2015 ANNUAL REPORT 年報

A LEADING LUXURY BRANDS DEALER

正通

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

Stock Code 股份代號：1728


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CONTENTS

COMPANY PROFILE

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") is the leading 4S dealership group in China focused on dealership of luxury and ultra-luxury branded automobiles such as BMW, Jaguar and Land Rover, Volvo, Audi, Benz, Porsche, Infiniti, Cadillac and Imported Volkswagen. The Group also operates dealership stores of middle market brands, such as FAW Volkswagen, Buick, Nissan, Hyundai and Honda.

The Group has 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 2015, we operated 112 dealership outlets in 36 cities across 15 provinces and municipalities 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, the Group has also strengthened its after-sale services with an aim to deliver its customers high quality services in a rapid manner. The Group's supply chain business has been complementary to its automobile dealership and after-sale services business. Meanwhile, the Group has been focusing on the development of its automobile financial services, and facilitating the growth of its derivative services, such as pre-owned automobile business and insurance agency, in order to complete the strategic transformation of the Group's business operation for achieving its goal of sustainable healthy growth.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2011	2012	2013	2014	**2015**
(RMB'000)					
Turnover	14,443,927	27,649,440	29,840,269	30,910,087	**29,361,499**
Profit before taxation	748,832	915,111	1,206,330	1,175,055	**921,779**
Income tax	(187,016)	(281,520)	(352,132)	(351,517)	**(293,117)**
Profit for the year	561,816	633,591	854,198	823,538	**628,662**
Attributable to:					
Shareholders of the Company	524,045	604,467	837,390	803,792	**618,530**
Non-controlling interests	37,771	29,124	16,808	19,746	**10,132**
	561,816	633,591	854,198	823,538	**628,662**

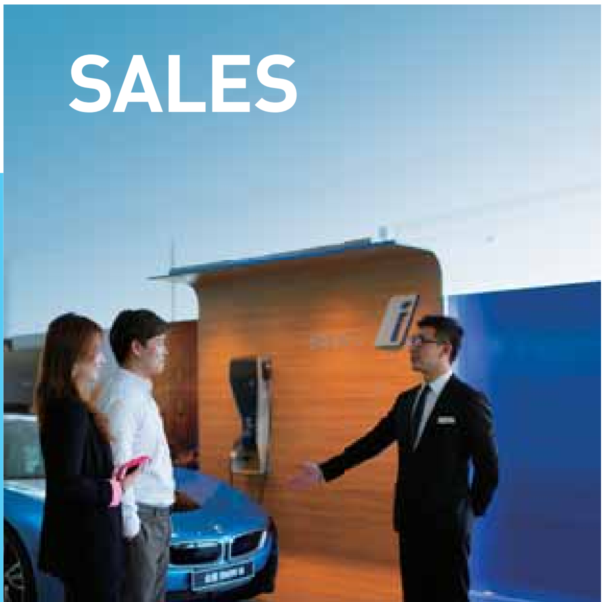
ASSETS AND LIABILITIES

	2011	2012	2013	2014	**2015**
(RMB'000)					
Total assets	15,989,422	16,942,232	19,115,791	22,182,690	**23,679,650**
Total liabilities	(9,667,503)	(10,141,645)	(11,477,704)	(13,885,582)	**(14,990,312)**
	6,321,919	6,800,587	7,638,087	8,297,108	**8,689,338**
Equity attributable to shareholders of the Company	6,210,404	6,708,738	7,543,262	8,172,075	**8,588,632**
Non-controlling interests	111,515	91,849	94,825	125,033	**100,706**
	6,321,919	6,800,587	7,638,087	8,297,108	**8,689,338**

PERSEVERANCE AND DETERMINATION

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

SALES



SPARE PARTS

SERVICE

SURVEY

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS:

China's economy managed to sustain a stable growth in 2015 despite challenging market conditions. According to the statistics released by the National Bureau of Statistics of China, the nation's gross domestic production (GDP) for 2015 grew by 6.9%, while the year-on-year nominal growth rates of China's total retail sales of social consumer goods and per capita disposable income were 10.7% (actual growth deducting price factors: 10.6%) and 8.9% (actual growth deducting price factors: 7.4%), respectively. Spending on automobiles and other durable consumer goods as a percentage of per capita disposable income continued to increase steadily. According to statistics released by the China Association of Automobile Manufacturer, sales of passenger automobiles in China exceeded the benchmark of 20 million for the first time in 2015 to reach 21,140,000 units, as the nation continued to top the world in terms of "passenger automobiles purchases". In addition to solid new automobile sales growth in China, after-sales services, financial services relating to automobile spending and the pre-owned automobile business embraced more diversified and sustainable growth opportunities for the profit model of dealers.

Favorable tax policies, growing upgrade demands, as well as increasing penetration on financing and other related services boosted auto sales growth in 2015 but with great performance divergences among luxury brands. According to statistics released by the China Association of Automobile Manufacturers, among the major brands under the Group's dealership, the sales volume of BMW and MINI branded automobiles in China reached 463,736 (2014: 455,979), representing a year-on-year growth of approximately 1.7%; the sales volume of Benz branded automobiles in China was 373,459 (2014: 281,588), representing a year-on-year growth of approximately 32.6%; the sales volume of Porsche branded automobiles in China was 58,009 (2014: 46,931), representing a year-on-year growth of approximately 23.6%; the sales volume of Volvo branded automobiles in China was 81,588 (2014: 81,221), representing a year-on-year growth of approximately 0.2%, the sales volume of Audi branded automobiles in China was 570,889 (2014: 578,932), representing a year-on-year decrease of approximately 1.4%; the sales volume of Jaguar and Land Rover branded automobiles in China was 92,474 (2014: 122,010), representing a year-on-year decrease of approximately 24.2%. In the future, the Group shall further expand its market share especially on luxury brands, backed by its more diversified brands portfolio and strong fundamental upgrade and replacement demand in the market.

CHAIRMAN'S STATEMENT

According to the statistics released by the National Bureau of Statistics of China, the automobile ownership in China reached 172 million by the end of 2015, or a 11.5% year-on-year growth. During the Year under Review, the Group further enhanced its customer base on quantity and quality through maximizing favorable industrial trends and government policy changes as well as our integrated competitive advantages. We substantiated our strengths in traditional after-sales services and extended services, such as repair, maintenance and sales of accessories, and we have made significant breakthrough in our auto finance business, which will have a profound impact on our sales of new automobiles, customer relations, pre-owned automobile business and new businesses such as financial leasing. The Group actively pursued effective use of internet and mobile apps to improve service efficiency and customer experience.

Notwithstanding the intensified market competition in 2015, the Group is confident in its strategic strengths and competitive advantages, as well as tremendous business opportunities ahead. The Group foresees that in the future the collaboration among dealers and between dealers and auto makers will become more rational and professional, and business innovations led by respective auto dealers based on their unique fortes shall further transform the thriving auto sales and services industry.

In view of the general demand driven by increasing consumer spending on automobiles, the Group will leverage its comprehensive strengths in platforms and superior operational standards relative to its peers, in order to further improve and optimize its nationwide dealership network and foster a convenient, all-rounded and high-quality setting for automobile-related spending, thereby delivering greater value to its shareholders, staff and the community and establishing itself as the leading integrated automobile service platform of China.

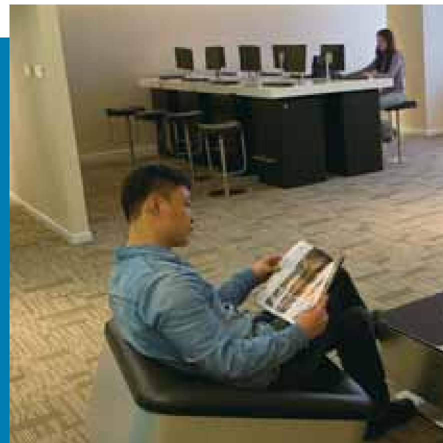
The Group's sound results for 2015 are attributable to the dedication of all employees as well as the trust and support of its business partners and shareholders. On behalf of the Board, I would like to thank our shareholders, business partners and customers for their support and trust over the years. My sincere gratitude also goes to our loyal staff who have made immense contributions to the Group through their hard work over the past year.

Wang Muqing
Chairman of the Board

24 March 2016

SINCERE SERVICES

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the Group continued to concentrate on luxury and ultra-luxury branded automobiles in China, and has made significant effort to its traditional after-sales services and extended businesses in sectors of financing, insurance agency, pre-owned automobiles and beyond. For the year ended 31 December 2015, the Group achieved turnover of approximately RMB29,361 million, representing a year-on-year decrease of approximately 5.0%, gross profit was approximately RMB2,587 million, representing a year-on-year decrease of approximately 5.1%. Profit attributable to shareholders of the Company was approximately RMB619 million with basic earnings per share was approximately RMB28.0 cents.

Applying Prudent Marketing Strategies in Perplexing Market Environment

In 2015, the Group continued to expand its sales network on a selective basis, strived to maximize the same store potentials, and further consolidated its regional competitive strengths. As a result, the Group recorded the sales volume of new automobiles of 88,455, representing a year-on-year increase of approximately 0.6%, including 61,017 luxury and ultra-luxury branded automobiles on a year-on-year increase of 2.4%. The Group's revenue from the sales of new automobiles in 2015 reached RMB25,302 million, representing a year-on-year decrease of approximately 6.7%.

For the first half of 2015, the Group recorded negative growth in the automobiles sales, particularly caused by the unexpected plate restriction in Shenzhen City where the Group had significant exposure on multiple brands, as well as by the overall weakening demand in the market. Sales of new automobiles steadily recovered in the second half of the 2015 in terms of year-on-year comparisons and capped the year with an annual growth of 0.6%, or 2.4% for luxury and ultra-luxury branded automobiles, following the announcement of stimulus policies and the gradual unlocking of potential market demand. The Group continued implementing prudent operational strategy adopted in 2014 and further enhanced its collaboration with automobile manufacturers, pursuing fine balance between business expansion and profitability of the sales of new automobiles. As the supply-demand relation became more rational, the annual gross profit margin of the Group's sales of new automobiles started to stabilize in 2015 with a slight improvement compared to 3.1% reported for the second half of 2014. Given the strong recognition and still low possession ratio on luxury branded automobiles in the domestic market currently, robust replacement demands in first-tier and second-tier affluent regions where the Group has strong footprints, and the Group's full-fledged service platform and differential financial and insurance services, the Group is confident in future growth of the demand for luxury branded automobiles and of the opinion that the gross profit margin for the sales of new automobiles might further improve after stabilizing. The Group witnessed strong same store sales' growth in 2015, and made dedicated efforts to further improve its service platform and vigorously drive comprehensive business development of the Group through the integration of marketing models for products and services and the enhancement of efficiency.

Further Unleashing Potentials of After-Sales Services by Enhancing Marketing, Customer Experience and Cost Control

In 2015, the Group generated revenue from the after-sales services of approximately RMB3,376 million, representing a year-on-year growth of approximately 6.2%; and gross profit generated from the after-sales services was approximately RMB1,636 million, representing a year-on-year growth of approximately 8.6%. The Group's gross profit margin of after-sales services increased to 48.5% in 2015 from 47.4% in 2014. Gross profit contribution from the after-sales services further increased as the Group's customer retention continued to grow. In 2015, the Group serviced 911,767 units in aggregate, including 651,590 units of luxury and ultra-luxury branded automobiles, representing a year-on-year growth of 17.7%.

In 2015, the Group's after-sales services put great effort to explore its customer base, striving to enhance customer satisfaction and loyalty by further optimizing its service model through improvements in marketing, customer experience of services and cost control. In terms of marketing, the Group swiftly enhanced its product penetration rate and customer loyalty through the development and implementation of customized product solutions in maintenance, repairing, warranty renewal and extension on the back of favorable market conditions. On service experience, the Group facilitated more professional and convenient after-sales services through processes such as instant appointment, express bodywork, loaner vehicle facilitation and customer's input invitation. In terms of cost control, the Group reorganized its departments, imposed more stringent control over sourcing channels, optimized inventory levels and types of spare parts, and centralized management of the sales of auto accessories. The constantly improving economies of scale across Group's business divisions combined with optimized inventory level and shared resources significantly pushed down the overall operating cost and increased operating efficiency and gross margin.

Rapid Expansion of Extended Services through Economies of Scale

The Group was committed to the expansion of its business in extended services and the effective diversification of its dealership service platform through prospective business deployment. At present, the extended services mainly included insurance brokerage, automobile financing, trading of pre-owned automobiles and e-commence platform, which are all high value-added businesses in addition to the traditional sales of automobiles and the after-sales services. In 2015, the commission income from the Group's extended services was approximately RMB424 million, representing a year-on-year growth of approximately 0.6%.

For insurance agency business, Dingze Insurance Agency Company Limited* (鼎澤保險代理有限公司) ("DingZe Insurance"), a subsidiary of the Group, in 2015 established strategic partnership with key national insurance institutions and shall continue to explore more. The Group further improved its currently staggering penetration rate on new car insurance, and continued to improve penetration on renewal policy. Leveraging on e-platform for insurance brokerage business, the Group will streamline online interaction and offline cooperation among insurance institutions, insurance brokerage and customers, to improve the service quality and expand the coverage of the Group's insurance brokerage business, aiming for developing this business into a more independent segment with greater growth potential.

As the rising number of car possessions in China has amassed enormous resources and energy for the rapid development of the market for pre-owned automobiles, the Group will list the business of pre-owned automobiles as one of its strategic priorities, closely following ongoing market trends. The Group will endeavor to build a platform for pre-owned automobiles and develop a related inventory management system to fully explore potential customer resources. Meanwhile, the Group will leverage the synergy between the financial service and the insurance businesses to gradually grow the pre-owned automobiles business with high added value into another important source for the Group's profit growth.

Distinctive Automobile Financing Platform with Differential Products and Services

In 2015, the Group achieved significant breakthrough in automobile financial service business segment with the establishment of Shanghai Dongzheng Automotive Finance Co., Ltd. ("Dongzheng AFC"), a 95%-owned subsidiary, in April 2015. Dongzheng AFC currently is the only auto finance company, primarily owned and operated by a dealer group in China. As licensed by the China Banking Regulatory Commission, Dongzheng AFC's principal businesses include auto consumer financing (i.e. retail loan), auto dealership financing (i.e. wholesale loan), auto financial leasing and consulting and agency services relating to auto finance, etc.

Dongzheng AFC differentiates itself from all the other current OEM auto financing companies by focusing primarily on retail financing offerings. Its tremendous growth and outstanding results since establishment and in the foreseeable future is largely attributed to its deep-rooted foundation in the Group's broad-brand and nationwide sales network and platform, its readily available qualified customer base, and its deep understanding of consumer needs to customize and diversify its product offerings.

As of 31 December 2015, the total assets of financial service business segment amounted to approximately RMB1,918 million, among which, the balance of retail loan was RMB1,294 million, financing 6,287 auto units throughout the year. For the year ended 31 December 2015, the reportable segment profit of financial service business was approximately RMB18.25 million. The rapid growth of Dongzheng AFC signifies a brand new stage of development of the Group's auto finance business, which is set to become an important niche for profit growth and a differential competitive advantage of the Group.

Steady Development of the Supply Chain Business

The Group's supply chain business segment mainly consists of automobile logistics business and trading of auto maintenance supplies. The automobile logistics business enjoys a cutting-edge and comprehensive logistics management system with national "5A" logistic enterprise qualifications, and its scope of business ranges from procurement logistics, production logistics, distribution processing, distribution logistics to consulting services relating to logistics. The trading of auto maintenance supplies mainly includes trading of lubricant oil. In 2015, the Group recorded steady growth in its supply-chain business segment with ongoing improvements in various operating benchmarks. For the year ended 31 December 2015, the Group's supply-chain business segment generated revenue of approximately RMB615 million, representing an increase of approximately 2.5% compared to the same period in 2014.

In-depth Optimization, Prudent Expansion and Well-balanced Deployment of Nationwide Dealership Network of Luxury Branded Automobiles

As a leading 4S dealership group in China, the Group has been consistently focusing on luxury and ultra-luxury branded automobiles, including BMW, Jaguar and Land Rover, Volvo, Audi, Benz, Porsche, Infiniti, Cadillac and Imported Volkswagen. The Group has also been operating dealership stores of mid-market branded automobiles, such as FAW Volkswagen, Buick, Nissan, Hyundai and Honda.

As of 31 December 2015, the Group operated 112 dealership stores in 15 provinces and municipalities, covering 36 cities in China. During the Year under Review, the Group had 11 newly operating dealership stores for luxury automobiles, including:

Brand	City
BMW/MINI	Shenzhen, Shantou, Yichun, Baotou
Audi	Dongguan
Jaguar/Land Rover	Shantou, Hengyang, Langfang, Jieyang
Volvo	Beijing
Infiniti	Hohhot

As of the date of this report, the Group has set up 2 more Audi 4S stores (in Shenzhen and Zhengzhou, respectively). There are 15 dealership stores under development or to be developed, which are franchised by core luxury automobile brands, such as BMW, Audi, Jaguar and Land Rover, Volvo, covering first-tier cities including Beijing, Shanghai, Guangzhou, Shenzhen and Chongqing, as well as regions with potential for rapid development, such as Shandong, Hebei, Hubei and Guangdong, further reinforcing the Group's advantage in scale and channels.

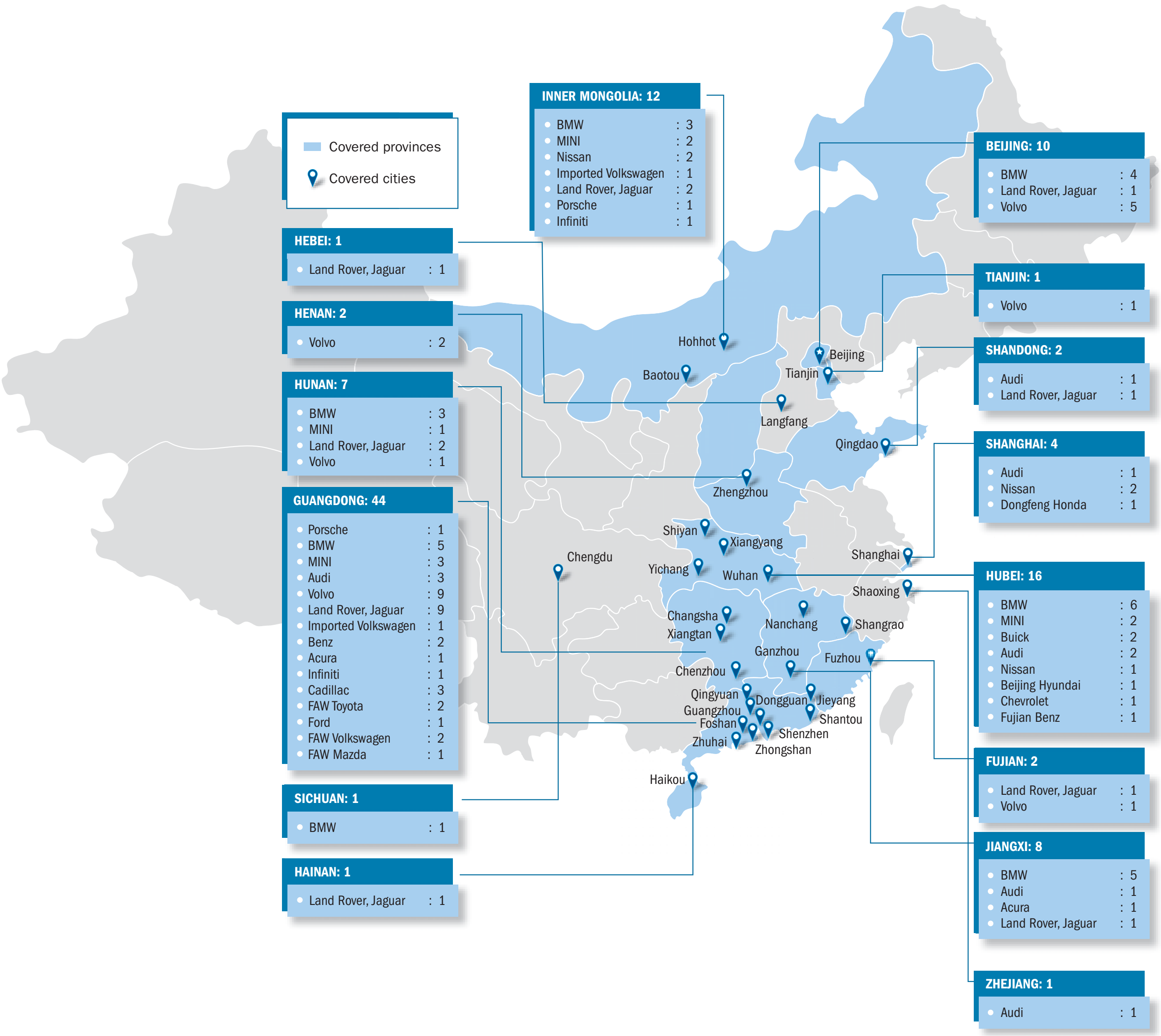
In addition to prudent expansion of its dealership network in 2015, the Group also optimized its existing network in depth. Moreover, the Group has upgraded more than 10 fast-growing stores by improving hardware facilities, environment and workflow for optimal customer experience and enhancing profitability. In 2016, the Group will continue to further optimize its existing dealership network with prudent and balanced expansion, aiming for enhancing the overall quality and competitiveness of its sales network.

The following table sets forth the details of our dealership stores as at 31 December 2015:

	Dealership store in operation	Authorized dealership stores to be opened	Total
5S/4S store for luxury and ultra-luxury brands	75	14	89
4S store for mid- to high-end brands	15	0	15
Urban showroom for 4S stores	17	0	17
Authorized repair service centre for luxury brands	5	0	5
Pre-owned automobile centre	0	1	1
Total	112	15	127

By establishing strategic cooperation with leading manufacturers of luxury and ultra-luxury branded automobiles in China, the quality of existing network, the quantity and quality of newly authorized stores of the Group have been adequately safeguarded. All the authorized stores under development and to be developed were for luxury and ultra-luxury branded automobiles, which will further strengthen the Group's regional advantages. Our newly planned stores will develop synergy with our existing dealership network. In 2016, the Group will focus on continuous optimization and prudent expansion of our existing dealership network of core luxury branded automobiles, in order to keep up momentum for the Group's overall operation and all extended services business.

BALANCED NATIONWIDE DEALERSHIP NETWORK



Total number of dealership stores in operation in the PRC as at 31 December 2015: 112

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2015, the Group generated turnover of approximately RMB29,361 million, representing a decrease of approximately 5.0% over the turnover of approximately RMB30,910 million in 2014. The decrease in turnover was mainly due to slower growth in passenger automobiles market in 2015. For the year ended 31 December 2015, sales revenue from luxury and ultra-luxury branded new automobiles decreased to RMB21,906 million, representing a fall of approximately 7.3% over RMB23,618 million in 2014, the sales revenue attributable to total sales of new automobiles in 2015 was substantially in line with that in 2014; revenue from after-sales services of luxury and ultra-luxury branded automobiles was RMB2,971 million, representing a growth of approximately 8.9% as compared to RMB2,727 million in 2014, and accounted for 88.0% 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.

	2015 Turnover (RMB'000)	2014 Turnover (RMB'000)
Sales of new automobiles		
Luxury and ultra-luxury brands	**21,906,135**	23,618,480
High-to-mid market brands	**3,395,939**	3,511,637
Sub-total	**25,302,074**	27,130,117
After-sales services		
Luxury and ultra-luxury brands	**2,970,920**	2,727,411
High-to-mid market brands	**404,644**	452,273
Sub-total	**3,375,564**	3,179,684
Logistics services and lubricant oil trading	**615,429**	600,286
Interest and service income from financial services	**68,432**	–
Total	**29,361,499**	30,910,087

Cost of sales

For the year ended 31 December 2015, cost of sales of the Group amounted to approximately RMB26,775 million, representing a decrease of 5.0% from RMB28,185 million in 2014. Such decrease was substantially in line with the change in turnover.

Gross profit and gross profit margin

For the year ended 31 December 2015, the Group's gross profit was approximately RMB2,587 million, representing a decrease of approximately 5.1% over approximately RMB2,726 million in 2014. The gross profit for the sales of new automobiles in 2015 decreased by 26.3% to approximately RMB839 million from approximately RMB1,139 million in 2014; the gross profit for the after-sales services in 2015 increased by 8.6% to approximately RMB1,636 million from approximately RMB1,507 million in 2014, accounting for 63.2% of our total gross profit as compared with 55.3% in 2014. The gross profit for the sales of luxury and ultra-luxury branded automobiles decreased from approximately RMB1,086 million in 2014 to approximately RMB792 million. The gross profit of the provision of after-sales services of luxury and ultra-luxury branded automobiles was approximately RMB1,436 million, representing a growth of approximately 17.1% as compared to RMB1,227 million in 2014.

For the year ended 31 December 2015, the consolidated gross profit margin of the Group was approximately 8.8%, maintaining the same level in 2014. The gross profit margin for the sales of new automobiles was 3.3% (2014: 4.2%), among which, the gross profit margin for the sales of luxury and ultra-luxury branded new automobiles was 3.6% (2014: 4.6%). The decline was due to increasing competition in luxury and ultra-luxury automobile market in China in 2015. The gross profit margin for after-sales services was 48.5% (2014: 47.4%). The increase in the gross profit margin for the after-sales services business was due to the continual improvement in the operating efficiency and quality of the Group's after-sales services as well as an increase in reputation of our after-sales services, with further room for growth expected.

Selling and distribution expenses

For the year ended 31 December 2015, the Group's selling and distribution expenses increased by approximately 3.6% to approximately RMB847 million from approximately RMB818 million in 2014. Such increase was primarily due to the increase in leasing charges and advertising expenditure as a result of an increase in the number of dealership stores in 2015.

Administrative expenses

For the year ended 31 December 2015, the Group's administrative expenses amounted to approximately RMB912 million, representing an increase of approximately 18.3% over approximately RMB771 million in 2014. Such increase was primarily due to an increase in number of dealership stores during the period under review and an exchange loss incurred from the depreciation of Renminbi at the beginning the year.

Profit from operations

For the year ended 31 December 2015, the Group's profit from operations amounted to approximately RMB1,351 million, representing a decrease of approximately 17.1% as compared with approximately RMB1,629 million in 2014. The operating profit margin was approximately 4.6%, a decrease of approximately 0.7 percentage point over 5.3% in 2014.

Income tax expenses

For the year ended 31 December 2015, the Group's income tax expenses amounted to approximately RMB293 million and the effective tax rate was approximately 31.8%.

Profit for the year

For the year ended 31 December 2015, the Group's profit for the year was approximately RMB629 million, representing a decrease of approximately 23.7% over approximately RMB824 million in 2014. During the year, net profit margin was 2.1%, down approximately 0.6 percentage point from 2.7% in 2014.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities or guarantees save as those assets pledged to banks for loans and borrowings and otherwise disclosed in this report.

Current assets and current liabilities

As at 31 December 2015, the Group's current assets amounted to approximately RMB12,403 million, which was basically stable as compared to current assets of approximately RMB12,282 million as at 31 December 2014. As at 31 December 2015, the Group's current liabilities amounted to approximately RMB11,756 million, representing an increase of approximately RMB806 million as compared to current liabilities of approximately RMB10,950 million as at 31 December 2014. Such increase was due to the expansion of the scale of the Group's automobile financing business. As at 31 December 2015, our net current assets amounted to RMB647 million, representing a decrease as compared with our net assets of RMB1,332 million as at 31 December 2014.

Cash flow

As at 31 December 2015, the Group had cash and cash equivalents amounting to approximately RMB1,599 million, representing an increase of approximately RMB164 million over approximately RMB1,435million as at 31 December 2014. 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 2015, the Group had net cash inflow of RMB1,526 million in its operating activities, representing an increase as compared with RMB874 million for the year ended 31 December 2014. Such increase was mainly attributable to inventory adjustment at the end of the period by the Group for adapting competitive landscape in the market.

Capital expenditure and investment

For the year ended 31 December 2015, the Group's capital expenditure and investment was approximately RMB1,099 million (2014: approximately RMB1,753 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. In general, 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 RMB3,194 million as at 31 December 2015, decreased by approximately RMB1,152 million when compared with RMB4,346 million as at 31 December 2014. Such decrease was due to inventory reduction of new automobiles by the Group based upon market demand. The Group's average inventory turnover days for 2015 decreased by 4.6 days to 51.4 days from 56.0 days for the first half of 2015. The following table sets forth our average inventory turnover days for the years indicated:

	For the year ended 31 December (days)	
	2015	2014
Average inventory turnover days	**51.4**	44.5

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. The Group used cross currency swap to hedge its US-dollar future bonds. As at 31 December 2015, a fair value of RMB27.04 million (31 December 2014: nil) was recognised by the Group on the cross currency swap.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015, the Group's cash and bank deposits were approximately RMB3,080 million (including: pledged bank deposits and balances with central bank of approximately RMB1,481 million and cash and cash equivalents), representing a decrease of approximately RMB49 million, from approximately RMB3,129 million as at 31 December 2014. As at 31 December 2015, loans and borrowings and bonds payable of the Group amounted to approximately RMB7,997 million (31 December 2014: RMB6,380 million). As at 31 December 2015, save as interest bearing bank loans and other borrowings of approximately RMB6,303 million that bore interest at fixed rates, other interest-bearing bank loans and other borrowings bore interest at floating rates. As at 31 December 2015, net gearing ratio of the Group was 56.6% (31 December 2014: 39.2%). Net gearing ratio was calculated as loans and borrowings and bonds payable less cash and bank deposits divided by owner's equity. The increase in the ratio was mainly attributable to the growth in the scale of the Group's auto finance business.

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 2015, the pledged assets of the Group amounted to approximately RMB3,620 million (31 December 2014: approximately RMB4,364 million).

Investments held in foreign currency and hedging

For the year ended 31 December 2015, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

Employees and remuneration policies

As at 31 December 2015, the Group had a total of 8,765 employees in Mainland China and Hong Kong (31 December 2014: 8,977 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 Group 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.

Capital Commitments

For details, please refer to note 31(a) to the consolidated financial statements.

FUTURE OUTLOOK AND STRATEGIES

Looking forward, the continuous growth in household disposable income coupled with a steadily expanding customer base will hold out very broad prospects for the growth of auto service industry. In future, luxury automobiles consumers will request for more specialized services at various stages of consumption relating to automobiles, and will expect to enjoy a comprehensive and convenient one-stop integrated service. The Group will further unlock the potentials of traditional businesses such as sales of new automobiles and after-sales services, fully leverage the strengths of diversified luxury brands, improve its nationwide network, take advantage of its diversified innovative products and all-embracing financial and insurance services, thus to consolidate and enhance its profit margin and market share. Meanwhile, the Group will accurately grasp auto after-market opportunities on the back of the favorable policies on pre-owned automobiles and consumer financing, prioritize the development of automobile financial service, keep on promoting the insurance brokerage and pre-owned automobiles service businesses, and consistently optimize the overall business structure of the Group, aiming for a one-stop comprehensive service platform with a focus on the customers' need, applying internet thoughts and integrated with financial instruments. In future, the synergies among business segments will be further explored, and the Group will further realize economies of scale by its service platform, which focuses on product research and development, experience enhancements and cost controls. The Group will strive to persistently foster a convenient and high-quality environment for consumers, with a view to delivering greater value to its shareholders, employees and the community.

EVENTS AFTER THE REPORTING PERIOD

There were changes in members of the Board and the Board Committees of the Company on 8 April 2016, as follows:

(1) Mr. Chang Xiuze, an independent non-executive Director, resigned as an independent non-executive Director for aging and health reasons, and thus ceased to be chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee;

(2) Mr. Cao Tong was appointed as an independent non-executive director of the Company, chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee;

(3) Mr. Wang Kunpeng, an executive Director, ceased to be a member of the Remuneration Committee;

(4) Mr. Shao Yong Jun, an executive Director, ceased to be a member of the Nomination Committee;

(5) Mr. Wang Muqing, an executive Director, was appointed as a member of the Nomination Committee and the Remuneration Committee.

Details of the changes above are set out in the announcement of the Company dated 8 April 2016.

CORPORATE GOVERNANCE REPORT

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

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 2015, the Company has complied with the applicable code provisions ("Code Provisions") of the CG Code, except that, pertaining to Code Provisions E.1.2, Mr. Wang Muqing, chairman of the board of the Company, was unable to attend the 2015 annual general meeting of the Company due to other commitments.

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 the securities dealing code (the "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") set out in Appendix 10 to the Listing Rules. 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 2015.

The Company has also adopted a warning to its 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 9 members in total, with 6 executive Directors and 3 independent non-executive Directors.

During the year and up to the date of this report, the Board comprises the following Directors:

Executive Directors:

Mr. Wang Muqing *(Chairman)* (re-designated as executive Director on 30 March 2015)
Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo
Mr. Li Yi (appointed on 16 November 2015)
Mr. Shao Yong Jun
Mr. Wan To (appointed on 16 November 2015)
Mr. Chen Tao (resigned on 16 November 2015)

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin
Mr. Zhao Chunjun
Mr. Chang Xiuze#

After the reporting period, Mr. Chang Xiuze resigned as an independent non-executive Director on 8 April 2016, and Mr. Cao Tong was appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and chairman of the Remuneration Committee on the same day.

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 2015, 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 one-third of the Board.

The Company has received written annual confirmation from the three independent non-executive Directors , namely Dr. Wong Tin Yau, Kelvin, Mr. Zhao Chunjun and Mr. Chang Xiuze, of their independence pursuant to the requirements of the Listing Rules. Mr. Cao Tong has also confirmed his independence pursuant to Rule 3.13 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 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 and four other executive Directors. 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, board diversity 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 has entered into 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 2016 annual general meeting of the Company (the "2016 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, Mr. Wang Muqing, Mr. Li Zhubo, Dr. Wong Tin Yau, Kelvin, Mr. Li Yi, Mr. Wan To and Mr. Cao Tong shall retire and being eligible, offer themselves for re-election at the 2016 AGM. The Company's circular dated 20 April 2016 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 2016 AGM of the Company.

Board Diversity

The Board has adopted a 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 on internal control and risk management strategy as well as an introduction to A-share listing was organized for Directors and relevant management by the Company in January 2016. Relevant seminar material was also provided to those who were not able to attend the seminar.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of Chairman and Chief Executive Officer are held separately by Mr. Wang Muqing and Mr. Wang Kunpeng, executive Directors of the Company, respectively, neither of whom have any financial, business, family or other relationship with each other. This separation ensures that there is 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 Kunpeng is also the chairman of the Operation and Management Committee and is responsible for leading the Company's day-to-day management, implementing the Company's strategic plans and business goals and formulating and recommending business plans and budgets to the Board.

ATTENDANCE RECORDS

The Directors' attendance at the Annual General Meeting, Board Meetings and Committee Meetings in 2015 is given below:

	Meeting Attended during Tenure of Office/Held				
Members of the Board of Directors	**2015 AGM**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors					
Mr. Wang Muqing *(Chairman)*	0/1	3/3 [Note 1]	–	–	–
Mr. Wang Kunpeng *(Chief Executive Officer)*	1/1	4/4	–	2/2	–
Mr. Li Zhubo	1/1	4/4	–	–	–
Mr. Li Yi (appointed on 16 November 2015)	0/0	1/1	–	–	–
Mr. Shao Yong Jun	1/1	4/4	–	–	2/2
Mr. Wan To (appointed on 16 November 2015)	0/0	1/1	–	–	–
Mr. Chen Tao (resigned on 16 November 2015)	0/1	2/3	–	–	–
Independent Non-executive Directors					
Dr. Wong Tin Yau, Kelvin	1/1	4/4	2/2	2/2	–
Mr. Zhao Chunjun	1/1	3/4	1/2	–	2/2
Mr. Chang Xiuze (resigned on 8 April 2016)	1/1	4/4	2/2	2/2	2/2

Note:

1. There was a Board meeting of the Company discussing and approving the continuing connected transactions (the "Continuing Connected Transactions"), Mr. Wang Muqing, the executive director and the controlling shareholder of the Company, had material interests in the Continuing Connected Transactions and absented himself from the Board meeting thereunder.

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

During the year ended 31 December 2015, the Company held a total of 4 Board meetings. At the Board meetings, the Board reviewed and approved the final results for the year ended 31 December 2014 and interim results for the half year ended 30 June 2015 and other significant matters of the Company.

The Company has 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 comments and records respectively within a reasonable time after each meeting. Minutes of Board meetings and Committee meetings are kept by the Company Secretary 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 2015, two meetings of each of the Audit Committee, the Remuneration Committee and the Nomination Committee were held.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, including independent non-executive Directors, Mr. Chang Xiuze (resigned on 8 April 2016) and Dr. Wong Tin Yau, Kelvin and executive Director, Mr. Wang Kunpeng. 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 participates in deciding his own remuneration.

During the year ended 31 December 2015, the Remuneration Committee has met twice to review the Group's remuneration policies and strategy, make recommendations to the Board on remuneration of Directors and senior management and make recommendations to the Board on remuneration of newly appointed directors.

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

* Details of the changes in members of Board Committees after the reporting date are set out in the "Events after the Reporting Period" in the section headed "Management Discussion and Analysis" on P. 20 of this annual report.

Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, including independent non-executive Directors, Mr. Zhao Chunjun and Mr. Chang Xiuze (resigned on 8 April 2016) and executive Director, Mr. Shao Yong Jun. 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 2015, there were two Nomination Committee meetings held. The Nomination Committee has performed the following work during the year: (1) reviewing the structure, size, board diversity 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 appointment of new director; and (4) recommendation to the Board on re-appointment of directors retiring at the 2015 AGM and offering themselves for re-election.

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 (resigned on 8 April 2016). Dr. Wong Tin Yau, Kelvin is the chairman of the Audit Committee*.

The Audit Committee is primarily responsible for reviewing financial information of the Group, monitoring the external auditor's independence and objectivity and effectiveness of the audit process and making recommendations to the Board on the appointment, re-appointment, removal 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the internal audit functions 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.

* Details of the changes in members of Board Committees after the reporting date are set out in the "Events after the Reporting Period" in the section headed "Management Discussion and Analysis" on P. 20 of this annual report.

During the year ended 31 December 2015, 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 2014 and interim results for the half year ended 30 June 2015; (ii) reviewing the financial reporting procedures and compliance procedures, the report of internal audit on internal control 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.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, 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 51.

The remuneration charged by the Company's auditors, KPMG, during the year ended 31 December 2015 is set out below:

Category of Services	Fee Paid/ Payable RMB
Audit Service	**7,300,000**
Non-audit Services	**–**
Total	**7,300,000**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective risk management and internal control systems to safeguard shareholders' investments and the Company's assets.

The Board monitors the risk management and internal control systems of the Company principally through the internal audit department of the Group, and the Board is committed to conduct at least annually a review of the effectiveness of the risk management and 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 risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2015. Such review covered the areas of finance, operation, supervision and risk management of the Group. The Board confirmed that the risk management and internal control systems of the Company are sound, effective and sufficient.

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, press 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' AND SENIOR MANAGEMENT'S PROFILES

DIRECTORS

Executive Director

Mr. WANG Muqing (王木清先生), aged 65, is the founder of the Group and has served as a non-executive director of the Company since 9 July 2010 and re-designated as an executive Director on 30 March 2015. 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. Mr. Wang is a director of numerous major domestic subsidiaries of the Group, including (but not limited to) Wuhan Shengze Jietong Logistics Co., Ltd. (武漢聖澤捷通物流有限公司), ZhengTong Automobile Investment Holding (Wuhan) Co., Ltd. (正通汽車投資控股(武漢)有限公司), Beijing Baozehang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司), and Shenzhen SCAS Investment Group Co., Ltd (深圳市中汽南方投資集團有限公司).

Mr. WANG Kunpeng (王昆鵬先生), aged 44, 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 46, 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 22 years of experience in financial management in automobile dealership industry.

Mr. LI Yi (李禕先生), aged 43, graduated from Wuhan Automobile Polytechnic University* (武漢汽車工業大學) with a bachelor's degree majoring in auto engineering. He has been an executive Director of the Company since 16 November 2015. Mr. Li Yi had held a number of senior management positions at the headquarters and several principal subsidiaries of the Group since joining the Group in February 2004. Since July 2012, he has been chief operating officer of the Company in charge of the overall operation and management of the Group's distribution outlets. Mr. Li Yi is currently also the vice president of China Auto Dealers Chamber of Commerce. Prior to joining the Group, Mr. Li Yi has been consistently engaged in the operation and management of auto dealing businesses. Mr. Li Yi has over 13 years' experience in the management of auto dealing businesses.

Mr. SHAO Yong Jun (邵永駿先生), aged 41, 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 the Group's automobile financing, logistics services and investor relations businesses. Before joining the Group, Mr. Shao engaged in management of logistics services business in relation to automobile industry between 2004 and 2011, and was an auditor of KPMG China between 1997 and 2003.

Mr. WAN To (尹濤先生), aged 44, holds a master's degree in business administration from the University of Leeds in the United Kingdom. He has been an executive Director of the Company since 16 November 2015. Mr. Wan had been assistant to chief executive officer and general manager of the network development department of the Company since joining the Group in January 2008. Since April 2013, he has been vice president of the Company in charge of the investments and development of the Company. Since December 2013, Mr. Wan has also been serving as executive director of Shenzhen SCAS Investment Group Co., Ltd* (深圳市中汽南方投資集團有限公司), a wholly-owned subsidiary of the Company. Prior to joining the Group, Mr. Wan worked with BMW Brilliance Automotive Ltd. (華晨寶馬汽車有限公司) from 2003 to 2006. Mr. Wan has close to 15 years' experience in marketing and investment for Chinese and foreign-invested auto dealers.

Independent Non-executive Directors

Dr. WONG Tin Yau, Kelvin (黃天祐博士), JP, aged 55, 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 immediate past chairman and was the chairman of The Hong Kong Institute of Directors (2009-2014), 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 member of Financial Reporting Council, 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 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 of Xinjiang Goldwind Science & Technology Co., Ltd. 新疆金風科技股份有限公司 (stock code: 2208), I.T Limited (stock code: 0999), Bank of Qingdao Co., Ltd.(stock code: 3866), AAG Energy Holdings Limited (stock code: 2686), Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (stock code: 2196) and Huarong International Financial Holdings Limited (stock code: 993). Dr. Wong was an independent non-executive director of CIG Yangtze Ports PLC 中國基建港口有限公司 (stock code: 8233) for the period from September 2005 to October 2015, and an independent non-executive director of China Metal International Holdings Inc. 勤美達國際控股有限公司 (stock code: 0319) for the period from December 2004 to July 2013. All the aforementioned companies are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. ZHAO Chunjun (趙純均先生), aged 74, 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. 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, executive/first vice-dean and dean of School of Economy and Management, Tsinghua University. He had also served as a member of Tsinghua University Academic Board and Administrative Affair Committee as well 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 China Communications Services Corporation Limited (a company listed on the Stock Exchange). He is also an independent director of China United Network Communications Limited (a company listed on the Shanghai Stock Exchange). Mr. Zhao was an independent non-executive director of Dongfang Electric Corporation Limited, a company listed on the Stock Exchange, for the period from June 2009 to June 2015. 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 70, 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 was an independent director of Tianjin Property Development (Group) Company Limited (a company listed on the Shanghai Stock Exchange) for the period from April 2011 to May 2014. He had previously acted as an independent director of Nanjing Pharmaceutical Co., Ltd. Mr. Chang resigned as an independent non-executive Director of the Company on 8 April 2016, and thus ceased to be chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee.

Mr. CAO Tong (曹彤先生), aged 48, has been appointed as an independent non-executive Director since 8 April 2016. Mr. Cao is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Cao is currently chairman of Xiamen International Financial Technology Co.,Ltd. (廈門國際金融技術有限公司) and Shenzhen Han De Chuang Ke Financial Investment Co., Ltd. (深圳瀚德創客金融投資有限公司), respectively, Mr. Cao is also an independent non-executive director of China International Capital Corporation Limited, a company listed on the Stock Exchange (Stock Code: 3908). Mr. Cao worked with the planning and treasury department of the Beijing Branch of the People's Bank of China from July 1990 to January 1994, and had been deputy general manager of the planning and treasury department, general manager of business department, assistant to the president and a vice president of the Beijing Branch, general manager of the personal banking department of the head office and deputy head of the Shenzhen management department of China Merchants Bank from January 1994 to December 2004. He had also been assistant to the president and vice president of China CITIC Bank Corporation Limited,a company listed on the Stock Exchange (Stock Code: 998) from December 2004 to August 2013 and been an executive director from December 2011 to September 2013. He also served as the president of WeBank Co., Ltd. in Qianhai, Shenzhen from November 2014 to September 2015. He has approximately 26 years' experience in finance industry. Mr. Cao obtained his bachelor's and master's degrees in economics from Renmin University of China in July 1990 and July 1999, respectively. He further obtained a Ph.D. in finance from Dongbei University of Finance and Economics in June 2011 and a Ph.D. in business management from the Shanghai Advanced Financial College of Shanghai Jiaotong University in July 2015.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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 16 to the consolidated financial statements.

BUSINESS MODEL AND STRATEGIES

The principal business of the Group comprises 4S dealership business, supply chain business and financial services business. The Group has concentrated on luxury and ultra-luxury branded automobile sales in China, and has made significant effort to its traditional after-sales services and extended businesses in sectors of financing, insurance agency, pre-owned automobiles and beyond. The operations strategies implemented by the Group in the year under review were set out in the "Business Review" of the section headed "Management Discussion and Analysis" on Pages 10 to 15 of this annual report.

SUBSIDIARIES

Please refer to note 16 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated financial statements.

BUSINESS REVIEW

Business performance, financial review, business review as well as prospects and strategies of the Group are set out in the section "Management Discussion and Analysis" in this report. Certain key financial indicators are provided in the section "Five Years' Financial Summary" in this report. Since the end of the financial year under review, save as disclosed in this annual report, there is no significant events that have an impact on the Group.

PROPOSED FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company on the forthcoming annual general meeting to be held on 20 May 2016 (the "2016 AGM") for the distribution of a final dividend of HK$0.10 per share for the year ended 31 December 2015 payable to the shareholders of the Company whose names are listed in the register of members of the Company on 1 June 2016. The proposal for the distribution of the final dividend is subject to the consideration and approval by the shareholders of the Company at the 2016 AGM. Subject to the said approval, the final dividend will be paid in cash to the shareholders of the Company on or around Wednesday, 15 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016 (both days inclusive) and from Monday, 30 May 2016 to Wednesday, 1 June 2016 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the 2016 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 Tuesday, 17 May 2016. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the 2016 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 Friday, 27 May 2016.

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 12 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 29 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 1.13% and 1.96% of the Group's total sales for the year ended 31 December 2015 respectively. The single largest supplier and the top five suppliers in aggregate of the Group accounted for 18.96% and 78.39% 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 2015 had any interest in any of the five largest suppliers and customers disclosed above.

RETIREMENT BENEFIT SCHEMES

Details of retirement schemes of the Group are set out in note 26 to the consolidated financial statements in the annual report. In addition to contributing into retirement benefit schemes organised by the PRC municipal government, the Group also make contributions into mandatory provident fund ("MPF") schemes set up under the Mandatory Provident Fund Schemes Ordinance for all the Group's qualifying employees in Hong Kong. Contributions into MPF Scheme are made based on a percentage of the employee's basic salary with a cap of HK$1,500.

TRANSFER TO RESERVES

Total comprehensive income attributable to shareholders of the Company of RMB618.5 million (2014: RMB803.8 million) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

At 31 December 2015, distributable reserves of the Company amounted to RMB3,679 million (31 December 2014: RMB4,093 million). After the end of the reporting period, the directors proposed a final dividend of HK$0.10 (approximately RMB0.08) per ordinary share (2014: HK$0.10 (approximately RMB0.08) per share), amounting to RMB185 million (2014: RMB174 million). This dividend has not been recognised as a liability at the end of reporting date.

DIRECTORS

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

Executive Directors:

Mr. Wang Muqing *(Chairman)* (re-designated as executive Director from non-executive Director on 30 March 2015)
Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo
Mr. Li Yi (appointed on 16 November 2015)
Mr. Shao Yong Jun
Mr. Wan To (appointed on 16 November 2015)
Mr. Chen Tao (resigned on 16 November 2015)

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin
Mr. Zhao Chunjun
Mr. Chang Xiuze

Mr. Chen Tao resigned as a director of the Company for health reason during the year under review. After the reporting period, Mr. Chang Xiuze resigned as an independent non-executive director for aging and health reasons on 8 April 2016, and Mr. Cao Tong was appointed as an independent non-executive director, member of the Audit Committee, member of the Nomination Committee and chairman of the Remuneration Committee on the same day.

Mr. Wang Muqing, Mr. Li Zhubo, Dr. Wong Tin Yau, Kelvin, Mr. Li Yi, Mr. Wan To and Mr. Cao Tong shall retire and being eligible, offer themselves for re-election at the 2016 AGM. The Board proposes to re-appoint the directors standing for re-election at the 2016 AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2016 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.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Continuing Connected Transactions" in this report, no contract of significance had been entered into between the Company or any of its subsidiaries, and any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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, a 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 2015, 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 (the "Contractual Arrangements").

In January 2015, Rising Wave exercised the options granted in the Exclusive Option Agreement to acquire the 80% equity interests in Shantou Hongxiang through its nominee 武漢運通行投資管理有限公司 (a wholly-owned subsidiary of the Group) at nil consideration. Meanwhile, all the contracts of the Contractual Arrangements were terminated. Besides, the Group also achieved agreements with two minority shareholders of Shantou Hongxiang on the same day with above-mentioned transactions to acquire 10% equity interests in Shantou Hongxiang, respectively. Shantou Hongxiang has therefore become the Group's wholly-owned subsidiary being held by direct equity interests.

(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 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. Five of the Renewed Lease Agreements expired on 31 May 2014 and were renewed again (the "2014 Lease Agreements") with the expiring date on 31 December 2015. The remaining three of the Renewed Lease Agreements together with four new lease agreements dated 30 September 2013 were entered into with respective lessors for a term from 30 September 2013 to 31 December 2015 (the "2013 Lease Agreements"). Details of these agreements are as follows:

	Date of Agreement	Location	Lessor	Lessee	Monthly Rental (RMB)	Term (Note a)
2014 Lease Agreements						
1.	1.6.2010 31.5.2013 30.5.2014	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")	543,000.00 545,175.00 656,490.00	1.6.2010-31.5.2013 1.6.2013-31.5.2014 1.6.2014-31.12.2015
2.	1.8.2010 1.8.2013 30.5.2014	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.*)	126,000.00 176,688.76 176,688.76	1.8.2010-31.7.2013 1.8.2013-31.5.2014 1.6.2014-31.12.2015
3.	1.8.2010 1.8.2013 30.5.2014	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.*)	176,000.00 249,540.96 249,540.96	1.8.2010-31.7.2013 1.8.2013-31.5.2014 1.6.2014-31.12.2015
4.	1.8.2010 1.8.2013 30.5.2014	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Wuhan Jieyun	Wuhan Jietong	525,000.00 997,373.05 997,373.05	1.8.2010-31.7.2013 1.8.2013-31.5.2014 1.6.2014-31.12.2015

	Date of Agreement	Location	Lessor	Lessee	Monthly Rental (RMB)	Term (Note a)
5.	1.8.2010 1.8.2013 30.5.2014	Lot 5C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Wuhan Jiezhong	Wuhan Jietong	125,000.00 179,069.63 179,069.63	1.8.2010-31.7.2013 1.8.2013-31.5.2014 1.6.2014-31.12.2015
2013 Lease Agreements						
6.	30.9.2010 30.9.2013	4S Shop, No. 40 Xingan North Road, Xincheng District, Hohhot 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 (Hohhot Qibao Automobile Sales Services Co., Ltd.*) ("Hohhot Qibao")	13,000.00 15,598.00 (Note c)	30.9.2010-29.9.2013 30.9.2013-31.12.2015
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, Hohhot 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
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, Hohhot City, Inner Mongolia Autonomous Region	Inner Mongolia Dingjie Auto-trading	Hohhot Qibao	775,549.00 (Note c)	30.9.2013-31.12.2015
11.	30.9.2013	No. 42 Xingan North Road, Xincheng District, Hohhot 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 (Hohhot 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	湖北奥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 2013 Lease Agreements and 2014 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 No. 40, Xingan North Road, Xincheng District, Hohhot City , instead of the premises thereon, is leased to Hohhot Qibao as lessee. Hohhot Qibao is the owner of the premises located on the said piece of land.

c. The rents are payable semi-annually.

Both of the 2013 Lease Agreements and the 2014 Lease Agreements has expired on 31 December 2015. To ensure that the Group will continue to occupy the leased premises for relevant purposes, the Group renewed the lease agreements in relation to the related properties (the "2016 Lease Agreements") with the respective lessors on 31 December 2015. The term of the 2016 Lease Agreements are from 1 January 2016 to 31 December 2018. Details of the 2016 Lease Agreements are set out in the announcement of the Company dated 31 December 2015 in relation to the continuing connected transactions.

(3) Property Management Agreement

As set out in the table under the section headed "The Lease Agreements" 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 "2013 Property Management Agreement"). Pursuant to the 2013 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 2013 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 2013 Property Management Agreement. Nevertheless, 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.

The 2013 Property Management Agreement has been expired on 31 December 2015. In order to ensure the continual use of the property management services of Beijing Development by the Group, the Group entered into the Property Management Agreement with Beijing Development on 31 December 2015 for a period of 3 years from 1 January 2016 to 31 December 2018 (the "2016 Property Management Agreement"). Pursuant to the 2016 Property Management Agreement, Beijing Baozehang shall pay the property management monthly fee of RMB283,537.80 to Beijing Development from 1 January 2016. In addition, Beijing Development shall charge Beijing Baozehang the air-conditioning annual fee of RMB2,373,049 under the 2016 Property Management Agreement payable semiannually. The management fee under the 2016 Property Management Agreement was determined with reference to the market rate determined by a valuer engaged by Beijing Baozehang.

(4) Proposed Annual Caps

Pursuant to the 2013 Lease Agreements, the 2014 Lease Agreements and the 2013 Property Management Agreement, the proposed annual caps of the Continuing Connected Transactions for the year ending 31 December 2015 were RMB80.3 million. The proposed annual caps are determined with reference to the amount payable pursuant to the 2013 Lease Agreements, the 2014 Lease Agreements and the 2013 Property Management Agreement, as well as the potential increase in the property management fee and the air-conditioning fee pursuant to the 2013 Property Management Agreement. The aggregate actual transaction amount paid by the Group during the year ended 31 December 2015 was approximately RMB78.9 million, which did not exceed the proposed capped amount.

By virtue of the entering into of the 2016 Lease Agreements and the 2016 Property Management Agreement, the proposed annual caps of the continuing connected transactions for each of the three years ending 31 December 2018 were RMB96.5 million. The proposed annual caps are determined with reference to the rent payable by the Group to the lessors during the effective term of the lease pursuant to the 2016 Lease Agreements, and the management fee and the air-conditioning fee payable to Beijing Development pursuant to the 2016 Property Management Agreement.

(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.56 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 2015 which has reported to the board of Directors in a letter dated 24 March 2016. KPMG has confirmed the matters stated in Rule 14A.56 of the Listing Rules.

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 2015 are as follows:

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period (Note 1)	Lapsed during the period	Outstanding as at 31 December 2015
Directors								
Wang Kunpeng	10/8/2010	1.50	01/01/2012-10/08/2017	205,000	0	0	0	205,000
	10/8/2011	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2012	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				1,230,000	0	0	0	1,230,000
Li Zhubo	10/8/2010	1.50	01/01/2012-10/08/2017	205,000	0	0	0	205,000
	10/8/2011	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2012	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	223,630	0	0	12,400	211,230
	10/8/2010	1.50	01/01/2013-10/08/2017	1,004,075	0	0	31,000	973,075
	10/8/2010	1.50	01/01/2014-10/08/2017	2,159,075	0	0	31,000	2,128,075
				3,386,780	0	0	74,400	3,312,380
	10/8/2010	2.00	01/04/2012-10/08/2017	216,200	0	150,000	0	66,200
	10/8/2010	2.00	01/04/2013-10/08/2017	183,500	0	0	13,000	170,500
	10/8/2010	2.00	01/04/2014-10/08/2017	183,500	0	0	13,000	170,500
				583,200	0	150,000	26,000	407,200
	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	01/07/2012-10/08/2017	0	0	0	0	0
	20/8/2010	2.50	01/07/2013-10/08/2017	0	0	0	0	0
	20/8/2010	2.50	01/07/2014-10/08/2017	0	0	0	0	0
				0	0	0	0	0
	17/11/2010	2.50	01/07/2012-17/11/2017	26,000	0	0	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
				52,000	0	0	0	52,000
Sub-total				4,021,980	0	150,000	100,400	3,771,580
Total				6,481,980	0	150,000	100,400	6,231,580

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$4.96.

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

As at 31 December 2015, 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%

Note:

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.

Save as disclosed above, as at 31 December 2015, 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 2015, 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%

Note:

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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option schemes, at no time during the year ended 31 December 2015 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

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 and 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 2015.

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 2015.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2015 are set out in notes 23 and 25 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 notes 8 and 9 to the consolidated financial statements.

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

We fully understand that employees, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our suppliers and providing high-quality products and services to our customers so as to ensure our sustainable development.

The Group has placed high emphasis on human resources. Hence, the Group offer its employees a competitive remuneration package and various trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses.

The Group has enhanced communications with customers via various channels so as to provide excellent and quality customer services, with a focus on the customers' need and thus enhance customer satisfaction and loyalty. We value the feedback from customers and always try to understand their thoughts through daily communication, after-sale return visit and customer satisfaction surveys. In addition, we also assign designated personnel to maintain customers relationship, responding to the feedback and complaints from customers.

The Group has established strong cooperation relationship with a number of manufacturers of luxury and ultra-luxury branded automobiles and entered standing cooperative agreements, including dealership agreements and other licensing agreements. With the development of prevailing trend in the automobile industry, the Group will continue to facilitate exchange and cooperation with manufacturers of automobiles for the purpose of creating win-win situation. For the management of other suppliers, the Group has been more prudent in selecting suppliers and established long-term cooperation with them. The Group places emphasis on ongoing assessment and monitoring on the suppliers selection in order to ensure compliance with our commitment to quality and ethical conduct.

COMPLIANCE OF LAWS AND REGULATIONS

The Company is aware of the importance of complying with the relevant laws and regulations, and has allocated systems and human resources to guarantee our constant compliance to provisions and codes, and build good relationship with supervision authorities through effective communication.

During the year under review, to the knowledge of Directors, the Company is in compliance with the laws and regulations relating to its business, including those relating to automobile dealership, automobile financing and insurance brokerage. In addition, the Group maintains compliance with laws and regulations relating employees' rights and benefits, and provides them a healthy and safe working environment and condition. Meanwhile, the Group is committed to achieving high standards of corporate governance by observing laws and regulations on taxation, financial issues and listing compliance.

MAJOR RISKS AND UNCERTAINTIES

The results and business operations of the Group are subject to the impact of a number of factors, including those arising from the macro-economic environment as well as those inherent in the auto retail sector. The major risks are summarised as follows:

(i) Macro-economic environment

As a pillar industry of the national economy, the auto sector is considerably correlated to the volatile periods of the macro-economy in terms of timing and extent. Currently, China's auto market continues to hold out strong potential for development. However, if significant fluctuations occur in the auto industry as a result of cyclical developments in the macro-economy, auto sales will be inevitably affected. As such, the Group is required to monitor any changes in the economic landscape in a timely manner and adjust its overall business planning, network development plans and marketing plans under different market conditions.

(ii) Industry policies

The Group's business operations must comply with policies and regulations announced by the PRC government for the administration of the auto industry. Changes in such industry policies may result in decreased market demand for products, lower prices for products and services and escalated market competition, which will in turn result in the decrease in revenue and profit. As such, the Group will monitor closely any developments in government policies on our industry, while enhancing our service standards on an ongoing basis to address any risks arising from changes in industry policies.

(iii) Manufacturers' policies

As an auto dealer group, we have maintained sound cooperation with branded automobile manufacturers. Changes in the policies of such manufacturers might result in changes in the sales strategies for their brands, sales incentives and business policy support for us, and such changes might result in a decrease in products sales and revenue. Hence, the Group will actively enhance communication with the manufacturers and continue to adopt a development strategy that covers a diverse range of brands.

(iv) Intense competition

We compete not only with other auto dealers, but also players in the general express auto repair service sector and the e-commerce sector, in a number of segments, such as sales, repair, maintenance and extended services. Our inability to respond to challenges presented by different competitors in a timely manner may result in the decline in customers' demand for our products and the decrease in our revenue and profit. Hence, the Group is required to adjust its strategy in a timely manner and enhance its overall service standards to address intense competition.

(v) Supply chain

The Group does not own or operate any production facilities, and is dependent on branded automakers and suppliers of auto accessories for the supply of all of our products. Any disruption in the supply of products by our suppliers might result in problems for our supply chain. Nevertheless, we have fostered long-term, stable partnerships with a number of branded automakers and suppliers of parts and components, and such partnerships have been highly valued by the suppliers. Hence, we have endeavoured to minimise the impact of any disruption in suppliers on a best-effort and ensure we are able to locate other suppliers of similar quality for reasonable prices at any time.

(vi) Information systems

The Group's business is dependent on information technology systems and networks in connection with sales, procurement, sales and distribution at all retail outlets, inventory management, customer relations management, digitalized marketing, financial reporting and auto finance. Any serious disruption to or slowdown of our information technology systems as a result of, among others, our inability to successfully upgrade our systems, system breakdowns or virus or cyber attacks might result in the loss of data and disruption in operations. Hence, the Group will invest in information technology and ERP systems on an ongoing basis to ensure the technological security, accessibility and completeness of important operational data.

(vii) Market risks

The Group is subject to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in note 30 to the financial statements in this annual report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings and appropriate application of hedge instruments.

INDEMNITY TO DIRECTORS

The articles of association of the Company contain provisions that provide indemnity to, among other persons, our Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. In accordance with the service agreement, each of our executive Director is entitled to be indemnified by the Company in all respects under laws, except to the extent of the willful default or gross negligence of a director. The Company maintained directors' and chief executives' liability insurance and corporate compensation insurance during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We recognise the importance of environmental protection and have adopted stringent measures for environmental protection in order to ensure the compliance by the Group of the prevailing environmental protection laws and regulations.

The Group has been advocating the concept of green office in its daily operation by fully committing to environmental protection, energy saving and discharge reduction, reasonable allocation and utilisation of resources. In addition, the Group has implemented resources recycling with an aim to minimise energy consumption and waste. In future, the Group will firmly employ its sustainable development strategy to strongly promote environmental protection and carry out measures for environmental protection.

MANAGEMENT CONTRACTS

Except for the service contracts of the directors and senior management of the Company or otherwise disclosed in this report, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management of all or any material part of the Company's business.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2015, 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.

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 LISTED SECURITIES

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

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

KPMG will retire and, being eligible, offer themselves for re-appointment at the 2016 AGM of the Company. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the 2016 AGM of the Company.

On behalf of the Board

Wang Muqing
Chairman
24 March 2016

INDEPENDENT AUDITOR'S REPORT

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 53 to 125, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015 (Expressed in RMB'000)

	Note	For the year ended 31 December 2015	2014
Revenue	4	**29,361,499**	30,910,087
Cost of sales		**(26,774,726)**	(28,184,536)
Gross profit		**2,586,773**	2,725,551
Other revenue	5	**457,505**	450,403
Other net income	5	**66,006**	41,479
Selling and distribution expenses		**(847,289)**	(817,648)
Administrative expenses		**(911,850)**	(770,700)
Profit from operations		**1,351,145**	1,629,085
Finance costs	6(a)	**(459,908)**	(478,100)
Share of profit of a joint venture		**30,542**	24,070
Profit before taxation	6	**921,779**	1,175,055
Income tax	7(a)	**(293,117)**	(351,517)
Profit for the year		**628,662**	823,538
Attributable to:			
Shareholders of the Company		**618,530**	803,792
Non-controlling interests		**10,132**	19,746
Profit for the year		**628,662**	823,538
Earnings per share	10		
Basic (RMB cent)		**28.0**	36.4
Diluted (RMB cent)		**27.9**	36.3

The notes on pages 59 to 125 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 29(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015 (Expressed in RMB'000)

	Note	For the year ended 31 December 2015	 2014
Profit for the year		**628,662**	823,538
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		**(13,304)**	698
Other comprehensive income for the year		**(13,304)**	698
Total comprehensive income for the year		**615,358**	824,236
Attributable to:			
Shareholders of the Company		**605,226**	804,490
Non-controlling interests		**10,132**	19,746
Total comprehensive income for the year		**615,358**	824,236

The notes on pages 59 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015 (Expressed in RMB'000)

	Note	At 31 December 2015	2014
Non-current assets			
Property, plant and equipment	12	**3,428,069**	2,756,242
Lease prepayments	13	**1,067,350**	1,084,915
Receivables from financial services	20	**704,353**	–
Intangible assets	14	**3,789,357**	3,875,351
Goodwill	15	**1,926,551**	1,926,551
Interest in a joint venture	17	**217,314**	186,772
Interest in an associate		**3,200**	3,200
Deferred tax assets	28	**113,208**	67,180
Other financial assets		**27,041**	–
		11,276,443	9,900,211
Current assets			
Inventories	18	**3,193,735**	4,346,017
Trade and other receivables	19	**5,294,363**	4,807,401
Receivables from financial services	20	**834,684**	–
Pledged bank deposits and balances with central bank	21	**1,481,308**	1,662,771
Time deposits		**–**	31,207
Cash and cash equivalents	22	**1,599,117**	1,435,083
		12,403,207	12,282,479
Current liabilities			
Loans and borrowings for financial services	23	**1,169,500**	–
Loans and borrowings for non-financial services	23	**4,481,582**	4,347,831
Trade and other payables	24	**5,132,648**	5,826,051
Income tax payables	7(c)	**972,331**	776,580
		11,756,061	10,950,462
Net current assets		**647,146**	1,332,017
Total assets less current liabilities		**11,923,589**	11,232,228
Non-current liabilities			
Loans and borrowings for financial services	23	**188,000**	–
Bonds payable	25	**2,158,071**	2,031,803
Deferred tax liabilities	28	**888,180**	903,317
		3,234,251	2,935,120
NET ASSETS		**8,689,338**	8,297,108
Equity	29		
Share capital		**188,788**	188,776
Reserves		**8,399,844**	7,983,299
Equity attributable to shareholders of the Company		**8,588,632**	8,172,075
Non-controlling interests		**100,706**	125,033
TOTAL EQUITY		**8,689,338**	8,297,108

Approved and authorised for issue by the board of directors on 24 March 2016.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 59 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015 (Expressed in RMB'000)

	Attributable to shareholders of the Company										
	Share capital (note 29(c))	Share premium	Capital reserve	PRC statutory reserve (note 29(d)(i))	Exchange reserve (note 29(d)(ii))	Discretionary surplus reserve	General reserve (note 29(d)(iii))	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2014	**188,776**	**4,548,765**	**334,820**	**222,442**	**5,654**	**4,459**	**-**	**2,238,346**	**7,543,262**	**94,825**	**7,638,087**
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	29,500	29,500
Total comprehensive income for the year	-	-	-	-	698	-	-	803,792	804,490	19,746	824,236
Equity settled share-based transactions	-	-	(319)	-	-	-	-	-	(319)	-	(319)
Dividends (note 29(b))	-	-	-	-	-	-	-	(175,358)	(175,358)	(19,038)	(194,396)
Appropriation to reserves	-	-	-	73,863	-	-	-	(73,863)	-	-	-
Balance at 31 December 2014 and 1 January 2015	**188,776**	**4,548,765**	**334,501**	**296,305**	**6,352**	**4,459**	**-**	**2,792,917**	**8,172,075**	**125,033**	**8,297,108**
Shares issued pursuant to pre-IPO employee share option scheme (note 29(c))	12	468	(179)	-	-	-	-	-	301	-	301
Acquisition of non-controlling interest	-	-	(14,769)	-	-	-	-	-	(14,769)	(10,457)	(25,226)
Total comprehensive income for the year	-	-	-	-	(13,304)	-	-	618,530	605,226	10,132	615,358
Transfer of profits to general reserve	-	-	-	-	-	-	5,340	(5,340)	-	-	-
Dividends (note 29(b))	-	-	-	-	-	-	-	(174,201)	(174,201)	(24,002)	(198,203)
Appropriation to reserves	-	-	-	67,501	-	-	-	(67,501)	-	-	-
Balance at 31 December 2015	**188,788**	**4,549,233**	**319,553**	**363,806**	**(6,952)**	**4,459**	**5,340**	**3,164,405**	**8,588,632**	**100,706**	**8,689,338**

The notes on pages 59 to 125 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015 (Expressed in RMB'000)

	Note	2015	2014
		For the year ended 31 December	
Operating activities:			
Profit before taxation		**921,779**	1,175,055
Adjustments for:			
– Depreciation	6(c)	**238,522**	230,278
– Amortisation of lease prepayments	6(c)	**20,198**	15,840
– Amortisation of intangible assets	6(c)	**100,872**	98,909
– Net gain on disposal of property, plant and equipment	5	**(23,294)**	(25,606)
– Finance costs	6(a)	**459,908**	478,100
– Share of profit of a joint venture		**(30,542)**	(24,070)
– Interest income from bank deposits	5	**(31,518)**	(23,609)
– Equity settled share-based transactions	27	**–**	(319)
– Allowance for doubtful debts	20	**11,819**	–
– Net gain on derivatives	5	**(15,981)**	–
– Foreign exchange loss		**121,424**	–
		1,773,187	1,924,578
Changes in working capital:			
– Decrease/(increase) in inventories		**1,152,282**	(1,817,715)
– Increase in trade and other receivables		**(506,000)**	(29,646)
– Decrease/(increase) in pledged bank deposits and balances with central bank		**181,463**	(135,488)
– (Decrease)/increase in trade and other payables		**(722,618)**	1,189,428
– Increase in receivables from financial services		**(1,550,856)**	–
– Increase in loans and borrowings for financial services		**1,357,500**	–
Cash generated from operations		**1,684,958**	1,131,157
Income tax paid	7(c)	**(158,531)**	(256,968)
Net cash generated from operating activities		**1,526,427**	874,189
Investing activities:			
Payment for purchase of property, plant and equipment		**(1,022,861)**	(1,030,075)
Proceeds from disposal of property, plant and equipment		**209,100**	391,318
Payment for purchase of lease prepayments		**(2,633)**	(684,374)
Payment for purchase of intangible assets		**(14,878)**	–
Decrease/increase in time deposits		**31,207**	(12,916)
Interest received		**31,518**	23,609
Net cash used in investing activities		**(768,547)**	(1,312,438)

The notes on pages 59 to 125 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015 (Expressed in RMB'000)

	Note	2015	2014
		For the year ended 31 December	
Financing activities:			
Proceeds from loans and borrowings		**10,240,145**	9,023,840
Repayment of loans and borrowings		**(10,112,610)**	(7,951,174)
Proceeds from shares issued		**301**	–
Acquisition of non-controlling interests		**(25,226)**	–
Capital injection by non-controlling interests		**–**	29,500
Dividends paid to non-controlling interests	29(b)	**(24,002)**	(19,038)
Dividend paid to equity shareholders of the Company	29(b)	**(174,201)**	(175,358)
Interest paid		**(508,930)**	(519,638)
Net cash (used in)/generated from financing activities		**(604,523)**	388,132
Net increase/(decrease) in cash and cash equivalents		**153,357**	(50,117)
Cash and cash equivalents at beginning of the year		**1,435,083**	1,468,264
Effect of foreign exchange rate changes		**10,677**	16,936
Cash and cash equivalents at end of the year	22	**1,599,117**	1,435,083

The notes on pages 59 to 125 form part of these financial statements.

NOTES TO THE CONSOLIDATED 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, lubricant oil trading business and financial services in the People's Republic of China (the "PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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 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 financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together refer to as 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.

The measurement basis used in the preparation of the financial statement is the historical cost basis, except that derivative financial instruments are stated at fair value as explained in the accounting policies set out below.

The preparation of 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 36.

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, transactions and cash flows 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.

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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity 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 equity 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(j)).

(d) Associates and joint ventures

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(j)). 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 the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and joint ventures (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(j)).

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) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) 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(j)).

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(u)).

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)

(g) 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.

Construction in progress is stated at cost less impairment losses (see note 2(j)). 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 completed.

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

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). 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)

(i) 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(j)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).
- For trade, other receivable and receivable from financial services 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)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities 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 end of each reporting period 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)

(j) 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.

(k) 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.

(l) 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(j)), 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) 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.

(p) 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)

(p) 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 included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(q) 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)

(q) 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.

(r) 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.

(s) 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)

(s) 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.

(t) 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. Statement of financial position 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)

(u) 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.

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) 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).

(ii) 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).

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

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

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

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

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

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

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)

(w) 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.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

4 REVENUE

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

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

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sales of passenger motor vehicles	**25,302,074**	27,130,117
Sales of motor spare parts	**766,214**	806,673
Provision of maintenance services	**2,609,350**	2,373,011
Provision of logistics services	**350,995**	297,380
Sales of lubricant oil	**264,434**	302,906
Interest and service income from financial services	**68,432**	–
	29,361,499	30,910,087

5 OTHER REVENUE AND NET INCOME

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Other revenue:		
Commission income	**424,264**	421,798
Interest income from bank deposits	**31,518**	23,609
Others	**1,723**	4,996
	457,505	450,403
Other net income:		
Net gain on disposal of property, plant and equipment	**23,294**	25,606
Net gain on derivative financial instruments	**15,981**	–
Others	**26,731**	15,873
	66,006	41,479

6 PROFIT BEFORE TAXATION

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

			For the year ended 31 December	
		Note	**2015**	2014
			RMB'000	RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings and bonds payable		**471,112**	469,313
	Other finance costs	(i)	**37,818**	50,325
	Less: interest capitalised*		**(49,022)**	(41,538)
			459,908	478,100

* The borrowing costs have been capitalised at a rate of 4.50–7.80% per annum (2014: 4.50–8.20%).

(b)	**Staff costs:**			
	Salaries, wages and other benefits		**605,502**	617,417
	Contributions to defined contribution retirement plans	(ii)	**47,452**	42,638
	Equity settled share-based payment expenses	27	**–**	(319)
			652,954	659,736

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	
	2015	2014
	RMB'000	RMB'000
(c) Other items:		
Cost of inventories sold (note 18(b))	**26,226,635**	27,764,174
Depreciation	**238,522**	230,278
Amortisation of lease prepayments	**20,198**	15,840
Amortisation of intangible assets	**100,872**	98,909
Operating lease charges	**270,131**	231,860
Net gain on derivative financial instruments	**(15,981)**	–
Net foreign exchange loss	**118,370**	16,270
Allowance for doubtful debts	**11,819**	–
Auditors' remuneration	**7,300**	6,800

7 INCOME TAX

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

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current tax:		
Provision for income tax for the year	**354,282**	398,013
Deferred tax:		
Origination of temporary differences (note 28)	**(61,165)**	(46,496)
	293,117	351,517

(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% (2014: 25%).

7 INCOME TAX (continued)

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

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before taxation	**921,779**	1,175,055
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**230,445**	293,764
Non-deductible expenses	**70,308**	50,021
Non-taxable income on:		
– Share of profits recognised under the equity method	**(7,636)**	(6,018)
Others	**–**	13,750
Income tax	**293,117**	351,517

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

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	**776,580**	635,535
Provision for current income tax for the year	**354,282**	398,013
Payment during the year	**(158,531)**	(256,968)
Balance at the end of the year	**972,331**	776,580

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2015

	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	–	530	424	–	24	978
Li Zhubo	–	547	437	–	44	1,028
Li Yi (note (iii))	–	383	306	–	21	710
Shao Yongjun	–	399	319	–	44	762
Wan To (note (iii))	–	380	304	–	–	684
Chen Tao (note (iii))	–	475	216	–	–	691
Independent non-executive directors						
Wong Tin Yau, Kelvin	276	–	–	–	–	276
Zhao Chunjun	276	–	–	–	–	276
Chang Xiuze	276	–	–	–	–	276
	828	2,714	2,006	–	133	5,681

8 DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2014

	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	–	960	699	–	22	1,681
Li Zhubo	–	840	715	–	36	1,591
Chen Tao (note (iii))	–	600	374	2	36	1,012
Shao Yongjun	–	600	511	–	36	1,147
Independent non-executive directors						
Wong Tin Yau, Kelvin	264	–	–	–	–	264
Zhao Chunjun	264	–	–	–	–	264
Chang Xiuze	264	–	–	–	–	264
	792	3,000	2,299	2	130	6,223

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 2014. Mr Wang Muqing was re-designated as an executive director of the Company on 30 March 2015.

(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(p)(iii). Details are disclosed in note 28.

(iii) Mr. Chen Tao resigned as executive director and vice president of the Company on 16 November 2015. Mr. Li Yi and Mr. Wan To were appointed as executive directors of the Company on 16 November 2015.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2014: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other individuals are as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	**–**	1,320
Discretionary bonuses	**–**	886
Contributions to retirement benefit schemes	**–**	38
	–	2,244

The above individuals' emoluments is within the band of HK$1,000,001 to HK$1,500,000 in 2014.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 was based on the profit attributable to shareholders of the Company of RMB618,530,000 (2014: RMB803,792,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2015 of 2,210,154,002 (2014: 2,210,050,440), calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 December	
	2015	2014
Issued ordinary shares at 1 January	**2,210,050,440**	2,210,050,440
Effect of share options exercised	**103,562**	–
Weighted average number of ordinary shares at 31 December	**2,210,154,002**	2,210,050,440

10 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to shareholders of the Company of RMB618,530,000 (2014: RMB803,792,000) and the weighted average number of ordinary shares of 2,213,469,125 (2014: 2,213,593,443) 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	
	2015	2014
Weighted average number of ordinary shares for the year ended 31 December	**2,210,154,002**	2,210,050,440
Effect of deemed issue of shares under the pre-IPO employee share option scheme	**3,315,123**	3,543,003
Weighted average number of ordinary shares at 31 December	**2,213,469,125**	2,213,593,443

11 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 four 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.

4 Financial services business

Financial services business mainly includes providing financial services to auto customers and dealers.

None of logistics business, lubricant oil business or financial services business has exceeded the quantitative threshold for determining a reportable segment. Based on the assessment of economic characteristics, including nature of products and services, nature of the regulatory environment, etc. logistics business and lubricant oil business are grouped together to form one reportable segment. Consequently, the Group has three reportable segments, namely "4S dealership business", "Supply chain business" and "Financial services business".

11 SEGMENT REPORTING (continued)

(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.

	4S dealership business		Supply chain business		Financial services business		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**28,677,638**	30,309,801	**615,429**	600,286	**68,432**	–	**29,361,499**	30,910,087
Inter-segment revenue	**–**	–	**380,220**	246,291	**3,609**	–	**383,829**	246,291
Reportable segment revenue	**28,677,638**	30,309,801	**995,649**	846,577	**72,041**	–	**29,745,328**	31,156,378
Reportable segment profit	**875,252**	1,092,810	**107,414**	104,548	**18,250**	–	**1,000,916**	1,197,358
Depreciation and amortisation for the year	**344,190**	337,429	**12,620**	7,598	**2,782**	–	**359,592**	345,027
Reportable segment assets	**14,137,909**	14,175,365	**3,226,969**	2,707,641	**1,917,643**	–	**19,282,521**	16,883,006
Additions to non-current segment assets during the year	**1,093,656**	1,751,362	**3,245**	1,808	**16,765**	–	**1,113,666**	1,753,170
Reportable segment liabilities	**(10,958,515)**	(11,095,383)	**(2,267,591)**	(1,920,967)	**(1,397,238)**	–	**(14,623,344)**	(13,016,350)
Investment in a joint venture and an associate	**–**	–	**220,514**	189,972	**–**	–	**220,514**	189,972

11 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue:		
Reportable segment revenue	**29,745,328**	31,156,378
Elimination of inter-segment revenue	**(383,829)**	(246,291)
Consolidated revenue	**29,361,499**	30,910,087
Profit before taxation:		
Reportable segment profit	**1,000,916**	1,197,358
Unallocated head office expenses	**(142,740)**	(36,085)
Other revenue	**457,505**	450,403
Other net income	**66,006**	41,479
Finance costs	**(459,908)**	(478,100)
Consolidated profit before taxation	**921,779**	1,175,055

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Assets:		
Reportable segment assets	**19,282,521**	16,883,006
Intangible assets	**3,789,357**	3,875,351
Goodwill	**1,926,551**	1,926,551
Deferred tax assets	**113,208**	67,180
Unallocated head office assets	**65,153**	244,369
Elimination of inter-segment receivables	**(1,497,140)**	(813,767)
Consolidated total assets	**23,679,650**	22,182,690
Liabilities:		
Reportable segment liabilities	**(14,623,344)**	(13,016,350)
Income tax payables	**(972,331)**	(776,580)
Deferred tax liabilities	**(888,180)**	(903,317)
Unallocated head office liabilities	**(3,597)**	(3,102)
Elimination of inter-segment payables	**1,497,140**	813,767
Consolidated total liabilities	**(14,990,312)**	(13,885,582)

(c) Geographic information

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

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2014	1,115,437	98,884	312,227	524,054	182,721	455,571	2,688,894
Additions	–	–	–	413,689	50,523	604,584	1,068,796
Transfer	282,886	5,719	78,221	–	5,924	(372,750)	–
Disposals	–	–	(8,134)	(474,533)	(1,917)	–	(484,584)
At 31 December 2014 and 1 January 2015	1,398,323	104,603	382,314	463,210	237,251	687,405	3,273,106
Additions	213,070	–	79,597	106,578	61,880	635,030	1,096,155
Transfer	524,847	–	24,477	107,670	–	(656,994)	–
Disposals	(31,387)	(18,205)	(6,462)	(245,821)	(15,144)	–	(317,019)
At 31 December 2015	**2,104,853**	**86,398**	**479,926**	**431,637**	**283,987**	**665,441**	**4,052,242**
Accumulated depreciation:							
At 1 January 2014	91,668	49,799	64,024	129,581	70,386	–	405,458
Charge for the year	44,067	16,458	31,145	105,445	33,163	–	230,278
Written back on disposals	–	–	(1,608)	(115,575)	(1,689)	–	(118,872)
At 31 December 2014 and 1 January 2015	135,735	66,257	93,561	119,451	101,860	–	516,864
Charge for the year	58,237	9,007	38,171	89,805	43,302	–	238,522
Written back on disposals	(30,386)	(18,125)	(3,948)	(67,967)	(10,787)	–	(131,213)
At 31 December 2015	**163,586**	**57,139**	**127,784**	**141,289**	**134,375**	**-**	**624,173**
Net book value:							
At 31 December 2015	**1,941,267**	**29,259**	**352,142**	**290,348**	**149,612**	**665,441**	**3,428,069**
At 31 December 2014	1,262,588	38,346	288,753	343,759	135,391	687,405	2,756,242

(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 RMB188,877,412 as at 31 December 2015 (2014: RMB166,808,162). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2015.

(b) Property, plant and equipment with carrying amount of RMB118,580,000 are pledged against a standby letter of credit (see note 25) as at 31 December 2015 (2014: RMB106,368,000).

13 LEASE PREPAYMENTS

	At 31 December 2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	**1,129,711**	445,337
Additions	**2,633**	684,374
At 31 December	**1,132,344**	1,129,711
Accumulated amortisation:		
At 1 January	**(44,796)**	(28,956)
Charge for the year	**(20,198)**	(15,840)
At 31 December	**(64,994)**	(44,796)
Net book value:		
At 31 December	**1,067,350**	1,084,915

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 RMB67,391,000 are pledged against a standby letter of credit (see note 25) as at 31 December 2015 (2014: RMB69,160,000).

14 INTANGIBLE ASSETS

	Car dealerships RMB'000	Favourable lease contracts RMB'000	Trademark RMB'000	Club debenture RMB'000	Software RMB'000	Total RMB'000
Cost:						
At 1 January 2014 and at 31 December 2014	3,888,752	36,904	362,732	363	–	4,288,751
Additions	–	–	–	–	14,878	14,878
At 31 December 2015	3,888,752	36,904	362,732	363	14,878	4,303,629
Accumulated amortisation:						
At 1 January 2014	(304,403)	(10,088)	–	–	–	(314,491)
Charge for the year	(94,519)	(4,390)	–	–	–	(98,909)
At 31 December 2014 and 1 January 2015	(398,922)	(14,478)	–	–	–	(413,400)
Charge for the year	(94,519)	(4,191)	–	–	(2,162)	(100,872)
At 31 December 2015	**(493,441)**	**(18,669)**	**–**	**–**	**(2,162)**	**(514,272)**
Net book Value:						
At 31 December 2015	**3,395,311**	**18,235**	**362,732**	**363**	**12,716**	**3,789,357**
At 31 December 2014	3,489,830	22,426	362,732	363	–	3,875,351

14 INTANGIBLE ASSETS (continued)

The car dealerships arise from relationship with automobile manufacturers, with an estimated useful life of 40 years. The fair value of the car dealerships as at the respective acquisition date was determined by using the multiple excess earning method.

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.

15 GOODWILL

	At 31 December	
	2015	2014
	RMB'000	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:

	At 31 December	
	2015	2014
	RMB'000	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% (2014: 3%). The discount rates applied to the cash flow projections beyond the one year period is 12% (2014: 12%).

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.

16 INTEREST IN SUBSIDIARIES

As of 31 December 2015, 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		Principal activities
				Direct	Indirect	
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 (昌駿有限公司)		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 automobile 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)	(ii)	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

16 INTEREST 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
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
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
Hohhot 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

16 INTEREST 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	Percentage of equity attributable to the Company Indirect	Principal activities
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
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)		The PRC 12 July 2000	RMB5,000,000	–	100%	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

16 INTEREST 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 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
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 Dingwo Automobile Sales Services Co., Ltd. (鄭州鼎沃汽車銷售服務有限公司)		The PRC 3 June 2010	RMB10,000,000	–	100%	Automobile dealership

16 INTEREST 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	Percentage of equity attributable to the Company Indirect	Principal activities
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
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
Hohhot Weijie Automobile Sales Services Co., Ltd. (呼和浩特市纬捷汽车銷售服务有限公司)		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
Hohhot 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)	(iii)	The PRC 15 March 2004	US$2,100,000	–	100%	Investment holding

16 INTEREST 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	Percentage of equity attributable to the Company Indirect	Principal activities
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	RMB50,000,000	–	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	RMB5,000,000	–	100%	Provision of automobile maintenance services
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	RMB20,000,000	–	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	RMB20,000,000	–	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

16 INTEREST 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		Principal activities
				Direct	Indirect	
Beijing Dewanlong Trading Co., Ltd. (北京德萬隆經貿有限公司)		The PRC 9 September 1999	RMB30,000,000	–	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	RMB50,000,000	–	100%	Automobile dealership
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	RMB20,000,000	–	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	RMB10,000,000	–	100%	Automobile dealership

16 INTEREST 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
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 Shengze Jietong Transportation Co., Ltd. (長春聖澤捷通物流有限公司)		The PRC 24 October 2008	RMB30,000,000	–	100%	Provision of auto-mobile related logistic services
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	RMB15,000,000	–	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

16 INTEREST 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
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	RMB20,000,000	–	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
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 (武漢正通悦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. (荊門奧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

16 INTEREST 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
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%	Provision of automobile maintenance services
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 Real Estate Development 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 agency services
Wuhan Jiewo Advisory Services Limited (武漢捷沃諮詢服務有限公司)		The PRC 8 August 2013	RMB1,000,000	–	100%	Consulting services
Sky Wonder Limited (天悦有限公司)		Hong Kong 14 March 2014	HK$1	–	100%	Investment holding
Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. (深圳市卓瑞翔信息諮詢有限公司)		The PRC 31 December 2013	RMB32,000,000	–	100%	Consulting services
ChengTong Developments Limited (成通發展有限公司)		British Virgin Islands ("BVI") 1 April 2014	US$1	–	100%	Investment holding
Landtime International Limited (裕泰國際有限公司)		Hong Kong 7 April 2014	US$1	–	100%	Investment holding
Goldrich Holdings Limited (啟富集團有限公司)		Hong Kong 16 January 2014	HK$1	–	100%	Investment holding

16 INTEREST 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 Baozehang Automobile Sales Services Co., Ltd. (北京正通寶澤行汽車銷售有限公司)		The PRC 7 January 2014	RMB10,000,000	–	100%	Automobile dealership
Wuhan Luze Automobile Sales Services Co., Ltd. (武漢路澤汽車銷售服務有限公司)		The PRC 6 January 2014	RMB15,000,000	–	70%	Automobile dealership
Shangraoshi Luze Automobile Sales Services Co., Ltd. (上饒市路澤汽車銷售服務有限公司)		The PRC 17 February 2014	RMB10,000,000	–	100%	Automobile dealership
Langfangshi Luze Automobile Sales Services Co., Ltd. (廊坊市路澤汽車銷售服務有限公司)		The PRC 23 May 2014	RMB10,000,000	–	100%	Automobile dealership
Yichun Baoze Automobile Sales Services Co., Ltd. (宜春寶澤汽車銷售服務有限公司)		The PRC 6 March 2014	RMB10,000,000	–	100%	Automobile dealership
Qingdao Aoze Automobile Sales Services Co., Ltd. (青島奧澤汽車銷售服務有限公司)		The PRC 9 May 2014	RMB10,000,000	–	100%	Automobile dealership
Baotoushi Jieyunhang Automobile Sales Services Co., Ltd. (包頭市捷運行汽車銷售服務有限公司)		The PRC 24 March 2014	RMB65,000,000	–	100%	Automobile dealership
Shengzhou Aoze Automobile Sales Services Co., Ltd. (嵊州奧澤汽車銷售服務有限公司)		The PRC 30 May 2014	RMB10,000,000	–	100%	Automobile dealership
Dongguan Zhengtong Kaize Automobile Sales Services Co., Ltd. (東莞正通凱澤汽車銷售服務有限公司)		The PRC 17 February 2014	RMB5,000,000	–	100%	Automobile dealership
Shanghai Chichang Trading Co., Ltd. (上海馳暢貿易有限公司)	(i)	The PRC 24 July 2014	RMB100,000,000	–	100%	Automobile parts sales
Beijing Zhengtong Baoze Automobile Maintenance Services Co., Ltd. (北京正通寶澤汽車維修服務有限公司)		The PRC 14 July 2014	RMB5,000,000	–	100%	Provision of automobile maintenance services
Loudi Dingwo Automobile Sales Services Co., Ltd. (婁底鼎沃汽車銷售服務有限公司)		The PRC 10 July 2014	RMB5,000,000	–	100%	Automobile dealership

16 INTEREST 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		Principal activities
				Direct	Indirect	
Shenzhen Aoze Automobile Sales Services Co., Ltd. (深圳奧澤汽車銷售服務有限公司)		The PRC 2 July 2014	RMB10,000,000	–	100%	Automobile dealership
Dongguan Aoze Automobile Sales Services Co., Ltd. (東莞奧澤汽車銷售服務有限公司)		The PRC 21 July 2014	RMB10,000,000	–	100%	Automobile dealership
Foshan AozeAutomobile Sales Services Co., Ltd. (佛山奧澤汽車銷售服務有限公司)		The PRC 5 September 2014	RMB10,000,000	–	100%	Automobile dealership
Zhengzhou Aoze Automobile Sales Services Co., Ltd. (鄭州奧澤汽車銷售服務有限公司)		The PRC 25 July 2014	RMB10,000,000	–	100%	Automobile dealership
Baoding Aoze Automobile Sales Services Co., Ltd. (保定奧澤汽車銷售服務有限公司)		The PRC 18 September 2014	RMB10,000,000	–	100%	Automobile dealership
Fuzhou Dingwo Automobile Sales Services Co., Ltd. (福州鼎沃汽車銷售服務有限公司)		The PRC 19 August 2014	RMB5,000,000	–	100%	Automobile dealership
Shenzhen Dingwo Automobile Sales Services Co., Ltd. (深圳鼎沃汽車銷售服務有限公司)		The PRC 3 September 2014	RMB5,000,000	–	100%	Automobile dealership
Jieyang Luze Automobile Sales Services Co., Ltd. (揭陽路澤汽車銷售服務有限公司)		The PRC 14 August 2014	RMB10,000,000	–	100%	Automobile dealership
ShenzhenLuze Automobile Sales Services Co., Ltd. (深圳路澤汽車銷售服務有限公司)		The PRC 15 August 2014	RMB10,000,000	–	100%	Automobile dealership
Yichang Baozehang Automobile Sales Services Co., Ltd. (宜昌寶澤行汽車銷售服務有限公司)		The PRC 22 August 2014	RMB10,000,000	–	100%	Automobile dealership
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd. (深圳市中汽南方華沃汽車銷售服務有限公司)		The PRC 11 June 2014	RMB5,000,000	–	100%	Automobile dealership
Shenzhen Hengyiyingtong Investment Management Co., Ltd. (深圳恒毅盈通投資管理有限公司)		The PRC 3 April 2014	RMB100,000,000	–	100%	Investment holding
Shenzhenshi Huianqi Investment Advisory Co., Ltd. (深圳市匯安啟投資諮詢有限公司)		The PRC 13 May 2014	HK$500,000	–	100%	Consulting services

16 INTEREST 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		Principal activities
				Direct	Indirect	
Shenzhen Baoze Automobile Sales Services Co., Ltd. (深圳寶澤汽車銷售服務有限公司)		The PRC 31 March 2015	RMB10,000,000	–	100%	Automobile dealership
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd. (北京正通鼎沃汽車銷售服務有限公司)		The PRC 30 January 2015	RMB5,000,000	–	100%	Automobile dealership
Hengyang Luze Automobile Sales Services Co., Ltd. (衡陽路澤汽車銷售服務有限公司)		The PRC 2 July 2014	RMB10,000,000	–	100%	Automobile dealership
Hohhot Yingfei Automobile Sales Services Co., Ltd. (呼和浩特市英菲汽車銷售服務有限公司)		The PRC 27 May 2015	RMB10,000,000	–	100%	Automobile dealership
Shanghai Dongzheng Automobile Finance Co., Ltd. (上海東正汽車金融有限責任公司)		The PRC 11 March 2015	RMB500,000,000	–	95%	Financial services
Beijing Hengyiyingtong Advertising Media Co., Ltd. (北京恒毅盈通廣告傳媒有限公司)		The PRC 21 May 2015	RMB5,000,000	–	100%	Consulting services
Shanghai Zhengtong Dingze Financial Leasing Co., Ltd. (上海正通鼎澤融資租賃有限公司)		The PRC 29 July 2014	US$100,000,000	–	100%	Financial services

Notes:

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

(ii) 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.

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

(iv) 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 2015.

17 INTEREST IN A JOINT VENTURE

	At 31 December 2015 RMB'000	2014 RMB'000
Share of net assets	217,314	186,772

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest		
Name of the investee	Place of incorporation/ establishment	Particulars of issued and paid up capital	Group's effective interest	held by subsidiaries	Principal activities
Fengshen Logistics Co., Ltd.	The PRC	RMB60,000,000	50%	50%	Provision of automobile related logistic services

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 for.

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.

Gross amounts of Guangzhou Fengshen:

	At 31 December 2015 RMB'000	2014 RMB'000
Current assets	593,535	420,792
Non-current assets	552,070	489,216
Current liabilities	(710,977)	(536,464)
Equity	434,628	373,544

17 INTEREST IN A JOINT VENTURE (continued)

Included in the above assets and liabilities:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents	**4,826**	1,379

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue	**1,737,891**	1,531,837
Profit from continuing operations	**61,084**	48,140
Total comprehensive income	**61,084**	48,140

Included in the above profit:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Depreciation and amortisation	**(46,822)**	(49,402)
Interest income	**8**	47
Interest expenses	**–**	(3,679)
Income tax expense	**(17,428)**	(14,904)

Reconciled to the Group's interest in Guangzhou Fengshen:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Gross amounts of Guangzhou Fengshen's net assets	**434,628**	373,544
Group's effective interest	**50%**	50%
Group's share of Guangzhou Fengshen's net assets	**217,314**	186,772
Carrying amount in the consolidated financial statements	**217,314**	186,772

18 INVENTORIES

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

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Motor vehicles	**2,911,859**	4,053,604
Automobile spare parts	**262,771**	277,753
Others	**19,105**	14,660
	3,193,735	4,346,017

As at 31 December 2015 and 2014, 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:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amount of inventories sold	**26,226,635**	27,764,174

Inventories with carrying amount of RMB1,357,349,000 have been pledged as security for the bills payable (see note 24) as at 31 December 2015 (2014: RMB2,410,149,232).

Inventories with carrying amount of RMB112,089,000 have been pledged as security for loans and borrowings from banks and other financial institutions (see note 23) as at 31 December 2015 (2014: RMB111,869,000).

19 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**528,168**	550,058
Bills receivable	**5,450**	4,995
	533,618	555,053
Prepayments	**837,255**	724,234
Other receivables and deposits	**3,923,490**	3,528,114
Trade and other receivables	**5,294,363**	4,807,401

19 TRADE AND OTHER RECEIVABLES (continued)

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

Trade and other receivables with carrying amount of RMB33,584,868 are pledged against bank loans (see note 23) as at 31 December 2015 (2014: RMB3,891,000).

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

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Within 3 months	**509,220**	521,724
More than 3 months but within 1 year	**16,680**	31,899
Over 1 year	**7,718**	1,430
	533,618	555,053

Details on the Group's credit policy are set out in note 30(a).

20 RECEIVABLES FROM FINANCIAL SERVICES

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Current		
Receivable from retail customers	**588,939**	–
Receivable from auto dealers	**252,106**	–
Less: allowance for doubtful debts	**(6,361)**	–
	834,684	–
Non-current		
Receivable from retail customers	**709,811**	–
Less: allowance for doubtful debts	**(5,458)**	–
	704,353	–
Net receivables from financial services	**1,539,037**	–

Receivable from retail customers are expected to be recovered within one to three years. Receivable from auto dealers are expected to be recovered within one year.

Receivables from financial services with carrying amount of RMB449,486,250 are pledged against bank loans (see note 23) as at 31 December 2015 (2014: RMB0).

20 RECEIVABLES FROM FINANCIAL SERVICES (continued)

(a) Aging analysis

As of the end of the reporting period, the ageing analysis of receivables from financial services, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Within 3 months	**915,916**	–
More than 3 months but within 1 year	**623,121**	–
	1,539,037	–

Details on the Group's credit policy are set out in note 30(a).

(b) Impairment of receivables from financial services

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	**–**	–
Impairment loss recognised	**11,819**	–
Uncollectible amounts written off	**–**	–
At 31 December	**11,819**	–

At 31 December 2015, receivables from financial services of RMB439,000 (2014: 0) were past due and individually determined to be impaired. Consequently, specific allowance for doubtful debts of RMB351,000 were recognised.

(c) Receivables from financial services that are not impaired

As at 31 December 2015, there are no receivables from financial services that are past due but not impaired.

21 PLEDGED BANK DEPOSITS AND BALANCES WITH CENTRAL BANK

	Note	At 31 December 2015 RMB'000	 2014 RMB'000
Restricted guarantee deposits in respect of:			
Bank loans (note 23)	(i)	**85,996**	241,804
Bills payable (note 24)	(i)	**1,239,839**	1,269,967
Standby letter of credit (note 25)	(ii)	**151,000**	151,000
		1,476,835	1,662,771
Restricted balances with central bank:			
Statutory deposit reserve funds	(iii)	**4,473**	–
		1,481,308	1,662,771

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

(ii) The bank deposits pledged for the standby letter of credit (see note 25) 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.

(iii) Balances with central bank is the statutory deposit reserve placed by the financial services company with the People's Bank of China, calculated at 7.5% of RMB deposits received. The rate of statutory deposit reserves is determined by the People's Bank of China and cannot be used for daily operation.

22 CASH AND CASH EQUIVALENTS

	At 31 December 2015 RMB'000	 2014 RMB'000
Deposit with banks within 3 months of maturity	**8,000**	32,652
Cash at banks and on hand	**1,591,117**	1,402,431
Cash and cash equivalents in consolidated cash flow statements	**1,599,117**	1,435,083

23 LOANS AND BORROWINGS

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

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Current		
Loans and borrowings for financial services		
Unsecured bank loans (i)	**950,000**	–
Secured long-term bank loans repayable within 1 year (iii)	**219,500**	–
	1,169,500	–
Loans and borrowings for non-financial services		
Unsecured bank loans (i)	**3,006,000**	2,590,800
Unsecured borrowings from other financial institutions	**–**	350,000
Unsecured short-term commercial paper (ii)	**1,100,000**	750,000
	4,106,000	3,690,800
Secured bank loans (iii)	**199,550**	188,328
Secured borrowings from other financial institutions (iv)	**176,032**	136,490
	4,481,582	4,015,618
Secured long-term bank loans repayable within 1 year (iii)	**–**	332,213
	4,481,582	4,347,831
Sub-total	**5,651,082**	4,347,831
Non-current		
Loans and borrowings for financial services		
Unsecured bank loans (i)	**120,000**	
Secured bank loans (iii)	**68,000**	–
Sub-total	**188,000**	–
Total	**5,839,082**	4,347,831

(i) Unsecured bank loans carried interest at annual rates ranging from 4.40% to 6.85% as at 31 December 2015 (2014: from 5.88% to 8.40%).

(ii) The Group had issued three batches of one year short-term commercial papers in National Association of Financial Market Institutional Investors in 2015 with RMB350 million, RMB350 million and RMB400 million, respectively. These short-term commercial papers bears interest rate of 6.5%, 6.7% and 6.5%, respectively.

(iii) Secured bank loans carried interest at annual rates ranging from 4.35% to 6.69% as at 31 December 2015 (2014: from 6.00% to 7.20%).

(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 2015 (2014: from 7.50% to 8.25%).

23 LOANS AND BORROWINGS (continued)

(v) As at 31 December 2015, the following assets of the Group had been pledged to secure for the Group's banking facilities totalling to RMB1,661,500,000 (2014: RMB1,955,188,000):

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Inventories	**112,089**	111,869
Pledged bank deposits	**85,996**	241,804
Trade and other receivables	**33,585**	3,891
Receivables from financial services	**449,486**	–
Total	**681,156**	357,564

As of 31 December 2015, the above banking facilities were utilised to the extent of RMB663,082,000 (2014: RMB657,031,000).

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 30(b). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: None).

24 TRADE AND OTHER PAYABLES

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables	**446,018**	589,311
Bills payable	**3,431,310**	4,346,639
	3,877,328	4,935,950
Receipts in advance	**484,462**	442,894
Other payables and accruals	**770,858**	447,207
Trade and other payables	**5,132,648**	5,826,051

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

Bills payable of RMB1,239,839,000 as at 31 December 2015 (2014: RMB1,269,967,000) were secured by pledged bank deposits (see note 21).

Bills payable of RMB2,191,471,000 as at 31 December 2015 (2014: RMB3,076,672,000) were secured by inventories (see note 18).

24 TRADE AND OTHER PAYABLES (continued)

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

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Within 3 months	**3,729,025**	4,787,976
Over 3 months but within 6 months	**145,251**	146,156
Over 6 months but within 12 months	**3,052**	1,818
	3,877,328	4,935,950

25 BONDS PAYABLE

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Bonds payable	**2,158,071**	2,031,803
Details of the bonds are as follows:		
Principal amount	**2,044,740**	2,044,740
Discount on issue	**(5,153)**	(5,153)
Bonds issue costs	**(18,618)**	(18,618)
Proceeds received	**2,020,969**	2,020,969
Accumulated amortised amounts of discount on issue and issue costs	**10,608**	5,764
Exchange differences	**126,494**	5,070
As at 31 December	**2,158,071**	2,031,803

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 will be mature on 16 June 2018 at their principal amount.

25 BONDS PAYABLE (continued)

As at 31 December 2015, the following assets of the Group had been pledged to secure for the Standby Letter of Credit:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Pledged bank deposits (i)	**151,000**	151,000
Property, plant and equipment	**118,580**	106,368
Lease prepayments	**67,391**	69,160
Shares of subsidiary (ii)	**3,566,044**	3,108,053
Total	**3,903,015**	3,434,581

(i) The pledged bank deposits will be released upon the maturity date 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 2015 was approximately RMB3,566,044,000.

26 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.

27 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, and are then exercisable within a period of seven years. The exercise price are equivalent to RMB1.5, RMB2.0 and RMB2.5 for type 1, type 2 and type 3 correspondingly.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

	Number of instruments	Vesting conditions
Options granted to employees on:		
10 August 2010 including:		
Type 1	17,540,700	50% on 1 January 2012, 25% on 1 January 2013, 25% on 1 January 2014
Type 2	2,062,400	50% on 1 April 2012, 25% on 1 April 2013, 25% on 1 April 2014
Type 3	1,452,000	50% on 1 July 2012, 25% on 1 July 2013, 25% on 1 July 2014
20 August 2010 including:		
Type 3	2,018,800	50% on 1 July 2012, 25% on 1 July 2013, 25% on 1 July 2014
10 November 2010 including:		
Type 3	362,000	50% on 1 July 2012, 25% on 1 July 2013, 25% on 1 July 2014
Total share options granted	23,435,900	

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

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted exercise price	Number of options
Outstanding at the beginning of the year	**RMB1.6**	**6,481,980**	RMB1.6	6,761,400
Exercised during the year	**RMB2.0**	**(150,000)**	RMB1.6	–
Forfeited during the year	**RMB1.6**	**(100,400)**	RMB1.9	(279,420)
Outstanding at the end of the year	**RMB1.5**	**6,231,580**	RMB1.6	6,481,980
Exercisable at the end of the year	**RMB1.5**	**6,231,580**	RMB1.6	6,481,980

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 1.61 years (2014: 2.61 years).

Total expenses of RMB0 (2014: RMB(319,000)) were recognised as personnel expenses during the year ended 31 December 2015 (see note 6(b)).

28 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:

	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	Deferred revenue RMB'000	Capitalisation of interest RMB'000	Total RMB'000
Deferred tax assets/(liabilities) arising from:						
At 1 January 2014	(905,281)	(7,462)	33,038	5,312	(8,240)	(882,633)
Credited/(charged) to profit or loss (note 7(a))	24,807	219	31,154	(1,015)	(8,669)	46,496
At 31 December 2014 and 1 January 2015	(880,474)	(7,243)	64,192	4,297	(16,909)	(836,137)
Credited/(charged) to profit or loss (note 7(a))	24,757	538	46,238	(176)	(10,192)	61,165
At 31 December 2015	**(855,717)**	**(6,705)**	**110,430**	**4,121**	**(27,101)**	**(774,972)**

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Representing:		
Net deferred tax assets	**113,208**	67,180
Net deferred tax liabilities	**(888,180)**	(903,317)
	(774,972)	(836,137)

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 2015 in respect of undistributed earnings of RMB4,249,514,000 (2014: RMB3,458,746,000) 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.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in component of equity

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:

	The Company			
	Share premium RMB'000	Capital reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	4,548,765	85,387	(417,847)	4,216,305
Equity settled share-based transactions (note 27)	–	(319)	–	(319)
Total comprehensive income for the year	–	–	52,054	52,054
Dividends (note 29(b))	–	–	(175,358)	(175,358)
Balance at 31 December 2014 and 1 January 2015	**4,548,765**	**85,068**	**(541,151)**	**4,092,682**
Shares issued pursuant to pre-IPO employee share option scheme	468	(179)	–	289
Total comprehensive income for the year	–	–	(239,536)	(239,536)
Dividends (note 29(b))	–	–	(174,201)	(174,201)
Balance at 31 December 2015	**4,549,233**	**84,889**	**(954,888)**	**3,679,234**

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the end of the reporting period of HK$0.10 (2014: HK$0.10 per ordinary share)	**185,162**	174,351

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.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.10 per share (2014: HK$0.10 per ordinary share)	**174,201**	175,358

(iii) Other dividends

During the year of 2015, certain subsidiaries of the Group declared and paid dividends of RMB24,002,000 (2014: RMB19,038,000) in cash to non-controlling shareholders.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

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

	Note	2015 Number of shares (thousand)	2015 Amount HK$('000)	2014 Number of shares (thousand)	2014 Amount HK$('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		**2,210,050**	**221,005**	2,210,050	221,005
Shares issued pursuant to pre-IPO employee share option scheme	(i)	**150**	**15**	–	–
At 31 December		**2,210,200**	**221,020**	2,210,050	221,005
RMB equivalent ('000)			**188,788**		188,776

(i) During the year ended 31 December 2015, certain options were exercised to subscribe for 150,000 ordinary shares at HK$2.525, with a total consideration of HK$378,750 (equivalent to RMB301,478), of which HK$15,000 (equivalent to RMB11,940) was credited to share capital. The excess of the total consideration over the par value of the shares, amounting to RMB289,538, was credited to share premium. RMB179,490 has been transferred from capital reserves to share premium.

(d) Nature and purpose of reserves

(i) PRC statutory reserves

PRC 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.

(ii) 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(t).

(iii) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiaries in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Distributability of reserves

The Company was incorporated on 9 July 2010. Under the Companies Law 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 2015, distributable reserves of the Company amounted to RMB3,679,234,000 (31 December 2014: RMB4,092,682,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.10 (RMB0.08) per ordinary share (2014: HK$0.10 (RMB0.08) per share), amounting to RMB185,162,000 (2014: RMB174,351,000 (note 29(b)). This dividend has not been recognised as a liability at the end of reporting date.

(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 2015 and 31 December 2014 were as follows:

		At 31 December	
	Note	**2015 RMB'000**	2014 RMB'000
Loans and borrowings	23	**5,839,082**	4,347,831
Bonds payable	25	**2,158,071**	2,031,803
Bills payable	24	**3,431,310**	4,346,639
Total borrowings		**11,428,463**	10,726,273
Add: Proposed dividends	29(b)	**185,162**	174,351
Less: Pledged bank deposits and balances with central bank	21	**(1,481,308)**	(1,662,771)
Time deposits		**–**	(31,207)
Cash and cash equivalents	22	**(1,599,117)**	(1,435,083)
Adjusted net debt		**8,533,200**	7,771,563
Total equity		**8,689,338**	8,297,108
Less: Proposed dividends	29(b)	**(185,162)**	(174,351)
Adjusted total equity		**8,504,176**	8,122,757
Adjusted net debt-to-capital ratio		**1.00**	0.96

The Group is subject to capital requirements imposed by certain banks as disclosed in note 23(v).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and receivables from financial services. 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.

Credit risk in respect of receivables from financial services is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial service company's credit risk is primarily attributable to its credit operations.

The Risk Management Committee is responsible for reviewing the financial service company's credit risk system and presenting credit risk proposals based on the operational development and searching for potential issues. The Committee shall also review the entire credit risk exposure and take relevant measures for risk precaution and rectification. The risk management department of wholesale and retail business is responsible for credit review, credit risk rating, credit decision-making and approval process. Risk review positions are responsible for the review of application materials, regular or prompt review of credit limit and the analysis of financial data and non-financial information. The review positions for wholesale and retail business communicates and verifies information with the financial service company's sales department to carry forward credit investigation, credit risk rating and prepare for credit decision-making. The approval positions for wholesale and retail business are responsible for the review of risk rating, credit decision-making proposals and submitting the proposals to specified level of approvers to complete the final approval process.

The financial service company drew up 5-tier loan classification policy and practices, loan risk operating rules, loan approval guidelines and relevant rules for loan collection in accordance with external supervision and requirement of relevant rules. The financial service company's credit risk management runs through three stages as pre-lending investigation, credit approval and post-lending management. In the first stage, the financial service company will investigate the borrower's credit background. In the second stage, all the lending transactions must be approved by specified levels of approvers. In the final stage, the financial service company will monitor all the loans on an ongoing basis, and take appropriate measures to prevent and control credit risk if deterioration of the repayment capacity or credit position of the borrower is noted.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The financial service company adopts the classification of loans and advances in accordance with *Guidelines for Risk-based Loan Classification*. Loans and advances are divided into 5 categories on the basis of risk level: pass, special-mentioned, substandard, doubtful and loss. The main definition of the categories are listed as follows:

Pass: borrowers are able to perform the contract, and there is no sufficient reason to doubt their ability to repay principal and interest of loans in full and on time.

Special-mentioned: although borrowers are currently able to repay the principal and interest of loans, there are factors that might have adverse effect on the repayment of loans. The borrowers' ability of repayment will be affected if the factors sustained.

Substandard: borrowers' repayment ability is apparently in question, and they are unable to repay the principal and interest of loans in full solely with their normal business revenues. Disposal of assets, external financing or even execution of collaterals and guarantees are required to facilitate the repayment of principal and interest.

Doubtful: borrowers are unable to repay the principal and interest of loans in full, and certain losses will inevitably incur even when pledges or guarantees are executed. Contingent issues include the borrowers' restructuring, merger, acquisition, execution of collaterals and pending litigation.

Loss: the principal and interest of loans still cannot be recovered or only a small portion thereof can be recovered after all possible measures and all necessary legal actions have been taken.

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 2015 represented 76% of the total trade and other receivables (2014: 65%), while 25% of the total trade and other receivables were due from the largest single debtor (2014: 22%).

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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (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 2015, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	At 31 December 2015					At 31 December 2014				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	5,798,659	199,884	-	5,998,543	5,839,082	4,466,713	–	–	4,466,713	4,347,831
Bonds payable	169,341	170,079	2,272,553	2,611,973	2,158,071	164,315	162,629	2,306,818	2,633,762	2,031,803
Trade and other payables	5,132,648	-	-	5,132,648	5,132,648	5,826,051	–	–	5,826,051	5,826,051
	11,100,648	369,963	2,272,553	13,743,164	13,129,801	10,457,079	162,629	2,306,818	12,926,526	12,205,685

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (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 floating or fixed interest rates ranging from 0.01% to 2.17% per annum as at 31 December 2015 (2014: 0.01% to 1.38%). 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 0.30% to 5.66% per annum as at 31 December 2015 (2014: 0.35% to 3.30%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2015 are set as follows:

		At 31 December	
	Interest Rate	**2015** **RMB'000**	2014 RMB'000
Fixed rate borrowings	4.40% to 8.25%	**6,303,208**	5,062,067
Variable rate borrowings	4.35% to 8.40%	**1,693,945**	1,317,567
		7,997,153	6,379,634

(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 2015, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB12,704,590 (2014: RMB11,162,282).

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 2014.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (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.

	2015			2014		
	United Sates Dollars RMB'000	Euro RMB'000	Hong Kong Dollars RMB'000	United Sates Dollars RMB'000	Euro RMB'000	Hong Kong Dollars RMB'000
Trade and other receivables	11,812	24,342	1,867	11,130	21,311	12,230
Cash and cash equivalents	49,842	205	8,176	227,802	186	558,107
Loans and borrowings	–	–	–	(332,213)	–	–
Bonds payable	(2,158,071)	–	–	(2,031,803)	–	–
Net exposure	(2,096,417)	24,547	10,043	(2,125,084)	21,497	570,337

(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.

	2015		2014	
	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%	(106,214)	5%	(109,873)
	(5)%	106,214	(5)%	109,873
Euro	5%	1,227	5%	1,075
	(5)%	(1,227)	(5)%	(1,075)
Hong Kong Dollars	5%	477	5%	21,602
	(5)%	(477)	(5)%	(21,602)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

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 2014.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The fair value of the Group's financial instruments are categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value measurement*. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair values measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data at not available.

– Level 3 valuations: Fair values measured using significant unobservable inputs.

At 31 December 2015, the derivative financial instruments of the Group fall into Level 2.

The following table presents the Group's assets that are measured at fair value.

	Fair value at 31 December 2015	Fair value measurement as at 31 December 2015 categorised into			Fair value at 31 December 2014	Fair value measurement as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements								
Assets:								
Derivative financial instruments:								
Capped cross currency swap	27,041	-	27,041	-	-	-	-	-

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the capped cross currency swap is determined by discounted-cash flow method and Black-Scholes model. The discount rate used is the rate of market yield for financial instruments with substantially identical contract terms and characteristics.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value

At 31 December 2015 and 2014, all financial assets and liabilities, except for the derivative financial instrument, are carried at amounts not materially different from their fair values, except for the amounts due from/to related parties which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

31 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Contracted for	**289,931**	817,443

(b) Operating lease commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	**244,287**	225,870
After 1 year but within 5 years	**696,950**	395,381
After 5 years	**571,054**	392,208
	1,512,291	1,013,459

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.

32 CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

33 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

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

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Recurring transactions

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Rental and property management expense:		
Hubei Shengze	**5,115**	5,115
Beijing Baoze Technology	**20,402**	15,135
Inner Mongolia Shengze Dingjie	**21,871**	21,871
Changsha Shengze Ruibao	**2,298**	2,298
Wuhan Jieyun	**11,968**	11,968
Wuhan Jiezhong	**2,149**	2,149
Wuhan Investment	**15,136**	15,136
	78,939	73,672

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.

(b) Key management personnel remuneration

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

(c) 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.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	At 31 December 2015	2014
Non-current assets		
Property, plant and equipment	216	399
Interest in subsidiaries	5,953,874	6,264,268
Other financial assets	27,041	–
	5,981,131	6,264,667
Current assets		
Trade and other receivables	28,048	36,038
Cash and cash equivalents	19,248	14,448
	47,296	50,486
Current liabilities		
Loans and borrowings	–	–
Trade and other payables	2,334	1,892
	2,334	1,892
Net current assets	44,962	48,594
Total assets less current liabilities	6,026,093	6,313,261
Non-current liabilities		
Bonds payable	2,158,071	2,031,803
	2,158,071	2,031,803
NET ASSETS	3,868,022	4,281,458
Equity		
Share capital	188,788	188,776
Reserves	3,679,234	4,092,682
TOTAL EQUITY	3,868,022	4,281,458

Approved and authorised for issue by the board of directors on 24 March 2016.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 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
Annual Improvements to HKFRSs	2012-2014 Cycle	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

In addition, the International Accounting Standards Board issued a new standard, IFRS 16, Leases, effective for annual periods beginning on or after 1 January 2019. We expect that the HKICPA will issue the equivalent standard soon to maintain convergence with IFRSs. IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17, Leases and the related interpretations including IFRIC 4, *Determining whether an arrangement contains a lease*. The Group is the lessee in respect of a number of store premises to operate 4S dealership stores in the PRC. The new lease accounting standard is expected to have significant impact on the Group's results of operations and financial position. The Group is still in the process of making a detailed assessment of what the impact of the new standard is expected to be in the period of initial application.

36 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 receivables from financial services

Receivables from financial services are regularly reviewed to assess whether there's sign of impairment loss, and evaluate the specific amount of the impairment loss. The objective evidence of impairment loss of individual or portfolios of receivables from financial services includes demonstration of observed data on a sharp decline of the expected future cash flow or deterioration of the repayment capacity or credit position of the borrower. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

(c) 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.

(d) 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.

(e) 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.

36 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) 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.

(g) 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.

(h) 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.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2015, the directors proposed a final dividend. Further details are disclosed in note 29(b).

38 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 31 December 2015 to be Joy Capital Holdings Limited, which was incorporated in the British Virgin Islands.

CORPORATE INFORMATION

BOARD OF DIRECTORS*

Executive Directors

Mr. Wang Muqing *(Chairman)*
(re-designated from a non-exective Director on 30 March 2015)
Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Li Yi *(Chief Operating Officer)*
(appointed on 16 November 2015)
Mr. Shao Yong Jun *(Vice President)*
Mr. Wan To *(Vice President)*
(appointed on 16 November 2015)
Mr. Chen Tao (resigned on 16 November 2015)

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

OPERATION AND MANAGEMENT COMMITTEE

Mr. Wang Kunpeng *(Chairman)*
Mr. Li Zhubo
Mr. Li Yi
Mr. Shao Yong Jun
Mr. Wan To

AUDIT COMMITTEE*

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Mr. Zhao Chunjun
Mr. Chang Xiuze

NOMINATION COMMITTEE*

Mr. Zhao Chunjun *(Chairman)*
Mr. Shao Yong Jun
Mr. Chang Xiuze

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

* Details of the changes in members of the Board and Board Committees after the reporting period are set out in the "Events after the Reporting Period" in the section headed "Management Discussion and Analysis" on P. 20 of this annual report.

正通

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

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