the PRC	Inner Mongolia Dingjie Auto-trading	內蒙古鼎杰汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.*)	78,000.00 126,344.00 (Note c)	30.9.2010-29.9.2013 30.9.2013-31.12.2015
New Lease Agreements						
9.	30.9.2013	Basement, Levels 1, 2 and 5, No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC	Beijing Development	Beijing Baozehang	651,169.00 (Note c)	30.9.2013-31.12.2015
10.	30.9.2013	No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region	Inner Mongolia Dingjie Auto-trading	Huhhot Qibao	775,549.00 (Note c)	30.9.2013-31.12.2015
11.	30.9.2013	No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region	Inner Mongolia Dingjie Auto-trading	呼和浩特市捷運行汽車銷售服務有限公司 (Huhhot Jieyun Automobile Sales Services Co., Ltd.*)	905,078.00 (Note c)	30.9.2013-31.12.2015
12.	30.9.2013	Shiqiao Village, Houhu County, Jiangan District, Wuhan City, Hubei Province, the PRC	Wuhan Investment	湖北奧澤汽車銷售服務有限公司 (Hubei Auze Automobile Sales Services Co., Ltd.*)	1,261,341.00 (Note c)	30.9.2013-31.12.2015

* For identification purpose only

Notes:

a. Pursuant to each of the Renewed Lease Agreements and New Lease Agreements, the lessee shall have the option to renew the successive term of the lease agreement up to year 2020.

b. Pursuant to this Lease Agreement, the piece of land located at 呼和浩特市新城區興安北路40號, instead of the premises thereon, is leased to Huhhot Qibao as lessee. Huhhot Qibao is the owner of the premises located on the said piece of land.

c. The rents are payable semi-annually.

(3) **Property Management Agreement**

As set out in the table under the section headed "The Lease Arrangements" above, Beijing Development, as lessor, and Beijing Baozehang, as lessee, entered into two lease agreements for the lease of the 4S shop, basement, levels 1, 2 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC with an aggregate gross floor area of 20,113 sq.m. (all of the above premises collectively, the "Leased Premises"). On 30 September 2013, Beijing Development and Beijing Baozehang entered into a property management agreement in respect of the provision of property management services by Beijing Development for the Leased Premises with an aggregate gross floor area of 20,113 sq.m. for a term from 30 September 2013 to 31 December 2015 (the "Property Management Agreement"). Pursuant to the Property Management Agreement, a monthly property management fee of RMB222,651 is payable by Beijing Baozehang to Beijing Development commencing from 30 September 2013, in addition, Beijing Development will charge Beijing Baozehang air-conditioning fee of RMB2,038,457.4 per annum payable semi-annually. Beijing Development may from time to time adjust the management fee and air-conditioning fee payable under the Property Management Agreement. The property management fee can only be adjusted once per year and the increment shall not be more than 15% each time. The increment in the air-conditioning fee shall not be more than 20% over the term of the Property Management Agreement. Notwithstanding, adjusted fees shall be determined based on the then prevailing market rates, and no less favourable to the Group than terms available from independent third parties, if applicable.

(4) **Proposed Annual Caps**

By virtue of the entering into of the Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement, the revised proposed annual cap for the year ended 31 December 2013 and the proposed annual cap for the year ending 31 December 2014 and 2015 for the Continuing Connected Transactions are RMB36.6 million, RMB63.4 million and RMB53.1 million respectively. The proposed annual caps are determined with reference to the amount payable pursuant to the Original Lease Agreements, the Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement, and the potential increase in the property management fee and the air-conditioning fee pursuant to the Property Management Agreement. The aggregate amount paid by the Group to the relevant landlord in respect of the Lease Agreements during the year was approximately RMB35.4 million, which did not exceed the capped amount.

(5) **Purpose of the transactions**

The premises leased by the Group under the above lease agreements nos. 1, 2, 6, 7, 8, 9, 10, 11 and 12 are for the purpose of the Group's operation of 4S businesses and the headoffice of the Group. The land leased by the Group under the above lease agreement no. 3 is also for the purpose of the Group's operation of 4S businesses. The premises leased by the Group under the above lease agreements nos. 4 and 5 are for the purpose of the Group's operation of logistics and storage businesses.

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged KPMG, its independent external auditor, to perform certain procedures in respect of the continuing connected transactions undertaken by the Group for the year ended 31 December 2013 which has reported to the board of Directors in a letter dated 31 March 2014.

The independent non-executive Directors of the Company have reviewed the non-exempt continuing connected transactions and the report of KPMG and are of the opinion that the transactions were entered into by the Group:

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

(b) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Continuing connected transactions" of this report, the Group had not entered into any related party transaction during the year under review.

SHARE OPTION SCHEMES

(A) SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Share Option Scheme") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enables the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme became effective on 10 December 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption.

Eligible participants of the Share Option Scheme include the following:

(i) any employee ("Eligible Employee(s)") (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company, any of the Company's subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of the Company's subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As of the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commence on the Stock Exchange (the "General Scheme Limit"), i.e. 200,000,000 shares, representing 9.05% of the issued share capital of the Company as at the date of this report.

No option has been granted under the Share Option Scheme as at the date of this report.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit is subject to Shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules) ("Connected Persons"), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to shareholders' approval in general meeting.

The offer of a grant of share options may be accepted by a participant within 21 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the shares of the Company.

Subject to the early termination of the Share Option Scheme in accordance with the Share Option Scheme rules, the Share Option Scheme will expire on 16 November 2020.

(B) Pre-IPO Share Option Scheme

The Company has, based on a framework plan formulated on 9 August 2010, formally adopted a pre-initial public offering share option scheme ("Pre-IPO Share Option Scheme") pursuant to a resolution in writing passed by the shareholders on 17 November 2010, which enables the Company to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the Listing.

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted options for the subscription of 23,435,900 shares to certain Directors, senior management, employees and former employees of the Group on 10 August 2010, 20 August 2010 and 10 November 2010 respectively.

Details of the movements in the Pre-IPO Share Option Scheme for the year ended 31 December 2013 are as follows:

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 1)	Lapsed during the year	Outstanding as at 31 December 2013
Directors								
Wang Kunpeng	10/8/2010	1.50	01/01/2012-10/08/2017	205,000	0	0	0	205,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				1,230,000	0	0	0	1,230,000

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year (Note 1)	Lapsed during the year	Outstanding as at 31 December 2013
Li Zhubo	10/8/2010	1.50	01/01/2012-10/08/2017	205,000	0	0	0	205,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				1,230,000	0	0	0	1,230,000
Sub-total				2,460,000	0	0	0	2,460,000
Employees and former employees	10/8/2010	1.50	01/01/2012-10/08/2017	296,900	0	0	56,850	240,050
	10/8/2010	1.50	01/01/2013-10/08/2017	2,365,000	0	1,155,000	126,625	1,083,375
	10/8/2010	1.50	01/01/2014-10/08/2017	2,365,000	0	0	126,625	2,238,375
				5,026,900	0	1,155,000	310,100	3,561,800
	10/8/2010	2.00	01/04/2012-10/08/2017	455,700	0	124,800	114,700	216,200
	10/8/2010	2.00	01/04/2013-10/08/2017	469,500	0	0	286,000	183,500
	10/8/2010	2.00	01/04/2014-10/08/2017	469,500	0	0	286,000	183,500
				1,394,700	0	124,800	686,700	583,200
	10/8/2010	2.50	01/07/2012-10/08/2017	0	0	0	0	0
	10/8/2010	2.50	01/07/2013-10/08/2017	0	0	0	0	0
	10/8/2010	2.50	01/07/2014-10/08/2017	0	0	0	0	0
				0	0	0	0	0
	20/8/2010	2.50	01/07/2012-20/08/2017	87,200	0	69,800	0	17,400
	20/8/2010	2.50	01/07/2013-20/08/2017	56,000	0	0	12,500	43,500
	20/8/2010	2.50	01/07/2014-20/08/2017	56,000	0	0	12,500	43,500
				199,200	0	69,800	25,000	104,400
	17/11/2010	2.50	01/07/2012-17/11/2017	41,600	0	15,600	0	26,000
	17/11/2010	2.50	01/07/2013-17/11/2017	13,000	0	0	0	13,000
	17/11/2010	2.50	01/07/2014-17/11/2017	13,000	0	0	0	13,000
				67,600	0	15,600	0	52,000
Sub-total				6,688,400	0	1,365,200	1,021,800	4,301,400
Total				9,148,400	0	1,365,200	1,021,800	6,761,400

Note:

1. The weighted average closing price of the Company's shares immediately prior to the date of exercise of Pre-IPO Share Option Scheme during the period was HK$6.88.

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

As at 31 December 2013, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) Long positions in the shares and underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Wang Muqing	Settlor of The Grand Glory Trust	1,372,516,820 (Note 1)	62.10%
Wang Kunpeng	Beneficial Owner	1,230,000 (Note 2)	0.056%
Li Zhubo	Beneficial Owner	1,550,000 (Note 3)	0.070%

Notes:

1. These shares are directly held by Joy Capital Holdings Limited ("Joy Capital"). The entire issued share capital of Joy Capital is owned by Grand Glory Enterprises Limited ("Grand Glory"), whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. These represent the maximum number of shares which may be allotted and issued to Mr. Wang Kunpeng upon the exercise of the options under a pre-initial public offering share option scheme ("Pre-IPO Share Options") granted to him. The Pre-IPO Share Options may be exercised in three tranches: (i) The first tranche represents 50% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2012 to 10 August 2017. (ii) The second tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2013 to 10 August 2017. (iii) The third tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2014 to 10 August 2017. The exercise price for subscription of each share upon the exercise of the Pre-IPO Share Options is RMB1.5.

3. Mr. Li Zhubo has a total of 1,550,000 shares, among which 320,000 shares were purchased in the market, and the remaining 1,230,000 shares represent the maximum number of shares which may be allotted and issued to Mr. Li upon the exercise of the options under the Pre-IPO Share Options granted to him. The Pre-IPO Share Options may be exercised in three tranches: (i) The first tranche represents 50% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2012 to 10 August 2017. (ii) The second tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2013 to 10 August 2017. (iii) The third tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2014 to 10 August 2017. The exercise price for subscription of each share upon the exercise of the Pre-IPO Share Options is RMB1.5.

(ii) Long Positions in the associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Joy Capital	Settlor of The Grand Glory Trust (Note 1)	100%
Wang Muqing	Shantou Hongxiang (Note 2)	Interest of controlled corporation (Note 3)	80%

Notes:

1. Joy Capital is the direct owner of 1,372,516,820 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. This entity is one of the Group's operating entities in the PRC in which the Group does not have direct shareholding. By a series of contracts entered into by, among others, this entity and certain wholly-owned subsidiaries of the Company, the Group is given effective control over the financial and operational policies of this entity and is vested with the economic benefits and associated risks in connection with the operation and business of this entity. Details and effects of and rationale for these contracts or contracts of similar nature with respect to the operating entity of the Group in the PRC are set out in the section headed "Contractual Arrangements" of the prospectus dated 29 November 2010 published by the Company. By virtue of the legal rights and relationship created by these contracts, this entity constitutes a subsidiary of the Group and an associated corporation of the Company even though the Group does not have direct shareholding in it.

3. Shantou Hongxiang is held as to 80% by Hubei Shengze, which is 100% owned by Wang Muqing. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shantou Hongxiang held by Hubei Shengze, which is his controlled corporation.

Save as disclosed above, as at 31 December 2013, none of the Directors or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the interests or short positions of the substantial shareholders (other than the Directors) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the Shares of the Company:

Name of Shareholders	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding
Joy Capital	Beneficial owner (Note 1)	1,372,516,820	62.10%
Grand Glory	Interest of controlled corporation (Note 1)	1,372,516,820	62.10%
Value Partners Group Limited	Interest of controlled corporation (Note 2)	131,613,500	5.95%
Cheah Capital Management Limited	Interest of controlled corporation (Note 2)	131,613,500	5.95%
Cheah Cheng Hye	Founder of a discretionary trust (Note 2)	131,613,500	5.95%
Cheah Company Limited	Interest of controlled corporation (Note 2)	131,613,500	5.95%
Hang Seng Bank Trustee International Limited	Trustee (Note 2)	131,613,500	5.95%
To Hau Yin	Interest of spouse (Note 3)	131,613,500	5.95%

Notes:

1. Joy Capital is the direct owner of 1,372,516,820 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. These shares are held by Value Partners Limited, which is a wholly-owned subsidiary of Value Partners Hong Kong Limited, a wholly-owned subsidiary of Value Partners Group Limited. Cheah Capital Management Limited is wholly-owned by Cheah Company Limited which is in turn wholly owned by Hang Seng Bank Trustee International Limited as the trustee of The C H Cheah Family Trust. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust.

3. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye and is deemed to be interested in the shares held by Mr. Cheah Cheng Hye.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option schemes, at no time during the year ended 31 December 2013 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

NON-COMPETE UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company has received an annual confirmation from the controlling shareholders, Mr. Wang Muqing, Joy Capital and Grand Glory in respect of their compliance with the terms of the non-compete undertakings as described in the Prospectus and that they have not engaged, nor interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year ended 31 December 2013.

The independent non-executive Directors have reviewed the said undertakings and are of the view that Mr. Wang Muqing, Joy Capital and Grand Glory have complied with the non-compete undertakings during the year ended 31 December 2013.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2013 are set out in note 24 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

The remuneration of the Directors and senior management of the Company are set out in note 8 and note 9 to the consolidated financial statements.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2013, the Company had complied with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules except for the deviations set out in the Corporate Governance Report contained in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code regarding securities transactions of the directors with standards no less exacting than that of the Model Code. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Securities Dealing Code and the Model Code during the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2013, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

AUDITORS

The consolidated financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment at the 2014 AGM of the Company.

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the 2014 AGM of the Company.

On behalf of the Board

Wang Muqing
Chairman
31 March 2014

KPMG

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

We have audited the consolidated financial statements of China ZhengTong Auto Services Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 50 to 119 which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013 (Expressed in RMB'000)

	Note	For the year ended 31 December 2013	2012
Turnover	4	29,840,269	27,649,440
Cost of sales		(27,251,912)	(25,197,557)
Gross profit		2,588,357	2,451,883
Other revenue	5	323,078	223,747
Other net income	5	41,799	45,741
Selling and distribution expenses		(697,787)	(693,528)
Administrative expenses		(581,447)	(728,221)
Profit from operations		1,674,000	1,299,622
Finance costs	6(a)	(489,335)	(403,946)
Share of profit of a joint venture		21,665	19,435
Profit before taxation	6	1,206,330	915,111
Income tax	7(a)	(352,132)	(281,520)
Profit for the year		854,198	633,591
Attributable to:			
Shareholders of the Company		837,390	604,467
Non-controlling interests		16,808	29,124
Profit for the year		854,198	633,591
Earnings per share	12		
Basic (RMB cent)		37.9	27.4
Diluted (RMB cent)		37.8	27.3

The notes on pages 57 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013 (Expressed in RMB'000)

	For the year ended 31 December	
	2013	2012
Profit for the year	**854,198**	633,591
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas subsidiaries	**(5,386)**	12
Other comprehensive income for the year	**(5,386)**	12
Total comprehensive income for the year	**848,812**	633,603
Attributable to:		
Shareholders of the Company	**832,004**	604,479
Non-controlling interests	**16,808**	29,124
Total comprehensive income for the year	**848,812**	633,603

The notes on pages 57 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013 (Expressed in RMB'000)

	Note	At 31 December 2013	2012
Non-current assets			
Property, plant and equipment	14	2,283,436	1,645,646
Lease prepayments	15	416,381	299,604
Intangible assets	16	3,974,260	4,073,169
Goodwill	17	1,926,551	1,926,551
Interest in a joint venture	19	162,702	141,037
Interest in an associate		3,200	–
Deferred tax assets	29	36,270	20,240
		8,802,800	8,106,247
Current assets			
Inventories	20	2,528,302	3,269,552
Trade and other receivables	21	4,770,851	3,065,321
Pledged bank deposits	22	1,527,283	1,294,212
Time deposits		18,291	4,100
Cash and cash equivalents	23	1,468,264	1,202,800
		10,312,991	8,835,985
Current liabilities			
Loans and borrowings	24	2,941,676	3,694,077
Trade and other payables	25	4,628,256	3,909,473
Income tax payables	7(c)	635,535	394,964
		8,205,467	7,998,514
Net current assets		2,107,524	837,471
Total assets less current liabilities		10,910,324	8,943,718
Non-current liabilities			
Loans and borrowings	24	333,489	1,204,874
Bonds payable	26	2,019,845	–
Deferred tax liabilities	29	918,903	938,257
		3,272,237	2,143,131
NET ASSETS		7,638,087	6,800,587
Equity			
Share capital	30	188,776	188,666
Reserves		7,354,486	6,520,072
Equity attributable to shareholders of the Company		7,543,262	6,708,738
Non-controlling interests		94,825	91,849
TOTAL EQUITY		7,638,087	6,800,587

Approved and authorised for issue by the board of directors on 31 March 2014.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 57 to 119 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013 (Expressed in RMB'000)

	Note	At 31 December 2013	2012
Non-current assets			
Property, plant and equipment	14	593	643
Investment in subsidiaries	18	6,365,365	6,630,559
		6,365,958	6,631,202
Current assets			
Trade and other receivables	21	30,707	162,639
Cash and cash equivalents	23	97,459	125,852
		128,166	288,491
Current liabilities			
Loans and borrowings	24	67,326	1,055,241
Trade and other payables	25	1,872	13,306
		69,198	1,068,547
Net current assets/(liabilities)		58,968	(780,056)
Total assets less current liabilities		6,424,926	5,851,146
Non-current liabilities			
Loans and borrowings	24	–	1,204,874
Bonds payable	26	2,019,845	–
		2,019,845	1,204,874
NET ASSETS		4,405,081	4,646,272
Equity			
Share capital	30	188,776	188,666
Reserves	31	4,216,305	4,457,606
TOTAL EQUITY		4,405,081	4,646,272

Approved and authorised for issue by the board of directors on 31 March 2014.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 57 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013 (Expressed in RMB'000)

	Attributable to shareholders of the Company									
	Share capital (note 30)	Share premium (note 31(a))	Capital reserves	PRC statutory reserves (note 31(b))	Exchange reserves (note 31(c))	Discretionary surplus reserves (note 31(d))	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2012	187,959	4,520,356	467,671	93,307	11,028	4,459	925,624	6,210,404	111,515	6,321,919
Shares issued pursuant to pre-IPO employee share option scheme	707	24,551	(11,285)	–	–	–	–	13,973	–	13,973
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	300	300
Acquisition of non-controlling interests in a subsidiary	–	–	(122,778)	–	–	–	–	(122,778)	(27,222)	(150,000)
Total comprehensive income for the year	–	–	–	–	12	–	604,467	604,479	29,124	633,603
Equity settled share-based transactions	–	–	2,660	–	–	–	–	2,660	–	2,660
Dividends	–	–	–	–	–	–	–	–	(21,868)	(21,868)
Appropriation to reserves	–	–	–	46,248	–	–	(46,248)	–	–	–
Balance at 31 December 2012 and 1 January 2013	188,666	4,544,907	336,268	139,555	11,040	4,459	1,483,843	6,708,738	91,849	6,800,587
Shares issued pursuant to pre-IPO employee share option scheme (note 30(i))	110	3,858	(1,776)	–	–	–	–	2,192	–	2,192
Total comprehensive income for the year	–	–	–	–	(5,386)	–	837,390	832,004	16,808	848,812
Equity settled share-based transactions	–	–	328	–	–	–	–	328	–	328
Dividends	–	–	–	–	–	–	–	–	(13,832)	(13,832)
Appropriation to reserves	–	–	–	82,887	–	–	(82,887)	–	–	–
Balance at 31 December 2013	188,776	4,548,765	334,820	222,442	5,654	4,459	2,238,346	7,543,262	94,825	7,638,087

The notes on pages 57 to 119 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013 (Expressed in RMB'000)

	Note	2013	2012
		For the year ended 31 December	
Operating activities:			
Profit before taxation		1,206,330	915,111
Adjustments for:			
– Depreciation	6(c)	191,523	156,204
– Amortisation of lease prepayments	6(c)	8,255	7,928
– Amortisation of intangible assets	6(c)	98,909	198,828
– Net gain on disposal of property, plant and equipment	5	(30,516)	(32,400)
– Finance costs	6(a)	489,335	403,946
– Share of profit of a joint venture		(21,665)	(19,435)
– Interest income from bank deposits	5	(15,742)	(16,376)
– Equity settled share-based transactions	28	328	2,660
		1,926,757	1,616,466
Changes in working capital:			
– Decrease/(Increase) in inventories		741,250	(25,529)
– Increase in trade and other receivables		(1,731,569)	(107,346)
– Increase in pledged bank deposits		(233,071)	(125,303)
– Increase/(Decrease) in trade and other payables		715,039	(298,021)
Cash generated from operations		1,418,406	1,060,267
Income tax paid	7(c)	(146,945)	(238,005)
Net cash generated from operating activities		1,271,461	822,262
Investing activities:			
Payment for purchase of property, plant and equipment		(1,016,109)	(969,990)
Proceeds from disposal of property, plant and equipment		273,812	204,829
Payment for purchase of lease prepayments		(125,032)	(131,079)
Investment in an associate		(3,200)	–
(Increase)/Decrease in time deposits		(14,191)	7,700
Dividends received from a joint venture		–	20,000
Interest received		15,742	16,376
Net cash used in investing activities		(868,978)	(852,164)

The notes on pages 57 to 119 form part of these financial statements.

For the year ended 31 December 2013 (Expressed in RMB'000)

	Note	For the year ended 31 December 2013	2012
Financing activities:			
Proceeds from loans and borrowings		7,346,743	9,980,793
Repayment of loans and borrowings		(8,971,653)	(9,302,212)
Net proceeds from issue of bonds	26	2,020,969	–
Proceeds from shares issued under share option scheme		2,192	13,973
Acquisition of non-controlling interests in a subsidiary		–	(121,400)
Capital injection by non-controlling interests		–	300
Dividends paid to non-controlling interests		(13,832)	(21,868)
Interest paid		(513,535)	(413,570)
Net cash (used in)/generated from financing activities		(129,116)	136,016
Net increase in cash and cash equivalents		273,367	106,114
Cash and cash equivalents at beginning of the year		1,202,800	1,096,771
Effect of foreign exchange rate changes		(7,903)	(85)
Cash and cash equivalents at end of the year	23	1,468,264	1,202,800

The notes on pages 57 to 119 form part of these financial statements.

1 GENERAL INFORMATION

China ZhengTong Auto Services Holdings Limited (the "Company") was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in 4S dealership business, motor-related logistics business and lubricant oil trading business in the People's Republic of China (the "PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Group and the Group's interest in a joint venture and an associate.

These consolidated financial statements are presented in Renminbi ("RMB") which is the Group's presentation currency, rounded to the nearest thousand, except for earnings per share information. These consolidated financial statements have been prepared on the historical cost basis, except for otherwise stated.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 37.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

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

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

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 2(i)).

(d) Associate and joint venture

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associate and joint venture (continued)

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

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

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

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

–	Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30–40 years after the date of completion.
–	Leasehold improvements	Over the shorter of the un-expired term of the lease and 5 years
–	Plant and machinery	10 years
–	Motor vehicles	5 years
–	Office equipment and furniture	5 years

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

Subsequent expenditures relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Any other subsequent expenditure is recognised in profit or loss as an expense as incurred.

Construction in progress is stated at cost less impairment losses (see note 2(i)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

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

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

–	Car dealership	40 years
–	Favourable lease contracts	Over the unexpired term of lease, being 1–10 years

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Lease prepayments

Lease prepayments represent the cost of acquiring land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 2(i)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) Operating lease charges

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

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any event or change in circumstances indicates that the carrying amount may not be recoverable, an impairment loss is determined and recognised as follows:

For trade and other receivable carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– lease prepayments;

– intangible assets;

– investments in associate and joint venture;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(j) Inventories

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

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

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

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

(k) Trade and other receivables

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

The Group derecognises trade and other receivables when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on trade and other receivables in a transaction in which substantially all the risks and rewards of ownership of trade and other receivables are transferred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Interest-bearing borrowings

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

Interest-bearing borrowings are derecognised when the Group's contractual obligations are discharged, cancelled or expire.

(m) Trade and other payables

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

Trade and other payables are derecognised when the Group's contractual obligations are discharged, cancelled or expired.

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the consolidated statement of profit or loss as incurred.

(iii) Share-based payments

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iii) Share-based payments (continued)

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

(p) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax (continued)

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

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

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

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

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

  – the same taxable entity; or

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

(q) Provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition (continued)

(ii) Sales of motor spare parts

Revenue arising from the sale of motor spare parts is recognised when significant risks and rewards of ownership have been transferred to the buyers.

(iii) Maintenance services income

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

(iv) Logistics services income and other related services income

Revenue arising from logistics services and other related services are recognised when the service is rendered to customers.

(v) Sales of lubricant oil

Revenue arising from the sales of lubricant oil is recognised when lubricant oil is delivered at the customers' premises.

(vi) Commission income

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

(vii) Interest income

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

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowing costs

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

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

(u) Related parties

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

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

(2) has significant influence over the Group; or

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

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

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

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

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

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

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

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

(7) A person identified in (i)(1) 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).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Segment reporting

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

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

The segment information is reported to the chief executive officer of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of financial statements – *Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009–2011 Cycle*
- Amendments to HKFRS 7, *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

3 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 10, Consolidated financial statements

HKFRS10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 19.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

3 CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvement contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 10.

Amendments to HKFRS 7, Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

4 TURNOVER

The Group is mainly engaged in sales of passenger motor vehicles, motor spare parts, provision of maintenance services, provision of logistics services and sales of lubricant oil. Turnover represents the sales of goods and services income rendered to customers.

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

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Sales of passenger motor vehicles	**26,594,625**	24,841,035
Sales of motor spare parts	**511,536**	394,995
Provision of maintenance services	**2,271,294**	1,922,177
Provision of logistics services	**199,407**	191,180
Sales of lubricant oil	**263,407**	300,053
	29,840,269	27,649,440

5 OTHER REVENUE AND NET INCOME

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Other revenue:		
Commission income	298,918	203,543
Interest income from bank deposits	15,742	16,376
Others	8,418	3,828
	323,078	223,747
Other net income:		
Net gain on disposal of property, plant and equipment	30,516	32,400
Others	11,283	13,341
	41,799	45,741

6 PROFIT BEFORE TAXATION

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

		Note	For the year ended 31 December 2013 RMB'000	2012 RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings and bonds payable wholly repayable within five years		475,819	366,897
	Other finance costs	(i)	37,716	46,673
	Less: interest capitalised*		(24,200)	(9,624)
			489,335	403,946

* The borrowing costs have been capitalised at a rate of 4.50–8.25% per annum (2012: 5.88–8.50%).

		Note	2013 RMB'000	2012 RMB'000
(b)	**Staff costs:**			
	Salaries, wages and other benefits		521,519	490,108
	Contributions to defined contribution retirement plans	(ii)	32,176	31,238
	Equity settled share-based payment expenses	28	328	2,660
			554,023	524,006

6 PROFIT BEFORE TAXATION (continued)

(i) It mainly represents the interest expenses arising from discount of bills.

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

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

		For the year ended 31 December	
		2013 RMB'000	2012 RMB'000
(c)	**Other items:**		
	Cost of inventories	26,947,997	24,933,004
	Depreciation	191,523	156,204
	Amortisation of lease prepayments	8,255	7,928
	Amortisation of intangible assets	98,909	198,828
	Operating lease charges	180,424	156,243
	Net foreign exchange (gain)/loss	(67,996)	21,366
	Auditor's remuneration	6,400	6,400

7 INCOME TAX

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

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Current tax:		
Provision for income tax for the year	387,516	327,034
Deferred tax:		
Origination of temporary differences (note 29)	(35,384)	(45,514)
	352,132	281,520

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

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

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25%.

7 INCOME TAX (continued)

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

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit before taxation	1,206,330	915,111
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	301,582	228,778
Non-deductible expenses	55,978	56,416
Non-taxable income on:		
– Share of profits recognised under the equity method	(5,416)	(4,859)
Others	(12)	1,185
Income tax	352,132	281,520

(c) Income tax payables in the consolidated statement of financial position represent:

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	394,964	305,935
Provision for current income tax for the year	387,516	327,034
Payment during the year	(146,945)	(238,005)
Balance at the end of the year	635,535	394,964

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2013

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000 (note ii)	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Chairman						
Wang Muqing (note(i))	–	–	–	–	–	–
Executive directors						
Wang Kunpeng	–	1,500	540	199	22	2,261
Li Zhubo	–	1,247	407	199	37	1,890
Chen Tao	–	938	338	8	37	1,321
Shao Yongjun	–	941	341	–	37	1,319
Independent non-executive directors						
Wong Tin Yau, Kelvin	177	–	–	–	–	177
Zhao Chunjun (note (iii))	–	–	–	–	–	–
Chang Xiuze (note (iii))	–	–	–	–	–	–
Tan Xiangyong (note (iii))	177	–	–	–	–	177
Zhang Yansheng (note (iii))	177	–	–	–	–	177
	531	4,626	1,626	406	133	7,322

8 DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2012

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors						
Wang Kunpeng	–	874	561	482	16	1,933
Li Zhubo	–	780	502	482	33	1,797
Liu Dongli (note (iv))	–	290	77	(941)	13	(561)
Chen Tao	–	505	329	24	33	891
Shao Yongjun	–	620	417	–	27	1,064
Non-executive director						
Wang Muqing	–	–	–	–	–	–
Independent non-executive directors						
Wong Tin Yau, Kelvin	243	–	–	–	–	243
Tan Xiangyong	243	–	–	–	–	243
Zhang Yansheng	243	–	–	–	–	243
	729	3,069	1,886	47	122	5,853

Notes:

(i) Mr. Wang Muqing, who has served as a non-executive director of the Company since 9 July 2010, was appointed as the chairman of the board with effect from 28 August 2013.

(ii) It represents the estimated value of share options granted to the directors under the Company's pre-IPO employee share option plan. The value of these share options is measured according to the Company's accounting policies for share-based payment transactions as set out in note 2(o)(iii). Details are disclosed in note 28.

(iii) Mr. Zhao Chunjun and Mr. Chang Xiuze have been appointed as non-executive directors on 19 December 2013. Mr. Tan Xiangyong and Mr. Zhang Yansheng have resigned as non-executive directors on 19 December 2013.

(iv) Mr. Liu Dongli resigned as executive director on 1 June 2012.

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, four (2012: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2012: two) individual are as follows:

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Salaries, allowance and benefits in kind	887	1,157
Discretionary bonuses	287	710
Contributions to retirement benefit schemes	–	33
Share-based payments	–	510
	1,174	2,410

The above individual's emoluments is within the band of HK$1,000,001 to HK$1,500,000 in 2013 (2012: HK$1,000,001 to HK$1,500,000).

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2013 includes a loss of RMB243,711,000 (2012: a loss of RMB131,247,000) which has been dealt with in the financial statements of the Company.

11 DIVIDEND

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Final dividend proposed after the end of the reporting period of HK$0.10 (RMB0.08) per ordinary share	173,754	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 was based on the profit attributable to shareholders of the Company for the year of RMB837,390,000 (2012: RMB604,467,000) and the weighted average number of shares in issue during the year ended 31 December 2013 of 2,209,953,213 (2012: 2,207,726,637), calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 December	
	2013	2012
Issued ordinary shares at 1 January	2,208,685,240	2,200,000,000
Effect of share options exercised (note 30(i))	1,267,973	7,726,637
Weighted average number of ordinary shares at 31 December	2,209,953,213	2,207,726,637

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2013 is based on the profit attributable to shareholders of the Company of RMB837,390,000 (2012: RMB604,467,000) and the weighted average number of ordinary shares of 2,214,242,257 (2012: 2,214,602,045) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's pre-IPO employee share option scheme, calculated as follows:

Weighted average number of shares (diluted)

	For the year ended 31 December	
	2013	2012
Weighted average number of ordinary shares for the year ended 31 December	2,209,953,213	2,207,726,637
Effect of deemed issue of shares under the pre-IPO employee share option scheme	4,289,044	6,875,408
Weighted average number of ordinary shares at 31 December	2,214,242,257	2,214,602,045

13 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments:

1 4S dealership business

4S dealership business mainly includes sales of motor vehicles, motor spare parts and provision of maintenance services through the Group's network of 4S dealerships in the PRC.

2 Logistics business

Logistics business mainly includes provision of motor-related logistics services.

3 Lubricant oil business

Lubricant oil business mainly includes trading of lubricant oil.

As neither of logistics business nor lubricant oil business has exceeded the quantitative threshold for determining a reportable segment, they are grouped together to form one reportable segment. Consequently, the Group has two reportable segments, namely "4S dealership business" and "Logistics and lubricant oil businesses".

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

- The measure used for reporting segment profit is profit before taxation. To arrive at profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs, other revenue, other net income and finance costs.

- Segment assets include all current and non-current assets with the exception of intangible assets, goodwill, deferred tax assets and unallocated head office assets. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities and unallocated head office liabilities.

- In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment sales), loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

13 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

	4S dealership business Year ended 31 December		Logistics and lubricant oil businesses Year ended 31 December		Total Year ended 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Turnover from external customers	**29,377,455**	27,158,207	**462,814**	491,233	**29,840,269**	27,649,440
Inter-segment turnover	**–**	–	**12,065**	7,537	**12,065**	7,537
Reportable segment turnover	**29,377,455**	27,158,207	**474,879**	498,770	**29,852,334**	27,656,977
Reportable segment profit	**1,263,203**	1,032,139	**86,900**	84,684	**1,350,103**	1,116,823
Depreciation and amortisation for the year	**290,939**	354,825	**7,748**	8,135	**298,687**	362,960
Reportable segment assets	**10,937,396**	9,951,346	**1,799,654**	1,505,431	**12,737,050**	11,456,777
Additions to non-current segment assets during the year	**1,179,258**	1,111,047	**18,383**	10,123	**1,197,641**	1,121,170
Reportable segment liabilities	**(8,489,265)**	(8,748,434)	**(1,234,735)**	(952,507)	**(9,724,000)**	(9,700,941)
Investment in a joint venture and an associate	**–**	–	**165,902**	141,037	**165,902**	141,037

(b) Reconciliations of reportable segment turnover, profit before taxation, assets and liabilities

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Turnover:		
Reportable segment turnover	**29,852,334**	27,656,977
Elimination of inter-segment turnover	**(12,065)**	(7,537)
Consolidated turnover	**29,840,269**	27,649,440
Profit before taxation:		
Reportable segment profit	**1,350,103**	1,116,823
Unallocated head office expenses	**(19,315)**	(67,254)
Other revenue	**323,078**	223,747
Other net income	**41,799**	45,741
Finance costs	**(489,335)**	(403,946)
Consolidated profit before taxation	**1,206,330**	915,111

13 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment turnover, profit before taxation, assets and liabilities (continued)

	At 31 December	
	2013 RMB'000	2012 RMB'000
Assets:		
Reportable segment assets	12,737,050	11,456,777
Intangible assets	3,974,260	4,073,169
Goodwill	1,926,551	1,926,551
Deferred tax assets	36,270	20,240
Unallocated head office assets	245,102	358,916
Elimination of inter-segment payables/(receivables)	196,558	(893,421)
Consolidated total assets	19,115,791	16,942,232
Liabilities:		
Reportable segment liabilities	(9,724,000)	(9,700,941)
Income tax payables	(635,535)	(394,964)
Deferred tax liabilities	(918,903)	(938,257)
Unallocated head office liabilities	(2,708)	(904)
Elimination of inter-segment (payables)/receivables	(196,558)	893,421
Consolidated total liabilities	(11,477,704)	(10,141,645)

(c) Geographic information

As the Group solely operates in the PRC, no geographical segment information has been presented.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2012	505,023	68,897	140,757	282,210	85,821	66,983	1,149,691
Additions	95,488	–	41,098	388,475	48,147	416,883	990,091
Transfer	177,134	26,954	5,127	–	13,278	(222,493)	–
Disposals	–	–	(812)	(207,329)	(1,645)	–	(209,786)
At 31 December 2012 and 1 January 2013	777,645	95,851	186,170	463,356	145,601	261,373	1,929,996
Additions	20,417	–	65,149	368,827	10,458	607,758	1,072,609
Transfer	318,164	3,033	63,140	–	29,223	(413,560)	–
Disposals	(789)	–	(2,232)	(308,129)	(2,561)	–	(313,711)
At 31 December 2013	1,115,437	98,884	312,227	524,054	182,721	455,571	2,688,894
Accumulated depreciation:							
At 1 January 2012	39,811	18,560	29,609	48,424	29,099	–	165,503
Charge for the year	21,259	18,278	14,105	85,538	17,024	–	156,204
Written back on disposals	–	–	(528)	(35,637)	(1,192)	–	(37,357)
At 31 December 2012 and 1 January 2013	61,070	36,838	43,186	98,325	44,931	–	284,350
Charge for the year	30,615	12,961	21,926	98,945	27,076	–	191,523
Written back on disposals	(17)	–	(1,088)	(67,689)	(1,621)	–	(70,415)
At 31 December 2013	91,668	49,799	64,024	129,581	70,386	–	405,458
Net book value:							
At 31 December 2013	1,023,769	49,085	248,203	394,473	112,335	455,571	2,283,436
At 31 December 2012	716,575	59,013	142,984	365,031	100,670	261,373	1,645,646

14 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Leasehold improvements RMB'000	Office equipment and furniture RMB'000	Total RMB'000
Cost:			
At 1 January 2012	729	33	762
Additions	95	–	95
At 31 December 2012 and 1 January 2013	824	33	857
Additions	–	130	130
At 31 December 2013	824	163	987
Accumulated depreciation:			
At 1 January 2012	61	1	62
Charge for the year	146	6	152
At 31 December 2012 and 1 January 2013	207	7	214
Charge for the year	163	17	180
At 31 December 2013	370	24	394
Net book value:			
At 31 December 2013	454	139	593
At 31 December 2012	617	26	643

(a) The Group's buildings are located in the PRC. The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB150,651,694 as at 31 December 2013 (2012: RMB93,603,376). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2013.

(b) Property, plant and equipment with carrying amount of RMB59,343,000 are pledged against a standby letter of credit (see note 26) as at 31 December 2013.

Property, plant and equipment with carrying amount of RMB41,245,000 are pledged against bank loans (see note 24) as at 31 December 2012.

15 LEASE PREPAYMENTS

	The Group At 31 December	
	2013	2012
	RMB'000	RMB'000
Cost:		
At 1 January	**320,305**	189,226
Additions	**125,032**	131,079
At 31 December	**445,337**	320,305
Accumulated amortisation:		
At 1 January	**(20,701)**	(12,773)
Charge for the year	**(8,255)**	(7,928)
At 31 December	**(28,956)**	(20,701)
Net book value:		
At 31 December	**416,381**	299,604

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 23 to 50 years when granted.

Lease prepayments with carrying amount of RMB70,930,000 are pledged against a standby letter of credit (see note 26) as at 31 December 2013.

Lease prepayments with carrying amount of RMB45,183,000 are pledged against bank loans (see note 24) as at 31 December 2012.

16 INTANGIBLE ASSETS

	The Group				
	Car dealerships RMB'000	Favourable lease contracts RMB'000	Trademark RMB'000	Club debenture RMB'000	Total RMB'000
Cost:					
At 1 January 2012 and at 31 December 2012 and 2013	3,888,752	36,904	362,732	363	4,288,751
Accumulated amortisation:					
At 1 January 2012	(15,446)	(1,308)	–	–	(16,754)
Charge for the year	(194,438)	(4,390)	–	–	(198,828)
At 31 December 2012 and 1 January 2013	(209,884)	(5,698)	–	–	(215,582)
Charge for the year	(94,519)	(4,390)	–	–	(98,909)
At 31 December 2013	(304,403)	(10,088)	–	–	(314,491)
Net book Value:					
At 31 December 2013	3,584,349	26,816	362,732	363	3,974,260
At 31 December 2012	3,678,868	31,206	362,732	363	4,073,169

The car dealerships arise from relationship with automobile manufacturers, whose fair value as at the respective acquisition dates was determined by using the multiple-period excess earning method. During the year, the Group made a re-assessment of the estimated useful life of car dealerships which was changed from 20 years to 40 years. The change in accounting estimate has been accounted for prospectively during the year, with an impact of decrease in amortisation expenses of RMB99,919,000 for the year ended 31 December 2013.

The trademark, arising from the acquisition of Top Globe Limited, has an indefinite useful life because it is expected to contribute net cash inflows to the Group indefinitely. The fair value of the trademark as at the acquisition date was determined by using the relief from royalty method.

The amortisation charge for the year is included in “administrative expenses” in the consolidated statement of profit or loss.

17 GOODWILL

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
At 1 January and at 31 December	1,926,551	1,926,551

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the operating segments as follows:

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
4S dealership business	1,926,551	1,926,551

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are projected by using a steady growth rate of 3% (2012: 3%). The discount rates applied to the cash flow projections beyond the one year period is 13% (2012: 14%).

Key assumptions used for value in use calculations are the gross margins and growth rates of the sales and service of motor vehicles, based on past performance and its expectation for market development.

18 INVESTMENT IN SUBSIDIARIES

	The Company As at 31 December	
	2013 RMB'000	2012 RMB'000
Investment, at cost	5,582,599	5,582,599
Add: Amounts due from subsidiaries	782,766	1,047,960
	6,365,365	6,630,559

Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

18 INVESTMENT IN SUBSIDIARIES (continued)

As of 31 December 2013, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Big Glory International Limited (浩榮國際有限公司)		British Virgin Islands ("BVI") 22 June 2006	US$100	100%	–	Investment holding
Top Globe Limited (同方有限公司)		British Virgin Islands ("BVI") 27 August 2007	US$100	100%	–	Investment holding
Acme Joy Group Limited		British Virgin Islands ("BVI") 28 April 2011	US$50,000	–	100%	Investment holding
Chang Jun Limited (昌骏有限公司)		British Virgin Islands ("BVI") 16 June 2011	US$100	–	100%	Investment holding
Silver Journey Global Limited		British Virgin Islands ("BVI") 6 July 2011	US$50,000	–	100%	Investment holding
Rising Wave Development Limited (升濤發展有限公司)		Hong Kong 21 April 2006	HK$100	–	100%	Investment holding
Wealth Fame Holdings Limited (佳名集團有限公司)		Hong Kong 19 July 2007	HK$1	–	100%	Investment holding
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)		Hong Kong 10 November 2008	HK$10,000	–	100%	Investment holding
Wuhan Shengze Jietong Logistics Co., Ltd. (武漢聖澤捷通物流有限公司)	(i)	The PRC 22 November 2002	RMB399,539,000	–	100%	Provision of mobile related logistic services
Shanghai Shenxie Automobile Trading Co., Ltd. (上海紳協汽車貿易有限公司)		The PRC 21 April 1999	RMB50,000,000	–	100%	Automobile dealership
Shanghai Yige Science & Technology Trading Co., Ltd. (上海繹格科工貿有限公司)	(iii)	The PRC 25 September 2002	RMB15,000,000	–	50%	Distribution of lubricant oil
Hubei Dingjie Automobile Sales Services Co., Ltd. (湖北鼎傑汽車銷售服務有限公司)		The PRC 12 December 2002	RMB55,000,000	–	100%	Automobile dealership
Inner Mongolia Dingjie Automobile Trading Co., Ltd. (內蒙古鼎傑汽車貿易有限公司)		The PRC 23 January 2003	RMB7,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hubei Bocheng Automobile Sales Services Co., Ltd. (湖北博誠汽車銷售服務有限公司)		The PRC 30 May 2003	RMB20,000,000	–	100%	Automobile dealership
Wuhan Kaitai Automobile Sales Services Co., Ltd. (武漢開泰汽車銷售服務有限公司)		The PRC 20 October 2003	RMB10,000,000	–	100%	Automobile dealership
Hubei Xinrui Automobile Sales Services Co., Ltd. (湖北欣瑞汽車銷售服務有限公司)		The PRC 18 March 2004	RMB10,000,000	–	100%	Automobile dealership
Wuhan Baoze Automobile Sales Services Co., Ltd. (武漢寶澤汽車銷售服務有限公司)		The PRC 26 May 2004	RMB70,000,000	–	100%	Automobile dealership
Shiyan Shenxie Automobile Trading Co., Ltd. (十堰紳協汽車貿易有限公司)		The PRC 18 June 2004	RMB19,000,000	–	100%	Automobile dealership
Shanghai Luda Automobile Sales Services Co., Ltd. (上海陸達汽車銷售服務有限公司)		The PRC 8 November 2004	RMB10,000,000	–	100%	Automobile dealership
Changsha Ruibao Automobile Sales Services Co., Ltd. (長沙瑞寶汽車銷售服務有限公司)		The PRC 21 June 2005	RMB20,000,000	–	100%	Automobile dealership
Hubei Jierui Automobile Sales Services Co., Ltd. (湖北捷瑞汽車銷售服務有限公司)		The PRC 24 June 2005	RMB22,000,000	–	100%	Automobile dealership
Huhhot Qibao Automobile Sales Services Co., Ltd. (呼和浩特市祺寶汽車銷售服務有限公司)		The PRC 23 February 2006	RMB10,000,000	–	100%	Automobile dealership
Yichang Baoze Automobile Sales Services Co., Ltd. (宜昌寶澤汽車銷售服務有限公司)		The PRC 13 June 2006	RMB8,000,000	–	100%	Automobile dealership
Chenzhou Ruibao Automobile Sales Services Co., Ltd. (郴州瑞寶汽車銷售服務有限公司)		The PRC 6 September 2006	RMB6,000,000	–	100%	Automobile dealership
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. (上海紳協紳通汽車銷售服務有限公司)		The PRC 31 January 2007	RMB15,000,000	–	100%	Automobile dealership
Nanchang Baoze Automobile Sales Services Co., Ltd. (南昌寶澤汽車銷售服務有限公司)		The PRC 2 June 2008	RMB29,000,000	–	100%	Automobile dealership
Zhuhai Baoze Automobile Sales Services Co., Ltd. (珠海寶澤汽車銷售服務有限公司)		The PRC 27 June 2008	RMB30,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Aohui Automobile Sales Services Co., Ltd. (上海奧滙汽車銷售服務有限公司)		The PRC 4 December 2008	RMB10,000,000	–	100%	Automobile dealership
Guangzhou Baoze Automobile Sales Services Co., Ltd. (廣州寶澤汽車銷售服務有限公司)		The PRC 20 April 2009	RMB30,000,000	–	100%	Automobile dealership
Dongguan Jieyunhang Automobile Sales Services Co., Ltd. (東莞捷運行汽車銷售服務有限公司)		The PRC 6 July 2009	RMB10,000,000	–	100%	Automobile dealership
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)		The PRC 6 August 2009	RMB26,000,000	–	100%	Automobile dealership
Beijing Baozehang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司)		The PRC 16 October 2009	RMB90,000,000	–	100%	Automobile dealership
Inner Mongolia Dingze Automobile Sales Services Co., Ltd. (內蒙古鼎澤汽車銷售服務有限公司)		The PRC 27 October 2009	RMB20,000,000	–	100%	Automobile dealership
Shantou Hongxiang Materials Co., Ltd. (汕頭市宏祥物資有限公司)	(ii)	The PRC 12 July 2000	RMB5,000,000	–	80%	Automobile dealership
Shangrao Baoze Automobile Sales Services Co., Ltd. (上饒市寶澤汽車銷售服務有限公司)		The PRC 2 November 2010	RMB10,000,000	–	100%	Automobile dealership
Ganzhou Baoze Automobile Sales Services Co., Ltd. (贛州寶澤汽車銷售服務有限公司)		The PRC 3 December 2010	RMB10,000,000	–	100%	Automobile dealership
Xiangyang Baoze Automobile Sales Services Co., Ltd. (襄陽寶澤汽車銷售服務有限公司)		The PRC 1 November 2010	RMB10,000,000	–	100%	Automobile dealership
Xiangtan Baoze Automobile Sales Services Co., Ltd. (湘潭寶澤汽車銷售服務有限公司)		The PRC 9 November 2010	RMB10,000,000	–	100%	Automobile dealership
Wuhan Shengtong Investment Management Co., Ltd. (武漢升通投資管理有限公司)		The PRC 22 April 2011	RMB10,000,000	–	100%	Investment holding
Baotou Luze Automobile Sales Services Co., Ltd. (包頭市路澤汽車銷售服務有限公司)		The PRC 4 May 2011	RMB20,000,000	–	100%	Automobile dealership
Ganzhou Yizezhiye Co., Ltd. (贛州益澤置業有限公司)		The PRC 19 November 2010	RMB10,000,000	–	100%	Real Estate Development

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xiangtan Yizezhiye Co., Ltd. (湘潭益澤置業有限公司)		The PRC 18 November 2010	RMB10,000,000	–	100%	Real Estate Development
Shangrao Yizezhiye Co., Ltd. (上饒市益澤置業有限公司)		The PRC 18 November 2010	RMB10,000,000	–	100%	Real Estate Development
Ulanqab Yizezhiye Co., Ltd. (烏蘭察布市益澤置業有限公司)		The PRC 21 December 2010	RMB10,000,000	–	100%	Real Estate Development
Hubei Aoze Automobile Sales Services Co., Ltd. (湖北奧澤汽車銷售服務有限公司)		The PRC 25 May 2011	RMB20,000,000	–	100%	Automobile parts sales
Lhasa Jinsheng Automobile Sales Co., Ltd. (拉薩金勝汽貿有限公司)		The PRC 13 April 2011	RMB20,000,000	–	100%	Automobile parts sales
Qingdao Huacheng Automobile Services Co., Ltd. (青島華成汽車服務有限公司)		The PRC 8 March 2001	RMB8,800,000	–	100%	Automobile dealership
Shantou Lujie Automobile Sales Services Co., Ltd. (汕頭市路傑汽車銷售服務有限公司)		The PRC 2 September 2011	RMB10,000,000	–	75%	Automobile dealership
Lhasa Hongjin Automobile Sales Co., Ltd. (拉薩弘進汽貿有限公司)		The PRC 12 April 2011	RMB15,000,000	–	100%	Automobile parts sales
Henan Jintangsheng Automobile Co., Ltd. (河南省錦堂盛汽車有限公司)		The PRC 7 May 2008	RMB10,000,000	–	100%	Automobile dealership
Zhengzhou Jiwo Automobile Sales Services Co., Ltd. (鄭州吉沃汽車銷售服務有限公司)		The PRC 3 June 2010	RMB10,000,000	–	100%	Automobile dealership
ZhengTong Automobile Investment Holding (Wuhan) Co., Ltd. (正通汽車投資控股(武漢)有限公司)	(i)	The PRC 29 March 2011	RMB600,000,000	–	100%	Investment holding
Chengdu Qibao Automobile Sales Services Co., Ltd. (成都祺寶汽車銷售服務有限公司)		The PRC 13 July 2011	RMB50,000,000	–	100%	Automobile dealership
Wuhan ZhengTong Second Hand Automobile Brokerage Co., Ltd. (武漢正通二手車經紀有限公司)		The PRC 27 June 2011	RMB500,000	–	100%	Automobile trading agency

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing ZhengTong Old Automobile Brokerage Co., Ltd. (北京正通舊機動車經紀有限公司)		The PRC 5 May 2011	RMB10,000,000	–	100%	Automobile trading agency
Huhhot Jietong Second Hand Automobile Brokerage Co., Ltd. (呼和浩特市捷通二手車經紀有限公司)		The PRC 16 June 2011	RMB500,000	–	100%	Automobile trading agency
Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. (佛山正通眾鋭汽車銷售服務有限公司)		The PRC 18 April 2011	RMB10,000,000	–	100%	Automobile dealership
Baotou Zhongrui Automobile Sales Service Co., Ltd. (包頭眾鋭汽車銷售服務有限公司)		The PRC 21 September 2010	RMB10,000,000	–	100%	Automobile dealership
ZhengTong Automobile Services Co., Ltd. (正通汽車服務有限公司)		The PRC 1 September 2011	RMB50,000,000	–	100%	Automobile parts sales
Jiangxi Deao Automobile Sales Services Co., Ltd. (江西德奧汽車銷售服務有限公司)		The PRC 17 September 2002	RMB5,000,000	–	100%	Automobile dealership
Huhhot Jieyun Automobile Sales Services Co., Ltd. (呼和浩特市捷運行汽車銷售服務有限公司)		The PRC 29 December 2011	RMB10,000,000	–	100%	Automobile dealership
Jieyang Dingjie Automobile Sales Services Co., Ltd. (揭陽鼎傑汽車銷售服務有限公司)		The PRC 19 July 2011	RMB20,000,000	–	80%	Automobile dealership
Shenzhen Roadmate Technology Co., Ltd. (深圳路美特科技有限公司)	(iv)	The PRC 15 March 2004	US$2,100,000	–	100%	Investment holding
Shenzhen SCAS Investment Group Co., Ltd. (深圳市中汽南方投資集團有限公司)		The PRC 21 May 2001	RMB50,000,000	–	100%	Investment holding
Shenzhen Yama Automobile Trading Co., Ltd. (深圳野馬汽車貿易有限公司)		The PRC 15 June 1993	RMB15,000,000	–	100%	Investment holding
Shenzhen SCAS Electric Machinery Co., Ltd. (深圳市中汽南方機電設備有限公司)		The PRC 25 November 1996	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Automobile Maintenance Co., Ltd. (深圳市中汽南方汽車維修有限公司)		The PRC 14 August 2000	RMB2,000,000	–	100%	Provision of automobile maintenance services

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangdong SCAS Automobile Sales Services Co., Ltd. (廣東中汽南方汽車銷售服務有限公司)		The PRC 21 July 2004	RMB10,000,000	–	100%	Automobile dealership
Dongguan SCAS Automobile Sales Services Co., Ltd. (東莞中汽南方汽車銷售服務有限公司)		The PRC 30 July 2004	RMB5,000,000	–	100%	Automobile dealership
Zhongshan SCAS Automobile Sales Services Co., Ltd. (中山中汽南方汽車銷售服務有限公司)		The PRC 29 April 2011	RMB5,000,000	–	100%	Automobile dealership
Zhuhai SCAS Automobile Sales Services Co., Ltd. (珠海中汽南方汽車銷售服務有限公司)		The PRC 10 March 2005	RMB5,000,000	–	100%	Automobile dealership
Hunan SCAS Automobile Sales Services Co., Ltd. (湖南中汽南方汽車銷售服務有限公司)		The PRC 26 May 2005	RMB10,000,000	–	90%	Automobile dealership
Hainan SCAS Automobile Sales Services Co., Ltd. (海南中汽南方汽車銷售服務有限公司)		The PRC 23 May 2008	RMB20,000,000	–	100%	Automobile dealership
Fujian SCAS Automobile Sales Services Co., Ltd. (福建中汽南方汽車銷售服務有限公司)		The PRC 29 April 2005	RMB10,000,000	–	100%	Automobile dealership
Beijing SCAS North China Automobile Services Co., Ltd. (北京中汽南方華北汽車服務有限公司)		The PRC 2 July 2001	RMB10,000,000	–	100%	Automobile dealership
Beijing BWWR Automobile Sales Services Co., Ltd. (北京百旺沃瑞汽車銷售服務有限公司)		The PRC 27 March 2008	RMB5,000,000	–	100%	Automobile dealership
Beijing Dewanlong Trading Co., Ltd. (北京德萬隆經貿有限公司)		The PRC 9 September 1999	RMB10,000,000	–	100%	Automobile dealership
Beijing SCAS Zhongguan Automobile Sales Co., Ltd. (北京中汽南方中關汽車銷售有限公司)		The PRC 19 March 2010	RMB5,000,000	–	100%	Automobile dealership
Tianjin SCAS Automobile Sales Services Co., Ltd. (天津中汽南方汽車銷售服務有限公司)		The PRC 21 May 2004	RMB10,000,000	–	100%	Automobile dealership
Tianjin Automobile Industry SCAS Sales Co., Ltd. (天津汽車工業銷售深圳南方有限公司)		The PRC 28 November 1995	RMB20,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengxing Automobile Sales Services Co., Ltd. (深圳市南方騰星汽車銷售服務有限公司)		The PRC 15 May 2006	RMB30,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd. (深圳市南方英菲尼迪汽車銷售服務有限公司)		The PRC 19 October 2006	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Changfu Automobile Sales Co., Ltd. (深圳市中汽南方長福汽車銷售有限公司)		The PRC 10 December 2004	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengtian Automobile Sales Services Co., Ltd. (深圳市南方騰田汽車銷售服務有限公司)		The PRC 24 March 2006	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd. (深圳市南方騰龍汽車銷售服務有限公司)		The PRC 5 December 2005	RMB5,000,000	–	100%	Automobile dealership
Shenzhen SCAS Toyota Automobile Sales Services Co., Ltd. (深圳南方豐田汽車銷售服務有限公司)		The PRC 9 April 2002	RMB10,000,000	–	100%	Automobile dealership
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd. (清遠南方合眾汽車銷售服務有限公司)		The PRC 31 December 2009	RMB3,000,000	–	100%	Automobile dealership
Qingyuan SCAS Heda Automobile Sales Services Co., Ltd. (清遠南方合達汽車銷售服務有限公司)		The PRC 26 October 2010	RMB8,000,000	–	100%	Automobile dealership
Qingyuan SCAS Toyota Automobile Sales Services Co., Ltd. (清遠南方豐田汽車銷售服務有限公司)		The PRC 17 October 2008	RMB10,000,000	–	100%	Automobile dealership
ZhengTong Supply Chain Investment Holding (Shenzhen) Co., Ltd. (正通供應鏈投資控股(深圳)有限公司)	(i)	The PRC 10 January 2012	USD7,000,000	–	100%	Investment holding
Baotou Lizhongyou Materials Co., Ltd. (包頭市利中友物資有限公司)		The PRC 6 November 2003	RMB1,000,000	–	100%	Automobile parts sales
Changchun Yilong Transportation Co., Ltd. (長春億隆運輸有限公司)		The PRC 24 October 2008	RMB5,000,000	–	94%	Provision of automobile related logistic services

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wuhan Yuntong Investment Management Co., Ltd. (武漢運通行投資管理有限公司)		The PRC 1 March 2012	RMB10,000,000	–	100%	Investment holding
Shanxi Zhengtong Lanbo Automobile Sales Services Co., Ltd. (山西正通蘭博汽車銷售服務有限公司)		The PRC 5 April 2012	RMB10,000,000	–	100%	Automobile dealership
Dongguan Liaobu SCAS Automobile Sales Services Co., Ltd. (東莞寮步中汽南方汽車銷售服務有限公司)		The PRC 15 May 2012	RMB10,000,000	–	100%	Automobile dealership
Guangdong SCAS Shengwo Automobile Sales Services Co., Ltd. (廣東中汽南方勝沃汽車銷售服務有限公司)		The PRC 11 June 2012	RMB10,000,000	–	100%	Automobile dealership
Wuhan Baoze Automobile Maintenance Co., Ltd. (武漢寶澤行汽車維修服務有限公司)		The PRC 12 June 2012	RMB10,000,000	–	100%	Provision of automobile maintenance services
Jingdezhen Shengtong Trading Co., Ltd. (景德鎮升通貿易有限公司)		The PRC 20 June 2012	RMB10,000,000	–	100%	Automobile parts sales
Zhuhai SCAS Jielu Automobile Sales Services Co., Ltd. (珠海中汽南方捷路汽車銷售服務有限公司)		The PRC 21 June 2012	RMB10,000,000	–	100%	Automobile dealership
Hunan SCAS Xingsha Automobile Sales Services Co., Ltd. (湖南中汽南方星沙汽車銷售服務有限公司)		The PRC 27 June 2012	RMB10,000,000	–	100%	Automobile dealership
Dongguan Zhengtong Kaidi Automobile Sales Services Co., Ltd. (東莞正通凱迪汽車銷售有限公司)		The PRC 29 October 2012	RMB10,000,000	–	100%	Automobile dealership
Jiangxi Zhengtong Zetian Automobile Sales Services Co., Ltd. (江西正通澤田汽車銷售服務公司)		The PRC 19 November 2012	RMB10,000,000	–	100%	Automobile dealership
Shanghai Zhengtong Zhonghui Automobile Sales Services Co., Ltd. (上海正通眾輝汽車銷售服務有限公司)		The PRC 21 December 2012	RMB10,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Qibao Automobile Sales Services Co., Ltd. (上海祺寶汽車銷售服務有限公司)		The PRC 8 June 2013	RMB10,000,000	–	100%	Automobile dealership
Chenzhou Haochi Automobile Sales Services Co., Ltd (郴州豪馳汽車銷售服務有限公司)		The PRC 21 March 2013	RMB10,000,000	–	100%	Automobile dealership
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd. (湛江正通凱迪汽車銷售服務有限公司)		The PRC 15 April 2013	RMB10,000,000	–	100%	Automobile dealership
Wuhan Zhengtong Yuechi Automobile Sales Services Co., Ltd (武漢正通悅馳汽車銷售服務有限公司)		The PRC 14 May 2013	RMB10,000,000	–	100%	Automobile dealership
Shantou Baoze Automobile Sales Services Co., Ltd. (汕頭市寶澤汽車銷售服務有限公司)		The PRC 2 September 2013	RMB10,000,000	–	100%	Automobile dealership
Jingmen Aoze Automobile Sales Services Co., Ltd.. (荊門奥澤汽車銷售服務有限公司)		The PRC 11 October 2013	RMB10,000,000	–	100%	Automobile dealership
Weihai Luze Automobile Sales Services Co., Ltd. (威海路澤汽車銷售服務有限公司)		The PRC 31 October 2013	RMB10,000,000	–	100%	Automobile dealership
Baotou Baozehang Automobile Maintenance Services Co., Ltd. (包頭寶澤行汽車維修服務有限公司)		The PRC 18 December 2013	RMB10,000,000	–	100%	Automobile maintenance
Shantoushi Luze Automobile Sales Services Co., Ltd. (汕頭市路澤汽車銷售服務有限公司)		The PRC 20 November 2013	RMB10,000,000	–	100%	Automobile dealership
Shenzhenshi Qianhaizhengtong Logistic Equipment Services Co., Ltd. (深圳市前海正通物流設備服務有限責任公司)	(i)	The PRC 24 May 2013	RMB6,170,000	–	100%	Automobile dealership
Changsha Ruize Real Estate Development Co., Ltd.. (長沙瑞澤房地產開發有限公司)		The PRC 4 March 2013	RMB20,000,000	–	100%	Property management
Shantoushi Ruize Automobile Sales Services Co., Ltd. (汕頭市瑞澤房地產開發有限公司)		The PRC 14 August 2013	RMB20,000,000	–	100%	Property management
Dingze Insurance Agency Co., Ltd.. (鼎澤保險代理有限公司)		The PRC 16 September 2013	RMB50,000,000	–	100%	Insurance

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wuhan Jiewo Advisory Services Limited (武漢捷沃諮詢服務有限公司)		The PRC 8 August 2013	RMB10,000,000	–	100%	Consulting service

Notes:

(i) These entities are incorporated in the PRC as wholly foreign-owned enterprises by Rising Wave Development Limited.

(ii) This entity is a 4S dealership company ultimately owned and controlled by Mr. Wang Muqing (the "Controlling Shareholder") through indirect equity holdings. The Group, also owned and controlled by the Controlling Shareholder, controlled this entity through certain agreements (the "Contractual Arrangements") with the entity and its equity holder.

(iii) This entity is considered a subsidiary of the Group because the Group has rights to variable returns from its involvement with the entity and has the ability to affect those returns, by virtue of an agreement signed with another equity shareholder which holds 50% interest in this entity, that results in the Group has the power to appoint the sole director of the entity.

(iv) This entity is incorporated in the PRC as a wholly foreign-owned enterprise by Wealth Fame Holdings Limited.

(v) Except for Big Glory International Limited, Rising Wave Development Limited, Tongda Group (China) Co., Ltd., Silver Journey Global Limited, Acme Joy Group Limited, Chang Jun Limited, Top Globe Limited and Wealth Fame Holdings Limited, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

The directors are of the view that the Group had no individually material non-controlling interest as at 31 December 2013.

19 INTEREST IN A JOINT VENTURE

Guangzhou Fengshen Logistics Co., Ltd ("Guangzhou Fengshen") is an unlisted joint arrangement in which the Group has joint control and a 50% ownership interest. Guangzhou Fengshen is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Guangzhou Fengshen as a joint venture, which is equity-accounted.

The following is summarised financial information for Guangzhou Fengshen. For the years presented, no adjustments have been made (or are necessary) to conform the joint venture's accounting policies to those of the Group as there are no material differences between the accounting policies adopted by the joint venture and the Group.

	At 31 December 2013 RMB'000	2012 RMB'000
Revenue	1,245,425	1,137,003
Profit from continuing operations	43,329	38,870
Other comprehensive income	–	–
Total comprehensive income	43,329	38,870

19 INTEREST IN A JOINT VENTURE (continued)

Included in the above profit:

	At 31 December	
	2013 RMB'000	2012 RMB'000
Depreciation and amortisation	43,127	34,028
Interest income	6	61
Interest expenses	5,666	1,721
Income tax expense	6,396	10,238

	At 31 December	
	2013 RMB'000	2012 RMB'000
Current assets	324,235	257,767
Non-current assets	436,484	442,843
Current liabilities	(435,315)	(418,536)
Non-current liabilities	–	–
Net assets	325,404	282,074

Included in the above assets and liabilities:

	At 31 December	
	2013 RMB'000	2012 RMB'000
Cash and cash equivalents	1,196	2,734
Current financial liabilities (excluding trade and other payables and provisions)	–	–

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Group's interest in net assets of investee at beginning of the year	141,037	141,602
Share of total comprehensive income	21,665	19,435
Dividends received during the year	–	(20,000)
Group's interest in net assets of investee at end of the year	162,702	141,037
Carrying amount of interest in investee at end of the year	162,702	141,037

20 INVENTORIES

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

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Motor vehicles	2,174,365	3,001,337
Automobile spare parts	342,287	259,146
Others	11,650	9,069
	2,528,302	3,269,552

As at 31 December 2013 and 2012, there were no inventories carried at net realisable value.

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

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	26,947,997	24,933,004

Inventories with carrying amount of RMB1,027,533,973 have been pledged as security for the bills payable (see note 25) as at 31 December 2013 (2012: RMB1,060,263,000).

Inventories with carrying amount of RMB76,594,255 have been pledged as security for loans and borrowings from banks and other financial institutions (see note 24) as at 31 December 2013 (2012: RMB158,672,000).

21 TRADE AND OTHER RECEIVABLES

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables	1,473,954	370,946	–	–
Bills receivable	4,649	4,725	–	–
	1,478,603	375,671	–	–
Prepayments	764,758	738,931	7,840	7,840
Other receivables and deposits	2,517,410	1,950,719	22,867	16,123
Amount due from third parties	4,760,771	3,065,321	30,707	23,963
Amount due from subsidiaries	–	–	–	138,676
Amount due from related parties (note 35(b))	10,080	–	–	–
Trade and other receivables	4,770,851	3,065,321	30,707	162,639

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

Trade and other receivables with carrying amount of RMB33,113,000 are pledged against bank loans (see note 24) as at 31 December 2013 (2012: RMB28,757,000).

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Within 3 months	1,387,360	350,193
More than 3 months but within 1 year	90,933	25,283
Over 1 year	310	195
	1,478,603	375,671

Details on the Group's credit policy are set out in note 32(a).

22 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Bank loans (note 24)	270,167	119,574
Bills payable (note 25)	937,116	1,174,638
Standby letter of credit (note 26)	320,000	–
Total	1,527,283	1,294,212

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

The bank deposits pledged for the standby letter of credit (see note 26) will be released upon the maturity day of the standby letter of credit or to be replaced by other pledged property, plant and equipment or lease prepayments. The directors consider the bank deposits will be released through replacement by pledged property, plant and equipment or lease prepayments within one year.

23 CASH AND CASH EQUIVALENTS

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Deposit with banks within 3 months of maturity	24,743	–	–	–
Cash at banks and on hand	1,443,521	1,202,800	97,459	125,852
Cash and cash equivalents in consolidated cash flow statements	1,468,264	1,202,800	97,459	125,852

24 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current				
Unsecured bank loans (i)	1,995,800	1,615,000	–	–
Unsecured borrowings from other financial institutions	220,000	500,000	–	–
Unsecured short-term Commercial paper (ii)	350,000	–	–	–
	2,565,800	2,115,000	–	–
Secured bank loans (iii)	290,019	460,636	67,326	–
Secured borrowings from other financial institutions (iv)	85,857	63,200	–	–
	2,941,676	2,638,836	67,326	–
Secured long-term bank loans repayable within 1 year (iii)	–	1,055,241	–	1,055,241
Sub-total	2,941,676	3,694,077	67,326	1,055,241
Non-current				
Secured bank loans (iii)	333,489	1,204,874	–	1,204,874
Sub-total	333,489	1,204,874	–	1,204,874
Total	3,275,165	4,898,951	67,326	2,260,115

(i) Unsecured bank loans carried interest at annual rates ranging from 5.88% to 7.84% as at 31 December 2013 (2012: from 5.88% to 7.50%).

(ii) On 25 September 2013, a subsidiary of the Group issued the first tranche of unsecured one year short-term commercial paper in the PRC inter-bank debenture market with an interest rate of 7.0% per annum.

(iii) Secured bank loans carried interest at annual rates ranging from 5.60% to 7.28% as at 31 December 2013 (2012: from 5.88% to 7.65%).

(iv) Borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 6.30% to 8.25% as at 31 December 2013 (2012: from 6.31% to 8.50%).

24 LOANS AND BORROWINGS (continued)

At the respective balance sheet dates, loans and borrowings were secured by assets of the Group as follows:

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Loans and borrowings:				
– secured by assets of the Group (v)	**709,365**	523,836	**67,326**	–
– secured by shares	**–**	2,260,115	**–**	2,260,115
Total	**709,365**	2,783,951	**67,326**	2,260,115

(v) As at 31 December 2013, the following assets of the Group had been pledged to secure for the Group's banking facilities totalling to RMB1,755,316,000 (2012: RMB1,010,514,000):

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Inventories	**76,594**	158,672
Pledged bank deposits	**270,167**	119,574
Property, plant and equipment	**–**	41,245
Lease prepayments	**–**	45,183
Trade and other receivables	**33,113**	28,757
Total	**379,874**	393,431

As of 31 December 2013, the above banking facilities were utilised to the extent of RMB709,365,000 (2012: RMB523,836,000).

Certain banking facilities of the Group's subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached (2012: None).

25 TRADE AND OTHER PAYABLES

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade payables	403,020	275,411	–	–
Bills payable	3,254,590	2,854,197	–	–
	3,657,610	3,129,608	–	–
Receipts in advance	412,502	407,111	–	–
Other payables and accruals	558,144	372,754	1,872	33
Amount due to third parties	4,628,256	3,909,473	1,872	33
Amount due to subsidiaries	–	–	–	13,273
Trade and other payables	4,628,256	3,909,473	1,872	13,306

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

Bills payable of RMB937,116,000 as at 31 December 2013 (2012: RMB1,174,638,000) were secured by pledged bank deposits (see note 22).

Bills payable of RMB2,317,475,000 as at 31 December 2013 (2012: RMB1,679,559,000) were secured by inventories (see note 20).

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

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Within 3 months	3,359,358	2,966,821
Over 3 months but within 6 months	295,748	162,040
Over 6 months but within 12 months	2,504	747
	3,657,610	3,129,608

26 BONDS PAYABLE

	The Group and the Company At 31 December	
	2013 RMB'000	2012 RMB'000
Bonds payable	2,019,845	–
Details of the bonds are as follows:		
Bonds issued on 16 September 2013	2,044,740	–
Discount on issue	(5,153)	–
Bonds issue costs	(18,618)	–
Proceeds received	2,020,969	–
Accumulated amortised amounts of discount on issue and issue costs	1,016	–
Exchange differences	(2,140)	–
As at 31 December	2,019,845	–

On 16 September 2013, the Company issued credit enhanced bonds with an aggregate principal amount of USD335,000,000 (the "Bonds"). The Bonds bear interest from 16 September 2013 (inclusive) at the rate of 4.5% per annum and were issued at a price of 99.748% of their principal amount. Interest on the Bonds is payable semi-annually in arrears. Payments of principal and interest in respect of the Bonds have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in U.S. dollars and issued by Bank of China Limited, Macau Branch (the "LC Bank"). The bonds have been listed on The Stock Exchange of Hong Kong Limited. The Bonds mature on 16 June 2018 at their principal amount.

As at 31 December 2013, the following assets of the Group had been pledged to secure for the Standby Letter of Credit:

	The Group and the Company At 31 December	
	2013 RMB'000	2012 RMB'000
Pledged bank deposits (i)	320,000	–
Property, plant and equipment	59,343	–
Lease prepayments	70,930	–
Shares of subsidiary (ii)	2,856,033	–
Total	3,305,766	–

(i) The pledged bank deposits will be released upon the maturity day of the Standby Letter of Credit or to be replaced by other pledged property, plant and equipment or lease prepayments.

(ii) The Standby Letter of Credit was secured by the Group's entire equity interest in Wuhan Shengze Jietong Logistics Co.,Ltd. ("Wuhan Shengze Jietong Logistics"), which is a wholly foreign-owned enterprise incorporated in the PRC. Total net asset value of Wuhan Shengze Jietong Logistics and its subsidiaries as at 31 December 2013 was approximately RMB2,856,033.

27 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities where the subsidiaries are registered whereby these PRC subsidiaries are required to make a contribution at the respective local rates of the eligible employees' salaries to the Schemes. The Group has accrued for the required pension fund contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employee covered under the Schemes.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution passed on 9 August 2010, the Company adopted a pre-IPO employee share option scheme (the "Option Scheme") whereby 93 employees of the Group were granted the rights to subscribe for share options of the Company. A total number of 23,435,900 share options were granted on 10 August 2010, 20 August 2010 and 10 November 2010 respectively, with an exercise price equivalent to RMB1.5, RMB2.0 and RMB2.5 for type 1, type 2 and type 3 correspondingly.

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees on:			
10 August 2010 including:			
Type 1	17,540,700	50% on 1 January 2012,	5.61 years
		25% on 1 January 2013,	4.61 years
		25% on 1 January 2014	3.61 years
Type 2	2,062,400	50% on 1 April 2012,	5.36 years
		25% on 1 April 2013,	4.36 years
		25% on 1 April 2014	3.36 years
Type 3	1,452,000	50% on 1 July 2012,	5.11 years
		25% on 1 July 2013,	4.11 years
		25% on 1 July 2014	3.11 years
20 August 2010 including:			
Type 3	2,018,800	50% on 1 July 2012,	5.14 years
		25% on 1 July 2013,	4.14 years
		25% on 1 July 2014	3.14 years
10 November 2010 including:			
Type 3	362,000	50% on 1 July 2012,	5.36 years
		25% on 1 July 2013,	4.36 years
		25% on 1 July 2014	3.36 years
Total share options granted	23,435,900		

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

	2013		2012	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	RMB1.6	9,148,400	RMB1.7	22,663,500
Exercised during the year	RMB1.6	(1,365,200)	RMB1.6	(8,685,240)
Forfeited during the year	RMB1.9	(1,021,800)	RMB2.0	(4,829,860)
Outstanding at the end of the year	RMB1.6	6,761,400	RMB1.6	9,148,400
Exercisable at the end of the year	RMB1.6	3,249,325	RMB2.1	1,945,510

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 2.88 years (2012: 3.56 years).

Total expenses of RMB328,000 (2012: RMB2,660,000) were recognised as personnel expenses during the year ended 31 December 2013 (see note 6(b)).

29 DEFERRED TAX ASSETS AND LIABILITIES

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

The Group:

	Fair value adjustment arising from business combination RMB'000	Depreciation allowances in excess of depreciation charges RMB'000	Future benefits of tax losses RMB'000	Inventory provision RMB'000	Deferred revenue RMB'000	Accrued expenses RMB'000	Capitalisation of interest RMB'000	Total RMB'000
Deferred tax assets/(liabilities) arising from:								
At 1 January 2012	(979,875)	(7,347)	10,380	771	6,042	6,498	-	(963,531)
Credited/(charged) to profit or loss (note 7(a))	49,787	(690)	7,970	(771)	(1,910)	(6,498)	(2,374)	45,514
At 31 December 2012	(930,088)	(8,037)	18,350	-	4,132	-	(2,374)	(918,017)
Credited/(charged) to profit or loss (note 7(a))	24,807	575	14,688	-	1,180	-	(5,866)	35,384
At 31 December 2013	(905,281)	(7,462)	33,038	-	5,312	-	(8,240)	(882,633)

29 DEFERRED TAX ASSETS AND LIABILITIES (continued)

	The Group At 31 December 2013 RMB'000	2012 RMB'000
Representing:		
Net deferred tax assets	36,270	20,240
Net deferred tax liabilities	(918,903)	(938,257)
	(882,633)	(918,017)

Deferred tax liabilities not recognised:

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2013 in respect of undistributed earnings of RMB2,565,439,000 (2012: RMB1,630,518,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profit will not be distributable in the foreseeable future.

30 SHARE CAPITAL

Movements in the authorised share capital of the Company during the year are as follows:

	Note	2013 Number of shares (thousand)	2013 Amount HK$('000)	2012 Number of shares (thousand)	2012 Amount HK$('000)
Ordinary shares, authorised:					
Ordinary shares of HK$0.10 each		20,000,000	2,000,000	20,000,000	2,000,000
Ordinary shares, issued and fully paid:					
At 1 January		2,208,685	220,868	2,200,000	220,000
Shares issued pursuant to pre-IPO employee share option scheme	(i)	1,365	137	8,685	868
At 31 December		2,210,050	221,005	2,208,685	220,868
RMB equivalent ('000)			188,776		188,666

(i) During the year ended 31 December 2013, certain options were exercised to subscribe for 1,365,200 ordinary shares at HK$1.85, HK$2.47, HK$2.51 and HK$3.08 respectively, with a total consideration of HK$2,709,000 (equivalent to RMB2,192,000), of which HK$137,000 (equivalent to RMB110,000) was credited to share capital.

31 RESERVES

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

	Attributable to shareholders of the Company			
	Share premium RMB'000	Capital reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2012	4,520,356	95,460	(42,889)	4,572,927
Shares issued pursuant to pre-IPO employee share option scheme	24,551	(11,285)	–	13,266
Equity settled share-based transactions (note 28)	–	2,660	–	2,660
Total comprehensive income for the year	–	–	(131,247)	(131,247)
Balance at 31 December 2012 and 1 January 2013	4,544,907	86,835	(174,136)	4,457,606
Shares issued pursuant to pre-IPO employee share option scheme (note 31(a))	3,858	(1,776)	–	2,082
Equity settled share-based transactions (note 28)	–	328	–	328
Total comprehensive income for the year	–	–	(243,711)	(243,711)
Balance at 31 December 2013	4,548,765	85,387	(417,847)	4,216,305

(a) Share premium

During the year ended 31 December 2013, certain options were exercised to subscribe for 1,365,200 ordinary shares at HK$1.85, HK$2.47, HK$2.51 and HK$3.08 respectively, with a total consideration of HK$2,709,000 (equivalent to RMB2,192,000).

The excess of the total consideration over the par value of the shares, amounting to RMB2,082,000, was credited to share premium account. RMB1,776,000 has been transferred from capital reserves to share premium account in accordance with policy set out in note 2(o)(iii).

(b) PRC statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meetings.

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

(c) Exchange reserves

Foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(s).

(d) Discretionary surplus reserves

The transfer to this reserve from the retained earnings of the companies comprising the Group which are incorporated in the PRC is subject to the approval by the respective boards of directors' meeting. Its usage is similar to that of statutory surplus reserve.

31 RESERVES (continued)

(e) Distributable reserves

The Company was incorporated on 9 July 2010. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, all reserves of the Company may be applied for payment of distributions or dividends to equity holders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2013, distributable reserves of the Company amounted to RMB4,216,305,000 (31 December 2012: RMB4,457,606,000).

(f) Capital risk management

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose the Group defines net debt as interest-bearing loans and borrowings, bills payable, bonds payable and unaccrued proposed dividends less cash and cash equivalents, time deposits and pledged bank deposits, and capital is defined as the total equity less unaccrued proposed dividends.

The adjusted net debt-to-capital ratios at 31 December 2013 and 31 December 2012 were as follows:

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Loans and borrowings (note 24)	3,275,165	4,898,951	67,326	2,260,115
Bonds payable (note 26)	2,019,845	–	2,019,845	–
Bills payable (note 25)	3,254,590	2,854,197	–	–
Total borrowings	8,549,600	7,753,148	2,087,171	2,260,115
Add: Proposed dividends (note 11)	173,754	–	173,754	–
Less: Pledged bank deposits (note 22)	(1,527,283)	(1,294,212)	–	–
Time deposits	(18,291)	(4,100)	–	–
Cash and cash equivalents (note 23)	(1,468,264)	(1,202,800)	(97,459)	(125,852)
Adjusted net debt	5,709,516	5,252,036	2,163,466	2,134,263
Total equity	7,638,087	6,800,587	4,405,081	4,646,272
Less: Proposed dividends (note 11)	(173,754)	–	(173,754)	–
Adjusted total equity	7,464,333	6,800,587	4,231,327	4,646,272
Adjusted net debt-to-capital ratio	0.76	0.77	0.51	0.46

The Group is subject to capital requirements imposed by certain banks as disclosed in note 24(v).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalent, time deposits, pledged bank deposits, and trade and other receivables. Financial liabilities of the Group include loans and borrowings, bonds payable, and trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

– credit risk

– liquidity risk

– interest rate risk

– foreign currency risk

– fair value

The Company's board of directors (the "Board") has the overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

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

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

At the respective balance sheet dates, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2013 represented 44% of the total trade and other receivables (2012: 63%), while 15% of the total trade and other receivables were due from the largest single debtor (2012: 22%).

The Group does not provide any other guarantees outside the Group which would expose the Group to credit risk.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Liquidity risk

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

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

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

The following are the contractual maturities of the Group's financial liabilities at 31 December 2013, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

The Group

	At 31 December 2013 Contractual undiscounted cash outflow				At 31 December 2012 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	3,022,595	341,364	3,363,959	3,275,165	3,955,952	1,228,210	5,184,162	4,898,951
Bonds Payable	168,107	2,624,868	2,792,975	2,019,845	-	-	-	-
Trade and other payables	4,628,256	-	4,628,256	4,628,256	3,909,473	-	3,909,473	3,909,473
	7,818,958	2,966,232	10,785,190	9,923,266	7,865,425	1,228,210	9,093,635	8,808,424

The Company

	At 31 December 2013 Contractual undiscounted cash outflow				At 31 December 2012 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	67,479	-	67,479	67,326	1,242,586	1,228,210	2,470,796	2,260,115
Bonds Payable	168,107	2,624,868	2,792,975	2,019,845	-	-	-	-
Trade and other payables	1,872	-	1,872	1,872	13,306	-	13,306	13,306
	237,458	2,624,868	2,862,326	2,089,043	1,255,892	1,228,210	2,484,102	2,273,421

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, time deposits, pledged bank deposits, and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with fixed interest rates ranging from 0.01% to 1.27% per annum as at 31 December 2013 (2012: 0.01% to 1.49%). Time deposits are with fixed interest rates of 1.35% per annum as at 31 December 2013 (2012: 3.00%). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 0.35% to 2.86% per annum as at 31 December 2013 (2012: 0.35% to 2.86%)

The Group's interest-bearing borrowings and interest rates as at 31 December 2013 are set as follows:

		The Group At 31 December	
	Interest Rate	2013 RMB'000	2012 RMB'000
Fixed rate borrowings	4.50% to 8.25%	4,061,597	1,604,132
Variable rate borrowings	5.60% to 7.54%	1,233,413	3,294,819
		5,295,010	4,898,951

		The Company At 31 December	
	Interest Rate	2013 RMB'000	2012 RMB'000
Fixed rate borrowings	4.50%	2,019,845	–
Variable rate borrowings	7.08% to 7.28%	67,326	2,260,115
		2,087,171	2,260,115

(ii) Sensitivity analysis

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

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2013, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB10,252,633 (2012: RMB30,361,430).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2012.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(d) Foreign currency risk

The Group is exposed to currency risk primarily through borrowings and cash balances that are dominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

(i) Exposure to currency risk

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

The Group

	2013			2012		
	United Sates Dollars	Euros	Hong Kong Dollars	United Sates Dollars	Euros	Hong Kong Dollars
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	6,608	18,564	–	–	–	–
Cash and cash equivalents	312,098	197	99,455	43,157	–	99,543
Loans and borrowings	(398,079)	–	–	(1,515,436)	–	(744,679)
Bonds payable	(2,019,845)	–	–	–	–	–
Net exposure	(2,099,218)	18,761	99,455	(1,472,279)	–	(645,136)

The Company

	2013			2012		
	United Sates Dollars	Euros	Hong Kong Dollars	United Sates Dollars	Euros	Hong Kong Dollars
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	–	7,413	–	–	–	–
Cash and cash equivalents	91,406	42	3,846	931	–	1,474
Loans and borrowings	(67,066)	–	–	(1,515,436)	–	(744,679)
Bonds payable	(2,019,845)	–	–	–	–	–
Net exposure	(1,995,505)	7,455	3,846	(1,514,505)	–	(743,205)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(d) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2013		2012	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
United States Dollars	5%	(107,719)	5%	(74,672)
	(5)%	107,719	(5)%	74,672
Euros	5%	938	5%	–
	(5)%	(938)	(5)%	–
Hong Kong Dollars	5%	3,787	5%	(32,928)
	(5)%	(3,787)	(5)%	32,928

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the profit after tax and retained profit of each entity of the Group measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2012.

(e) Fair values

At 31 December 2013 and 2012, all financial assets and liabilities were carried at amounts not materially different from their fair values.

33 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2013 not provided for in the consolidated financial statements were as follows:

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Contracted for	**586,185**	66,186

The Company has no capital commitments outstanding at 31 December 2013.

(b) Operating lease commitments

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group At 31 December		The Company At 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Within 1 year	**192,661**	148,849	**–**	1,499
After 1 year but within 5 years	**427,009**	423,068	**–**	–
After 5 years	**385,590**	455,074	**–**	–
	1,005,260	1,026,991	**–**	1,499

The Group leases a number of warehouses, lands and office premises under operating leases. The leases typically run for an initial period between 1 and 20 years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES

Financial guarantees issued

As at 31 December 2013, the Company has issued guarantees to certain banks in respect of banking facilities granted to certain subsidiaries which remain in force so long as the subsidiaries have drawn down under the banking facilities.

As at 31 December 2013, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 December 2013 under the guarantees by the Company is the aggregate amount of the facilities drawn down by the subsidiaries of RMB1,350,800,000 (2012: RMB1,040,030,000).

35 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
Wang Muqing 王木清	Controlling Shareholder
Hubei Shengze Industry Co., Ltd. ("Hubei Shengze") 湖北聖澤實業有限公司	Controlled by the Controlling Shareholder
Beijing Baoze Automobile Technology Development Co., Ltd. ("Beijing Baoze Technology") 北京寶澤汽車科技發展有限公司	Controlled by the Controlling Shareholder
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. ("Inner Mongolia Shengze Dingjie") 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Changsha Shengze Ruibao Electronics Trading Co., Ltd. ("Changsha Shengze Ruibao") 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jieyun Trading Co., Ltd. ("Wuhan Jieyun") 武漢聖澤捷運貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jiezhong Logistics Co., Ltd. ("Wuhan Jiezhong") 武漢聖澤捷眾物流有限公司	Controlled by the Controlling Shareholder
Wuhan Jiangrong Investment Co., Ltd. ("Wuhan Investment") 武漢江融投資有限公司	Controlled by the Controlling Shareholder

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

(a) Recurring transactions

	The Group For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Rental expense:		
Hubei Shengze	4,245	3,624
Beijing Baoze Technology	8,496	6,516
Inner Mongolia Shengze Dingjie	6,287	1,092
Changsha Shengze Ruibao	2,150	2,100
Wuhan Jieyun	8,661	6,300
Wuhan Jiezhong	1,770	1,500
Wuhan Investment	3,784	–
	35,393	21,132

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

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

As at the respective balance sheet dates, the Group had the following balances with related parties:

	The Group At 31 December	
	2013 RMB'000	2012 RMB'000
Due from related parties:		
Inner Mongolia Shengze Dingjie	1,053	–
Changsha Shengze Ruibao	575	–
Beijing Baoze Technology	3,129	–
Wuhan Investment	5,323	–
	10,080	–

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and note 9.

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

The related party transactions in respect of rental expenses above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the Reports of the directors.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standards, amendments and Interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities	1 January 2014
Amendments to HKAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
HK(IFRIC) 21	Levies	1 January 2014
Amendments to HKAS 19	Employee benefits: Defined benefit plans: Employee contribution	1 July 2014
Annual Improvements to HKFRSs 2010–2011 Cycle		1 July 2014
Annual Improvements to HKFRSs 2011–2013 Cycle		1 July 2014

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(b) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debt would affect the consolidated statement of profit or loss in future years.

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(d) Provision for inventories

The Group reviews the carrying amounts of the inventories at the respective balance sheet dates to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

(e) Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries and joint venture through business combination, the assets acquired and liabilities assumed are adjusted to their estimated fair values on the respective date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) 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 was RMB1,926,551,000 (2012: RMB1,926,551,000) as at 31 December 2013. More details are given in Note 17.

(g) Useful lives of intangible assets

The intangible assets are depreciated on a 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.

38 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 11.

39 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 31 December 2013 to be Joy Capital Holdings Limited, which was incorporated in the British Virgin Islands.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director
Mr. Wang Muqing *(Chairman)*

Executive Directors
Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Chen Tao *(Vice President)*
Mr. Shao Yong Jun *(Vice President)*

Independent non-executive Directors
Dr. Wong Tin Yau, Kelvin
Mr. Zhao Chunjun
Mr. Chang Xiuze

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

HEADQUARTERS
Baoze Plaza
No. 59 West Third-Ring South Road
Beijing
PRC

PLACE OF BUSINESS IN HONG KONG
Unit 5905, 59/F
The Center
99 Queen's Road Central
Hong Kong

WEBSITE ADDRESS
www.zhengtongauto.com

COMPANY SECRETARY
Ms. Luo Xiao Jing

AUTHORIZED REPRESENTATIVES
Mr. Shao Yong Jun
Ms. Luo Xiao Jing

MEMBERS OF THE OPERATION AND MANAGEMENT COMMITTEE
Mr. Wang Kunpeng *(Chairman)*
Mr. Li Zhubo
Mr. Chen Tao
Mr. Shao Yong Jun
Mr. Li Yi

MEMBERS OF THE AUDIT COMMITTEE
Dr. Wong Tin Yau, Kelvin *(Chairman)*
Mr. Zhao Chunjun
Mr. Chang Xiuze

MEMBERS OF THE NOMINATION COMMITTEE
Mr. Zhao Chunjun *(Chairman)*
Mr. Shao Yong Jun
Mr. Chang Xiuze

MEMBERS OF THE REMUNERATION COMMITTEE
Mr. Chang Xiuze *(Chairman)*
Mr. Wang Kunpeng
Dr. Wong Tin Yau, Kelvin

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS
China Construction Bank Corporation,
  Hubei Branch
Shenzhen Development Bank,
  Shanghai Waitan Branch
Bank of China,
  Wuhan Economic Development Zone Branch
China Merchants Bank, Liberation Park Branch
Industrial Bank, Hankou Branch
Bank of Communications, Pacific Branch

AUDITORS
KPMG
Certified Public Accountants

HONG KONG LEGAL COUNSEL
Chiu & Partners
Solicitors

正通

CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

www.zhengtongauto.com