HARMONY AUTO
和諧汽車

China Harmony New Energy Auto Holding Limited
中國和諧新能源汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3836

2015 Annual Report

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. FENG Changge *(Chairman)*
Mr. LIU Fenglei
(appointed with effect from October 19, 2015)
Mr. YU Feng
(resigned with effect from October 19, 2015)
Mr. YANG Lei
Mr. QIAN Yewen
(appointed with effect from September 1, 2015)
Mr. CUI Ke
(resigned with effect from September 1, 2015)
Ms. MA Lintao

Non-executive Director

Mr. FAN Qihui
(appointed with effect from November 16, 2015)
Mr. WANG Nengguang
(resigned with effect from November 16, 2015)

Independent Non-executive Directors

Mr. XIAO Changnian
Mr. LIU Zhangmin
Mr. XUE Guoping

Audit Committee

Mr. XIAO Changnian *(Chairman)*
Mr. LIU Zhangmin
Mr. XUE Guoping

Remuneration Committee

Mr. XUE Guoping *(Chairman)*
Mr. LIU Zhangmin
Mr. YANG Lei

Nomination Committee

Mr. FENG Changge *(Chairman)*
Mr. XUE Guoping
Mr. XIAO Changnian

Company Secretary

Ms. WONG Wai Yee, Ella

Authorized Representatives

Mr. YANG Lei
Ms. WONG Wai Yee, Ella

Auditors

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

Principal Banks

China CITIC Bank, Zhengzhou Branch
Shanghai Pudong Development Bank, Zhengzhou Branch
China Merchants Bank, Zhengzhou Branch
The Bank of East Asia, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business and Headquarter in the PRC

15A, Tower A, World Trade Center Building,
Shangwuneihuan Road
CBD Zhengdongxin District
Zhengzhou, Henan Province
PRC

Principal Place of Business in Hong Kong

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

Cayman Islands Share Registrar

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company's website

www.hexieauto.com

Stock Code

3836

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of China Harmony New Energy Auto Holding Limited (the "**Company**" or "**we**"), I am pleased to present the report for the results of the Company and its subsidiaries (collectively referred to as the "**Group**") for 2015.

In 2015, the Group utilized the opportunities offered by the transformation of China's vehicle industry and achieved fruitful results in each area of new vehicle sales, after-sales services and new energy vehicles.

STABLE GROWTH IN OUR OPERATING RESULTS

In 2015, the Group achieved the following results:

The Group recorded new vehicle sales volume of 23,183 units, representing an increase of 14.2% as compared with 2014.

Revenue of the Group amounted to approximately RMB10,620.2 million, representing an increase of 4.2% over 2014, of which revenue from new vehicle sales was RMB8,934.9 million, maintained similar level with 2014, revenue from after-sales services increased by 34.9% to RMB1,685.3 million.

Gross profit of the Group amounted to approximately RMB1,121.7 million, representing an increase of 3.0% over 2014, among which, gross profit of after-sales services amounted to approximately RMB759.7 million, accounting for 67.7% of the gross profit of the Group, and representing an increase of 15.2 percentage points over 2014. Gross profit margin of the Group was 10.6%, among which, gross profit margin of new vehicle sales was 4.1% and gross profit margin of after-sales services was 45.1%.

The commission income (mainly from insurance agency and vehicle financing agency services) of the Group was approximately RMB276.0 million, representing an increase of 20.8% as compared with 2014.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) of the Group was approximately RMB1,069.4 million, representing an increase of 2.9% as compared with 2014.

Net profit attributable to shareholders of the Company amounted to approximately RMB563.4 million, representing an increase of 3.5% over 2014.

ENHANCED MARKET POSITION OF DEALERSHIP OUTLETS

As one of the leading dealership groups that deals exclusively in luxury and ultra-luxury passenger vehicles in China, as of the date of this report, the Group owned a total of 48 dealership outlets, and was committed to the exclusive sales of luxury and ultra-luxury passenger vehicles, the sales of luxury passenger vehicles in the central-western regions to establish our dominant and leading position in certain such regions which ensures our profitability and quality, and the sales of ultra-luxury passenger vehicles in the first-tier cities and eastern economically developed coastal regions to gradually establish our dominant and leading position in such regions.

After-sales services of maturing dealership outlets have become one of the most important drivers of our operation and our profit growth. In particular, the new outlets opened during the past three years are becoming increasingly matured, which have expanded our customer base and resulted in strong growth in revenue from after-sales services of our dealership outlets. This Group also benefited from exclusive sale of luxury and ultra-luxury passenger vehicles, because owners of luxury and luxury passenger vehicle hope to get more professional services, so attached greater importance to the quality of after-sales service. Moreover, we have always attached high importance to the development of insurance and finance businesses. In 2015, insurance and finance businesses contributed to a rapid growth in our commission income.

RAPID GROWTH OF COMPREHENSIVE REPAIR AND MAINTENANCE SERVICES

In the past decade, China's high-end automobile market maintained a sustained growth and its luxury and ultra-luxury automobiles market achieved a steady growth, making it the second largest high-end automobile market in the world, only behind the U.S. From a long-term perspective, with the continuous growth in the sales of new vehicles and the number of vehicles in use in China, the after-sales market will inevitably become the "golden niche" in the PRC automobile industry, which is highly lucrative and sustainable. In 2015, comprehensive after-sales business of the Group achieved a rapid growth. As of the date of this report, the Group had a total of 158 independent comprehensive after-sales services outlets, of which, 40 were centre outlets and 118 were community stores, covering 44 cities across the country. The Company has established its own operation model of "Harmony comprehensive after-sales" and has built its famous brand of "Harmony car maintenance". Our fast-growing comprehensive after-sales outlets, which are in operation or will be in operation, will make greater contribution to the growth of our after-sales services and become an important profit growth driver of the Group.

STEADY ADVANCE OF NEW ENERGY VEHICLES PROJECTS

New energy vehicle will be the future direction of global automobile development and also a revolution of the traditional automobile industry, and this revolution has already taken place. The Group has seized this opportunity to proactively develop new energy vehicle business.

In March 2015, the Company entered into a strategic cooperation framework agreement in respect of "internet + intelligent electric vehicle" with Foxconn Technology Group ("**Foxconn**") and 深圳騰訊產業投資基金有限公司 (Shenzhen Tencent Industrial Investment Fund Co., Ltd.# ("**Tencent**")) to actively explore innovative cooperation in the area of internet and intelligent electric car. So far, the above strategic cooperation progressed well.

In July 2015, the above three parties (through various affiliates or related parties) duly incorporated 河南和諧富騰互聯網加智能電動汽車企業管理有限公司 (Henan Harmony Futeng Internet and Intelligent Electric Vehicle Corporate Management Company Limited#) and 河南和諧富騰互聯網加智能電動汽車新能源合夥企業（有限合夥）(Henan Harmony Futeng Internet and Intelligent Electric Vehicle New Energy Partnership#) ("**Harmony Futeng**"). It is intended that Harmony Futeng, with an initial scale of RMB1.0 billion, of which Foxconn, Tencent and the Company would make capital contribution of RMB300 million, RMB300 million and RMB400 million, respectively, will mainly make the investments in new energy and/or intelligent electric vehicle projects and related internet projects.

In May and June 2015, 河南和諧汽車貿易有限公司 (Henan Harmony Automobile Trading Co., Ltd.# ("**Henan Harmony**")), a wholly-owned subsidiary of the Group, acquired 64.64% and 22.93% equity interests in 浙江綠野汽車有限公司 (Green Field Motor Co., Ltd.# ("**GFMC**")) successively, thus holding 87.57% equity interests in GFMC.

In December 2015, the Group entered into an agreement with Harmony Futeng in respect of making joint capital contributions to establish 浙江愛車互聯網智能電動車有限公司 (Zhejiang Aiche Internet and Intelligent Electric Vehicle Company Limited#) ("**Aiche Company**") with a registered capital of RMB550 million, which will be owned as to 28% by the Group and 55% by Harmony Futeng, and as to 17% by other investors to be introduced in the future. Aiche Company acquired 87.57% equity interests in GFMC from Henan Harmony to become its direct controlling shareholder. Aiche Company aims to create a new economic electric vehicle platform and brand based on the R&D and production capabilities of GFMC.

Together with strategic partners, the Group intends to develop high-end internet and intelligent electric vehicles, to offer customers a smart, pleasant, and eco-friendly driving and mobility experience and currently has already formed a world-class management team.

We believe that technology-based internet electric vehicles are not only a revolution to traditional vehicles, but also to the manufacturing mode, maneuverability as well as business model. This will provide an opportunity for China's automobile industry to overtake its competitors. New energy vehicles are bound to become a brand new industry which is expected to sustain its boom in China.

COMPREHENSIVE STRATEGIC COOPERATION WITH ALIBABA AUTOMOBILE

On November 2, 2015, the Group entered into a strategic cooperation framework agreement ("**Cooperation Framework Agreement**") with the Alibaba Automobile business unit ("**Alibaba Automobile**") of 浙江天貓技術有限公司 (Zhejiang Tmall.com Technology Co., Ltd.#), an affiliate of Alibaba Group Holding Ltd., to carry out strategic cooperation in respect of "Internet + Automobile Sales and Services". Major areas of the cooperation include jointly building up "Harmony-Alibaba Automobile Car Port" network, automobile e-commerce, pre-owned car business and internet auto finance. The Group's strategic cooperation with Alibaba Automobile goes well and has achieved prominent achievements.

The Company delivered remarkable results in 2015, which was attributable to the continuing effort of all our staff, as well as the strong support of all our shareholders and business partners. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them. With constant effort and desire for excellence, we will deliver fruitful results and remarkable return to our shareholders.

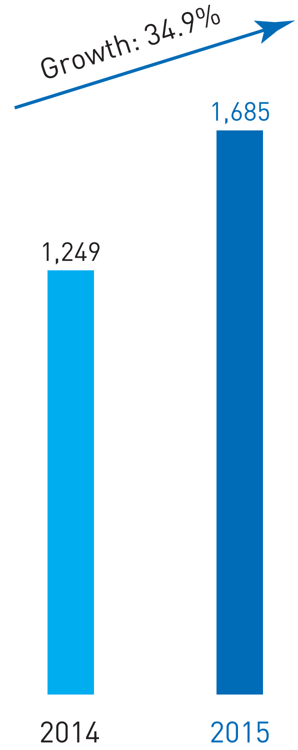
\# *For identification only*

FENG Changge
Chairman

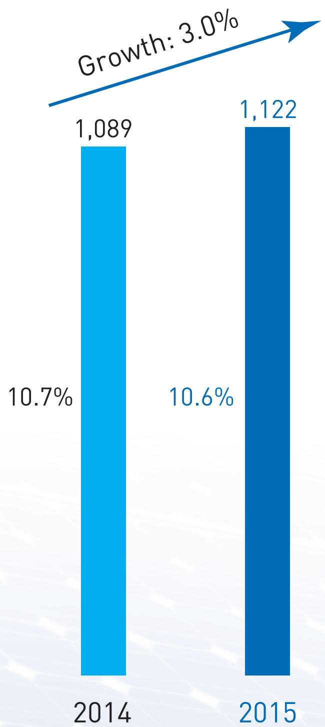
March 31, 2016

Revenue

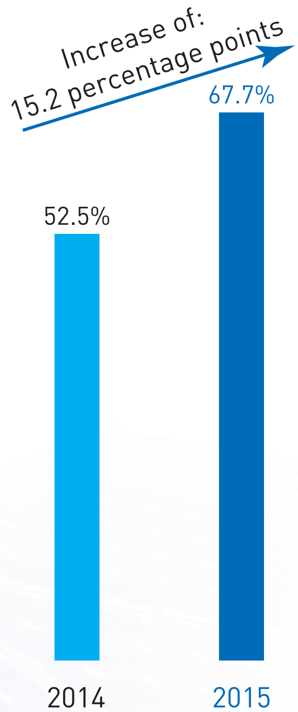
Revenue from after-sales services



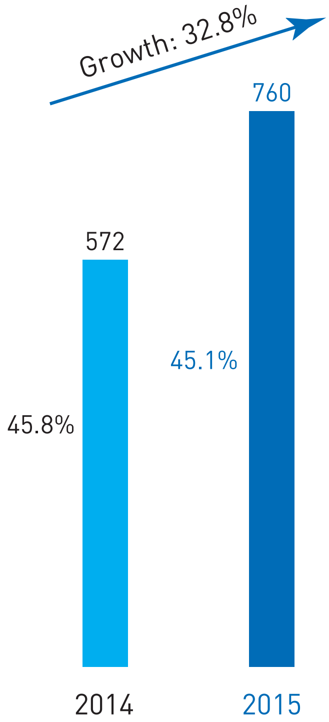
Gross profit and gross profit margin



Gross profit from after-sales services to total gross profit



Gross profit and gross profit margin of after-sales service



Commission income

EBITDA

Net profit

HIGHLIGHTS:

For the year ended December 31, 2015:

- The Group recorded new vehicle sales volume of 23,183 units of luxury and ultra-luxury automobiles, representing an increase of 14.2% as compared with 2014.

- Revenue of the Group amounted to approximately RMB10,620.2 million, representing an increase of 4.2% over 2014, of which revenue from new passenger vehicle sales was RMB8,934.9 million, maintained similar level with 2014, revenue from after-sales services increased by 34.9% to RMB1,685.3 million.

- Gross profit of the Group amounted to approximately RMB1,121.7 million, representing an increase of 3.0% over 2014, among which, gross profit of after-sales services amounted to approximately RMB759.7 million, accounting for 67.7% of the gross profit of the Group, and representing an increase of 15.2 percentage points over 2014.

- Gross profit margin of the Group was 10.6%, among which, gross profit margin of new vehicle sales was 4.1% and gross profit margin of after-sales services was 45.1%.

- The commission income (mainly from insurance agency and vehicle financing agency services) of the Group was approximately RMB276.0 million, representing an increase of 20.8% as compared with 2014.

- Earnings before interest, taxes, depreciation, and amortization (EBITDA) was approximately RMB1,069.4 million, representing an increase of 2.9% as compared with 2014.

- Net profit attributable to shareholders of the Company amounted to approximately RMB563.4 million, representing an increase of 3.5% over 2014.

- Net cash from operating activities of the Group amounted to approximately RMB1,590.8 million, representing an increase of 338.8% over 2014.

- Basic and diluted earnings per share were RMB0.39 and RMB0.39, respectively.

- The Board proposed a final dividend of HK12 cents per ordinary share, representing an increase of 20% as compared with 2014.

INDUSTRY OVERVIEW

According to China Association of Automobile Manufacturers, sales volume of passenger vehicles reached 21.15 million in China in 2015, representing a year-on-year growth of 7.3%. In the second half of 2015, vehicle sales picked up rapidly with the recovery in consumer confidence and the government's roll-out of automobile consumption stimulatory policies.

The sector of new energy vehicles in China recorded explosive growth due to various positive factors, including favorable government policies, rising environmental awareness of consumers and increasingly mature development of new energy vehicles. According to China Association of Automobile Manufacturers, sales of new energy vehicles in China reached 331,092 units in 2015, increasing by 3.4 times as compared with the previous year, among which, sales volume of pure electric vehicles reached 247,500 units, increasing by 4.5 times year-on-year.

In addition, figures from the National Bureau of Statistics of the PRC showed that vehicle ownership for civilian use exceeded 170 million units by the end of 2015. The enormous level of vehicle ownership laid the foundation for the rapid development of the after-sales services market, among which branded and chained independent after-sales services achieved particularly fast growth due to its distinctive advantages comparing with traditional dealership outlets and individual repair stores. Currently, the Chinese automobile after-sales services market has reached RMB700 billion in size but its penetration rate of independent after-sales services is merely 23%, hence there is still much room for development when compared with the 80% penetration rate in the U.S..

BUSINESS OVERVIEW

In 2015, the Group utilized the opportunities offered by the transformation of China's vehicle industry and achieved fruitful results in each area of new vehicle sales, after-sales services and new energy vehicles.

Proactive Transformation of Network Layout

Enhanced Market Position of Dealership Outlets

As of the date of this report, the Group owned a total of 48 dealership outlets, covering 21 cities across the country, distributed 11 luxury and ultra-luxury brands, of which, 7 were luxury brands such as BMW, MINI, Lexus, Jaguar, Land Rover, Volvo and Zinoro; and 4 were ultra-luxury brands such as Rolls-Royce, Aston Martin, Ferrari and Maserati.

Accelerated Growth of Independent After-sales Services Outlets

As of the date of this report, the Group opened a total of 158 independent after-sales services outlets, of which, 40 were centre outlets and 118 were community stores, covering 44 cities across the country. Operating under the brands "Harmony Auto Maintenance (和諧汽修)" and "Harmony Fast Maintenance (和諧快修)", the Group's independent after-sales services outlets offer after-sales services for mainstream luxury and ultra-luxury automobile models, which are not only limited to those 11 brands under the Group's dealership. The Group's strategy on the layout of independent after-sales services outlets is to develop community outlets covering the neighbourhood of each centre outlet acting as the core in order to achieve full coverage of business categories and target markets as well as to move down the distribution chain and attract more customer flow to the centre stores capitalizing on community outlets.

In addition, the Group is also one of the major after-sales service partners of Tesla in China, and operates eight Tesla special maintenance service centers in Beijing, Shanghai, Guangzhou, Hangzhou, Xi'an, Wuhan, Jinan and Zhengzhou.

Recovery of rapid growth of new vehicles sales

For the year ended December 31, 2015, the Group recorded new vehicle sales volume of 23,183 units of luxury and ultra-luxury automobiles, increased by 2,875 units or 14.2% as compared with 20,308 units in 2014. Among which, in the second half of 2015, new vehicle sales volume totaled 12,504 units, representing an increase of 17.1% when compared with the 10,679 units in the first half of 2015.

A breakdown of the new vehicle sales volume of the Group for the year ended December 31, 2015 is as follows:

- Sales volume of BMW brand reached 19,862 units (inclusive of MINI brand), up 12.0% over 2014; sales volume of other brands were 3,321 units, representing a growth of 29.2% as compared to 2014.

- Sales volume of luxury vehicles were 22,127 units, up 13.8% when comparing with 2014 while sales volume of ultra-luxury vehicles were 1,056 units, representing a growth of 21.9% over 2014.

- Among luxury vehicles, sales volume of domestic manufactured models were 13,185 units, representing a growth of 18.8% over 2014 while sales of imported models reached 8,942 units, increasing by 7.2% as compared to 2014.

Rapid growth of after-sales services

In 2015, the revenues from after-sales services in dealership outlets and independent after-sales services of the Group recorded substantial growth, mainly attributable to the increasing maturity of dealership outlets as well as the increasing number of stores in operation and maturity of the independent after-sales services outlets.

As at the date of this report, the number of independent after-sales services outlets opened by the Group reached 158. Independent after-sales services outlets serve as high-end maintenance workshops specializing in after-sales services, premium accessories installation and car insurance agency for luxury and ultra-luxury vehicles. The rapid entry of the Group's independent after-sales services outlets into the enormous luxury and ultra-luxury vehicle markets has generated significant growth in revenue.

Steady advance of new energy vehicles projects

In March 2015, the Company entered into a strategic cooperation framework agreement in respect of "internet + intelligent electric vehicle" with Foxconn and Tencent to actively explore innovative cooperation in the area of internet and intelligent electric car. So far, the above strategic cooperation progressed well.

Incorporation of the joint venture, Harmony Futeng by Three Parties

In July 2015, the above three parties (through various affiliates or related parties) duly incorporated Harmony Futeng. It is intended that Harmony Futeng, with an initial scale of RMB1.0 billion, of which Foxconn, Tencent and the Company would make capital contribution of RMB300 million, RMB300 million and RMB400 million, respectively, will mainly make the investments in new energy and/or intelligent electric vehicle projects and related internet projects.

Acquisition of GFMC and Establishment of Aiche Company

In May and June 2015, Henan Harmony, a wholly-owned subsidiary of the Group, acquired 64.64% and 22.93% equity interests in GFMC successively, thus holding 87.57% equity interests in GFMC. GFMC was established in June 2010 and located in Shangyu Industrial Zone in Hangzhou Bay, Shaoxing City, Zhejiang Province, occupying an area of 450 mu. GFMC possesses a large-scale whole electric vehicle production base encompassing four major production workshops of stamping, welding, coating and assembling.

In December 2015, the Group entered into an agreement with Harmony Futeng in respect of making joint capital contributions to establish Aiche Company with a registered capital of RMB550 million, which will be owned as to 28% by the Group and 55% by Harmony Futeng, and as to 17% by other investors to be introduced in the future. Aiche Company acquired 87.57% equity interests in GFMC from Henan Harmony to become its direct controlling shareholder. Aiche Company aims to create a new economic electric vehicle platform and brand based on the R&D and production capabilities of GFMC.

Steady Progress of High-end Internet and Intelligent Electric Vehicles Project

Together with strategic partners, the Group intends to develop high-end internet and intelligent electric vehicles, to offer customers a smart, pleasant, and eco-friendly driving and mobility experience and currently has already formed a world-class core management team.

Comprehensive Strategic Cooperation with Alibaba Automobile

On November 2, 2015, the Group entered into a Cooperation Framework Agreement with the Alibaba Automobile, an affiliate of Alibaba Group Holding Ltd., to carry out strategic cooperation in respect of "Internet + Automobile Sales and Services". Major areas of the cooperation include jointly building up "Harmony-Alibaba Automobile Car Port" network, automobile e-commerce, pre-owned car business and internet auto finance. The Group's strategic cooperation with Alibaba Automobile goes well and has achieved prominent achievements.

Environmental Policies and Performance

The Group is committed to environmental protection, energy conservation and emissions reduction, and the rational use of resources and energy. Centering on the targets of energy saving, consumption reduction, pollution reduction and efficiency enhancement, the Company has actively participated in and promoted the development of new energy vehicles. Please refer to the relevant description in this Management Discussion and Analysis for the information about project implementation. The Group made substantial progress in new energy vehicle industry, which clearly illustrates the Group's sustainable development strategy and determination for environmental protection.

Moreover, the Group appreciates and understands the importance of the environmental impact. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilization of resources have been consistently implemented in the daily operation activities of the Group. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact.

Compliance with Relevant Laws and Regulations

As far as the Board is aware, the Group has complied in all material aspects of relevant laws and regulations that may have significant impacts on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with applicable laws and regulations by the Group.

Future Outlook and Development Strategies

In the opinion of the Group, the penetration rate of automobiles in China is still lagging behind developed countries and car ownership is far from saturation, hence a large room still exists for new automobile sales. With household income growth, consumption upgrading and supportive government policies, the luxury and ultra-luxury automobile markets are set to resume normal growth.

As at the end of 2015, vehicle ownership for civilian use in China exceeded 170 million. According to estimates made by research institutions in the industry, automobiles aged three years and above, and six years and above currently account for over 60% and 40% of total number of automobiles in China, respectively. The increase in car ownership and the growth in average automobile age would further foster the booming growth of after-market services for automobiles, and its market scale is likely to reach RMB1 trillion in the next few years. As compared with developed countries, the automobile after-market in China is extensively fragmented at present. Along with the increasing demand for quality services and safety among consumers, the market would become more concentrated and industry leaders would be highly benefited.

Though ranking first in automobile market scale in the world, China still has a low new energy vehicles penetration level. Under encouragement and support from governmental policies, the increase in awareness on environmental protection among consumers as well as growth of maturity level of industry development, it is anticipated that new energy vehicles industry will continue its rapid development.

The Company will continue to execute the following development strategies with an aim to further boost up its profitability and create greater value for its shareholders:

- steadily developing 4S outlets business with focus on enhancing its after-sales service value;
- rapidly developing independent after-sales service businesses, quickly developing community stores on top of anchor stores to form a nationwide network and further enhancing its leading position in the country;
- proactively developing new energy automobile business while accelerating talents recruitment, research and development and products launching;
- fully utilizing internet platform, facilitating after-sales services and businesses of second-hand automobiles and parallel imports of automobiles, and realizing online and offline interaction and complementation; and
- proactively enhancing the penetration of automobile finance, increasing commission income and expanding financial leasing business.

FINANCIAL OVERVIEW

Revenue

Revenue of the Group was RMB10,620.2 million for 2015, representing an increase of 4.2% as compared with RMB10,195.9 million in 2014. During the period, the Group maintained similar level of revenue from sales of new passenger vehicles comparing with 2014 and recorded a substantial year-on-year increase of 34.9% in the after-sales services revenue.

Revenue from sales of new passenger vehicles slightly decreased by 0.1% from RMB8,946.6 million in 2014 to RMB8,934.9 million in 2015, accounting for 84.1% of the revenue (87.7% in 2014). The slight drop in sales revenue of new passenger vehicles was mainly due to the increasing contribution to sales volume by locally manufactured models of international luxury brands and the unit prices of locally manufactured models are generally lower than imported car models. Moreover, as the growth rate of the sales of passenger vehicles market in China slowed down, the Group adopted various promotion policies to offer benefits to the consumers. Nevertheless, the Group's revenue from sales of new passenger vehicles for the second half of 2015 was RMB4,718.6 million, representing an increase of 11.9% from RMB4,216.3 million in the first half of 2015, mainly attributed to the growth in sales volume of new vehicles.

Revenue from after-sales services increased 34.9% to RMB1,685.3 million in 2015 from RMB1,249.3 million in 2014, accounting for 15.9% of the total revenue in 2015 as compared with 12.3% in 2014. Among which, after-sales services revenue derived from our dealership outlets increased to RMB1,191.4 million in 2015, representing an increase of 23.3% as compared with RMB966.4 million in 2014. Such increase was mainly attributable to the increasing maturity of our stores newly opened in 2012-2014 and increasing demand for after-sales services from an expanded client base. Our independent after-sales services outlets contributed revenue of RMB493.9 million in 2015, an increase of 74.6% from RMB282.9 million in 2014. The proportion of after-sales services revenue attributable to independent after-sales services outlets also increased to 29.3% in 2015 from 22.6% in 2014. Looking into the future, our fast-growing independent after-sales services outlets, which are in operation or will be in operation, will make greater contribution to the growth of the Group's after-sales services and become an important profit growth driver of the Group.

Cost of sales and services provided

Our cost of sales and services increased by 4.3% from RMB9,106.6 million in 2014 to RMB9,498.5 million in 2015. Cost of sales attributable to sales of new passenger vehicles increased by 1.7% from RMB8,429.2 million in 2014 to RMB8,572.9 million in 2015. Cost of sales attributable to after-sales services increased by 36.6% from RMB677.4 million in 2014 to RMB925.6 million in 2015.

Gross profit and gross profit margin

Our gross profit remained stable at RMB1,121.7 million in 2015, representing a growth of 3.0% as compared to RMB1,089.3 million in 2014. Our gross profit margin was 10.6% in 2015, maintaining a level similar as compared with 10.7% in 2014.

Gross profit from sales of new passenger vehicles decreased by 30.0% to RMB362.0 million in 2015 from RMB517.4 million in 2014. In 2015, sales of new vehicles reported gross profit margin of 4.1%, representing decreases of 1.7 percentage points as compared against that for 2014, respectively. The drop in gross profit margin was mainly due to the slowed growth rate in the market of passenger vehicles since the third quarter of 2014. To speed up the inventory turnover and lower the capital pressure from the high level of inventory, the Group adopted various promotion policies to offer benefits to the consumers, thus pushing the gross profit margin from sales of new vehicles to a relatively low level.

Gross profit from our after-sales services surged by 32.8% from RMB571.9 million in 2014 to RMB759.7 million in 2015, which contributed to total gross profit by 67.7% in 2015 as compared with 52.5% in 2014. It was mainly attributable to the growing client base for our maturing dealership outlets and the rapid development in independent after-sales service, gross profit derived from after-sales services provided by our dealership outlets increased by 23.4% from RMB443.6 million to RMB547.6 million; while our independent after-sales services outlets contributed to the Group a gross profit from after-sales services of RMB212.1 million, with a growth of 65.3% from RMB128.3 million in last year. Due to the rapid development and increasing maturity of our independent after-sales services outlets, the gross profit contributed by these outlets for 2015 accounted for 27.9% of the total gross profit derived from our aftersales services, compared to 22.4% in 2014. In 2015, gross profit margin of our after-sales service was 45.1%, representing a decrease of 0.7 percentage points comparing with 45.8% of gross profit margin from our after-sales services in 2014, of which the gross profit margin for the after-sales services of dealership outlets was 46.0%, remained flat over that of 2014; while the gross profit margin for independent after-sales services outlets was 42.9%, down by 2.5 percentage points from 2014 which was mainly due to newly opened stores, for which it would take some time to have the gross margin as matured stores have.

Selling expenses

In 2015, selling expenses amounted to RMB592.2 million, increasing by 14.8% from RMB515.7 million in 2014. It was mainly attributed to the increase of selling expenses of newly-built independent after-sales services outlets. In 2015, selling expenses of dealership outlets was RMB443.4 million, representing an increase of 5.2% from RMB421.4 million in 2014.

Administrative expenses

As compared to RMB124.1 million in 2014, administrative expenses increased by 8.5% to RMB134.7 million in 2015. It was mainly attributed to the increase of administrative expenses of the newly opened independent after-sales services outlets. In 2015, administrative expenses of dealership outlets was RMB62.7 million, representing a decrease of 16.0% from RMB74.6 million in 2014.

Other income and gains, net

Other income and gains, net increased by 10.7% from RMB474.1 million in 2014 to RMB524.8 million in 2015, and the increase was primarily due to:

- the commission income (mainly from insurance agency and vehicle financing agency services) for 2015 was RMB276.0 million, representing an increase of 20.8% from RMB228.5 million in 2014, primarily attributable to the following reasons: (i) increasing sales volume of new passenger vehicles; (ii) as compared to cash payment, more new passenger vehicles were purchased using the financing services provided by manufacturers, which led to improvement of financing coverage; and (iii) the increasing number of customers who used the insurance and extended insurance services referred by us when purchasing new passenger vehicles;

- a 5.0% increase in bank interest income from RMB62.2 million in 2014 to RMB65.3 million in 2015, primarily attributable to the increase in our bank deposit (including the proceeds from the offer of new shares in the first half of 2015);

- a 45.7% growth in interest income of entrusted loan and other third party loan from RMB70.5 million in 2014 to RMB102.7 million in 2015, primarily due to the utilization of the advantages of sufficient cash, thus making it possible for us to generate interest income higher than bank deposits with sound risk management.

Finance costs

The Group's finance costs for 2015 was RMB157.1 million, representing a decrease of RMB45.1 million or 22.3% as compared to RMB202.2 million in 2014, primarily due to the decrease of borrowing interest rates in China and that the Group repaid part of the bank loans in 2015.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

The Group's EBITDA for 2015 was RMB1,069.4 million, representing a growth of RMB30.3 million or 2.9% as compared to RMB1,039.1 million in 2014.

Profit for the year attributable to shareholders of the Company

Profit for 2015 attributable to shareholders of the Company was RMB563.4 million, representing an increase of 3.5% as compared against RMB544.4 million for 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The Group's primary uses of cash are to pay for the purchases of passenger vehicles, spare parts and automobile accessories, to establish new dealership outlets and after-sales services outlets and to fund our working capital and operating expenses. The Group's liquidity needs was financed through a combination of short-term bank loans and cash flows generated from its operating activities.

As at December 31, 2015, cash and deposits of the Group totalled RMB4,218.6 million, representing a significant growth of 69.1% as compared with December 31, 2014, mainly attributable to the proceeds from issuing new shares in the amount of RMB2,651.0 million received in 2015 and mainly kept as cash deposit, and the Group reduced the level of inventory to accelerate the cash flow. As at December 31, 2015, among the Group's cash and cash equivalents, HK$2,039.3 million (equivalent to RMB1,707.6 million) was deposited overseas and in Hong Kong dollars.

For 2015 and 2014, our net cash from operating activities was RMB1,590.8 million and RMB362.5 million, respectively. For 2015 and 2014, net cash used in investing activities was RMB1,499.6 million and RMB440.9 million, respectively. Net cash generated from financing activities for 2015 and 2014 was RMB1,673.2 million and RMB125.8 million, respectively.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from the operating activities, available bank facilities and other borrowings, the Board believes that the Group's liquidity needs can be satisfied.

Net current assets

As at December 31, 2015, the Group's had net current assets of RMB2,404.6 million, compared to net current assets of RMB126.2 million as of December 31, 2014. The growth was due to sufficient cash from issuing of new shares.

Capital expenditure

In 2015, the Group's capital expenditure (primarily used for the purchase of items of property, plant and equipment in connection with the establishment of new outlets), was RMB508.7 million, representing a decrease of 52.3% comparing with 2014 (2014: RMB1,066.9 million).

Inventory

The Group's inventories primarily consist of new passenger vehicles, spare parts and automobile accessories. Each of the Group's outlets individually manages its orders for new passenger vehicles and after-sales services products, but its headquarters implements active warning, supervision and management on inventories of all stores to ensure a reasonable inventory balance.

The Group's inventories decreased by RMB213.0 million or 14.3% from RMB1,486.5 million as of December 31, 2014 to RMB1,273.5 million as of December 31, 2015, primarily due to a decrease in the Group's inventory of new passenger vehicles by 16.3% from RMB1,355.3 million as of December 31, 2014 to RMB1,134.1 million as at December 31, 2015. As the management of the Company always pays attention on the turnover of inventory, the Group established a warning management system for inventory and introduced promotion, marketing plans and corresponding measures in accordance with market trend which benefit customers. The Group also established a unified dynamic inventory management system to consolidate the inventory resources and reduce part of the inventory.

The Group's average inventory turnover days for 2015 were 52 days, a decrease of 8 days as compared to 2014. Among which, average inventory turnover days for luxury vehicles were 46 days. Under the slowdown of growth rate in the market and rise in inventory pressure faced by each distributor, the Group was still able to maintain relatively rapid turnover of inventory.

Bank loans and other borrowings

As at December 31, 2015, the Group had bank loans and other borrowings in the aggregate amount of RMB2,416.5 million, representing a year-on-year decrease of 22.8% as compared to RMB3,131.1 million as at December 31, 2014. The table below sets forth breakdowns of our bank loans and other borrowings as of the indicated dates:

	December 31, 2015 RMB'000	December 31, 2014 *RMB'000*
Bank loans repayable:		
Within one year or on demand	**1,798,504**	2,471,014
In the second year	**15,360**	33,138
In the third to fifth years	**6,000**	69,170
	1,819,864	2,573,322
Other borrowings repayable:		
Within one year or on demand	**596,588**	557,750
Total	**2,416,452**	3,131,072

As at December 31, 2015, the Group's net cash ratio, which is calculated by net cash (cash and deposits minus interest-bearing liability) divided by the total equity attributable to owners of the parent was 30.8%.

As at December 31, 2015, certain of the Group's bank loans and other borrowings were secured by mortgages or pledges over its assets. The Group's assets, subject to these mortgages or pledges as at December 31, 2015, consisted of (i) inventories in the amount of RMB367.3 million; (ii) property, plant and equipment in the amount of RMB31.2 million; and (iii) land use rights in the amount of RMB12.3 million. In addition, certain of the Group's bank loans and other borrowings were guaranteed by the controlling shareholder or affiliates of the controlling shareholder. As at December 31, 2015, the Group did not have bank borrowings, loans or bonds payable denominated in foreign currency.

Contingent liabilities

As at December 31, 2015, we did not have any material contingent liabilities or guarantees.

Interest rate risk and foreign exchange risk

The Group are exposed to interest rate risk resulting from fluctuations in interest rate on our debt. Certain of its borrowings have floating interest rates that are mostly linked to the benchmark rates of the People's Bank of China. Increases in interest rate could result in an increase in the Group's cost of borrowing. If this occurs, it could adversely affect the Group's finance costs, profit and the Group's financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. The Group do not currently use any derivative instruments to manage its interest rate risk.

Substantially all of the Group's revenue, cost of revenue and expenses are denominated in Renminbi. The Group also use Renminbi as its reporting currency. The Group do not believe its operations are currently subject to any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge its exposure to such risk.

Employees and remuneration policies

As at December 31, 2015, the Group had a total of 4,417 employees (December 31, 2014: 3,476 employees). Relevant staff cost for 2015 was approximately RMB288.8 million (including employee share incentive of RMB14.7 million), while the staff cost was approximately RMB269.8 million for 2014 (including employee share incentive of RMB28.8 million). According to the restricted share unit scheme adopted by the Company in May 2013 (the "**RSU Scheme**") (which was amended by the Board in August 2013 as agreed upon by all participants of the RSU Scheme), as at December 31, 2015, a total of 19,110,898 shares under the RSU Scheme (of which, 4,598,568 restricted shares unit awards were cancelled/lapsed/forfeited) had been issued and granted to a number of directors, senior management personnel and employees of the Group and two of them were current directors. For the year ended December 31, 2015, the Group had vested 6,621,267 restricted shares unit awards to certain participants of the RSU Scheme.

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to success of the Group's operations. Eligible participants of the Share Option Scheme include directors and employees of the Company and its subsidiaries. The Share Option Scheme became effective on June 26, 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date. As at December 31, 2015, the Company had 45,000,000 share options outstanding under the Share Option Scheme, which represented approximately 2.9% of the Company's share in issue as at that date.

For further details of the RSU Scheme and Share Option Scheme, please refer to "RSU Scheme" on pages 117 to 118 and "Share Option Scheme" on pages 118 to 120 of this annual report. The Group regularly reviews its compensation policies and employee benefits with reference to market practices and individual performance.

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

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability.

For the year ended December 31, 2015, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the year ended December 31, 2015.

BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

Executive Directors:

Mr. FENG Changge *(Chairman)*
Mr. LIU Fenglei *(Chief Executive Officer)* (appointed with effect from October 19, 2015)
Mr. YU Feng *(Chief Executive Officer)* (resigned with effect from October 19, 2015)
Mr. YANG Lei *(Chief Operating Officer and Vice-president)*
Mr. QIAN Yewen (*Chief Financial Officer)* (appointed with effect from September 1, 2015)
Mr. CUI Ke *(Vice-president)* (resigned with effect from September 1, 2015)
Ms. MA Lintao

Non-executive Director:

Mr. FAN Qihui (appointed with effect from November 16, 2015)
Mr. WANG Nengguang (resigned with effect from November 16, 2015)

Independent Non-executive Directors:

Mr. XIAO Changnian
Mr. LIU Zhangmin
Mr. XUE Guoping

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 31 to 34 of this annual report. The relationships between the members of the Board are also disclosed under that section.

Chairman and Chief Executive Officer

The position of Chairman is held by Mr. FENG Changge and that of Chief Executive Officer, is held by Mr. YU Feng until October 19, 2015 and Mr. Liu Fenglei from October 19, 2015. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended December 31, 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 representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Directors' Appointment and Re-election

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

Each of the Directors of the Company has entered into either a service agreement or a letter of appointment with the Company for a term of three years subject to retirement by rotation in accordance with the articles of association (the "**Articles of Association**") of the Company.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years and any Director appointed to fill a casual vacancy shall hold office until the first general meeting and any Director appointed as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

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

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and appropriate.

The Company had from time to time provided relevant reading materials including industry updates and corporate governance to all Directors subsequent to the listing of the Company for their reference and studying. This is to ensure that all the Directors are sufficiently aware of their responsibilities under the Listing Rules and other relevant regulatory requirements.

In addition, the Directors of the Company had participated in various trainings and/or read materials of relevant topics, including:

– Corporate strategic management/Corporate operational management

– Financial strategic management

– Investment strategies

– Research on audit development strategies

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

BOARD COMMITTEES

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

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Company established the Audit Committee on May 20, 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3.3 of the CG Code.

The Audit Committee consists of three members, namely Mr. XIAO Changnian (chairman), Mr. LIU Zhangmin and Mr. XUE Guoping, all of whom are independent non-executive Directors of the Company (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

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

The Audit Committee held two meetings to review interim and annual financial results and reports during the year ended December 31, 2015 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

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

Remuneration Committee

The Company established the Remuneration Committee on May 20, 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1.2 of the CG Code.

The Remuneration Committee consists of three members, namely Mr. XUE Guoping (chairman) and Mr. LIU Zhangmin, both being independent non-executive Directors; and Mr. YANG Lei, an executive Director.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held a meeting during the year ended December 31, 2015. During the meeting, the Remuneration Committee reviewed and made recommendations in relation to the remuneration packages of the executive Directors and senior management.

Nomination Committee

The Company established the Nomination Committee on May 20, 2013 with written terms of reference in compliance with code provisions A.5.1 and A.5.2 of the CG Code.

The Nomination Committee consists of three members, namely Mr. FENG Changge (chairman), an executive Director, and Mr. XIAO Changnian and Mr. XUE Guoping, both being independent non-executive Directors.

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

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company firmly believes that the increasing diversity at the board level is one of essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has adopted a Board Diversity Policy in accordance with the requirement set out in the CG Code.

The Nomination Committee held a meeting during the year ended December 31, 2015 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualification of the retiring directors standing for election at the Annual General Meeting.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Board Committee Members

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

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Mr. FENG Changge	2/4	N/A	N/A	1/1	1/2
Mr. LIU Fenglei (appointed with effect from October 19, 2015)	1/1	N/A	N/A	N/A	N/A
Mr. YU Feng (resigned with effect from October 19, 2015)	2/3	N/A	N/A	N/A	0/2
Mr. YANG Lei	4/4	N/A	1/1	N/A	2/2
Mr. QIAN Yewen (appointed with effect from September 1, 2015)	2/2	N/A	N/A	N/A	N/A
Mr. CUI Ke (resigned with effect from September 1, 2015)	2/2	N/A	N/A	N/A	0/2
Ms. MA Lintao	4/4	N/A	N/A	N/A	0/2
Mr. FAN Qihui (appointed with effect from November 16, 2015)	N/A	N/A	N/A	N/A	N/A
Mr. WANG Nengguang (resigned with effect from November 16, 2015)	4/4	N/A	N/A	N/A	0/2
Mr. XIAO Changnian	4/4	2/2	N/A	1/1	0/2
Mr. LIU Zhangmin	4/4	2/2	1/1	N/A	0/2
Mr. XUE Guoping	4/4	2/2	1/1	1/1	0/2

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including the independent non-executive Directors) without the presence of executive Directors during the year ended December 31, 2015.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 46 to 47.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended December 31, 2015 is set out below:

Service Category	**Fees Paid/Payable RMB'000**
Audit Services	4,000
Non-audit Services	–
	4,000

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Directors consider that the Group's existing internal control systems are effective and adequate.

COMPANY SECRETARY

Ms. WONG Wai Yee, Ella of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. She has satisfied the training requirement during the year ended December 31, 2015, under Rule 3.29 of the Listing Rules.

The primary contact person at the Company is Mr. YANG Shengjun, Board Secretary of the Company.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting and putting forward proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting 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 Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should follow the requirements and procedures as set out above for putting forward proposals at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Name:	QIAN Yewen
Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax:	(852) 2956 2192
Email:	ir@hnhxjt.com

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

Shareholders may call the Company at (852) 2980 1888 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The 2016 Annual General Meeting of the Company ("**AGM**") will be held on May 18, 2016. The notice of AGM will be sent to shareholders at least 21 clear days and 20 clear business days before the AGM in accordance with the Articles of Association and the CG Code.

To promote effective communication, the Company maintains a website at www.hexieauto.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the year ended December 31, 2015, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Executive Directors

FENG Changge (馮長革), aged 45, is an executive Director and the Chairman of the Board. Mr. FENG was appointed as an executive Director of the Company on September 24, 2012 and is responsible for the overall strategic and business direction of the Group. He is the founder of the Group, and has been in the automobile industry since 2005 when he founded Henan Zhongdebao Automobile Sales & Services Co., Ltd ("**Zhongdebao**"). Zhongdebao is a wholly-owned subsidiary of the Company and the first BMW dealership outlet in Henan Province. Mr. FENG graduated with a bachelor's degree in economic law from Central South Institute of Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1992 and received a master's degree in law from the same institution in 2001. After graduation in 1992, Mr. FENG entered the judiciary in Henan Province, serving as assistant judge and judge of the Higher People's Court of Henan Province (河南省高級人民法院). In 2002, Mr. FENG left the judicial system and established a law firm, while at the same time starting various business enterprises. He became involved in real estate investment through his vehicle, Yuanda Investment, and was also involved in the auction and valuation businesses. He is also the controlling shareholder of Hexie Industrial Group, a privately owned group headquartered in Zhengzhou Henan Province, China, with business interests focusing on branded and luxury lifestyle goods and services, including property development, golf courses and automobile sales. Over the past three years, Mr. FENG has not been a director of any other listed companies. Mr. FENG is the husband of Ms. MA Lintao and the uncle of Ms. FENG Guo (the financial controller of the Group).

LIU Fenglei (劉風雷), aged 40, was appointed an executive Director and chief executive officer of the Company on October 19, 2015. Mr. LIU is one of the founders of the Group. He has approximately 12 years' experience in China's automobile industry. He obtained a Bachelor degree of commercial English from Zhengzhou University (鄭州大學) in 1998. He joined the Group in February 2003 and worked at Henan Zhongdebao Automobile Sales & Service Co., Ltd. (河南中德寶汽車銷售服務有限公司) as the assistant to the chairman of the board of directors. From August 2006 to April 2013, he was the general manager of Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd. (鄭州遠達雷克薩斯汽車銷售服務有限公司). From April 2013 to October 2015, he was the senior vice president of the Company in charge of the Group's network development and luxury passenger vehicles' business. The Board believes that Mr. LIU has been working in the automobile industry for a long time and obtained extensive relevant experience. During his 12 years' working within the Group, he has outstanding performance and strong execution capabilities and has made great contributions for the development of the Group. Over the past three years, Mr. LIU has not been a director of any other listed companies.

YANG Lei (楊磊), aged 39, is the chief operating officer and a vice-president of the Group and was appointed an executive Director of our Company on September 24, 2012. Mr. YANG is responsible for overseeing and managing the Group's automobile business. Mr. YANG graduated in 2002 from Henan University, College of Foreign Languages (河南大學外語學院) majoring in English. Mr. YANG joined the Group in April 2005 in the sales department of our BMW business, during which he gained extensive sales and marketing experience in the automobile industry. Over the past three years, Mr. YANG has not been a director of any other listed companies.

QIAN Yewen (錢叶文), aged 32, is the chief financial officer of the Company and was appointed an executive Director of the Company on September 1, 2015. Mr. QIAN has extensive experience in corporate finance and capital markets. Prior to joining the Group, Mr. QIAN served as a vice president of China Investment Banking at Citigroup Global Market Asia Limited from July 2014 to June 2015. Between September 2007 and July 2014, Mr. QIAN worked at China International Capital Corporation Limited where his last position was that of executive director of the Investment Banking Department. He also served as an analyst in the Corporate Finance Department of Cazenove Asia Limited (now known as Standard Chartered Securities (Hong Kong) Limited) from July 2006 to August 2007. Mr. QIAN graduated from Peking University with a master degree in economics (majored in finance) in July 2006 and a bachelor degree in philosophy in June 2004. He is a Chartered Financial Analyst (CFA). Over the past three years, Mr. QIAN has not been a director of any other listed companies.

MA Lintao (馬林濤), aged 48, is an executive Director of the Company. She is responsible for the Group's overall administrative matters and public relationships. Ms. MA graduated from Henan Institute of Finance and Economics (河南財經學院) (now known as Henan University of Economics and Law (河南財經政法大學) with a bachelor's degree in national economic planning and statistics in June 1992. From July 1992 to December 2003, Ms. MA worked in China Construction Bank Henan branch (中國建設銀行河南分行) in various positions such as director of the credit approval committee of the Zhengzhou branch office and vice-president of the Zhengzhou futures branch office, where she was responsible for matters such as credit assessment and approval and public and retail sales. Ms. MA joined our Group in September 2006 as the chairlady of Yuanda Lexus, our wholly-owned subsidiary. Over the past three years, Ms. MA has not been a director of any other listed companies. Ms. MA is the wife of Mr. FENG Changge.

Non-Executive Director

FAN Qihui (范奇暉), aged 39, was appointed as an non-executive Director of the Company on November 16, 2015. Mr. FAN is an executive director of Beijing Legend Capital Co., Ltd. ("**Legend Capital**"), which is an associate company of Legend Holdings Corporation (Hong Kong stock code: 3396). Mr. FAN has over 15 years of experiences in finance and investments. He joined Legend Capital in 2007 as an associate, and was later promoted to the vice president and director. He focuses on investment opportunities in the intelligent hardware and services, and advanced equipment sectors. Mr. FAN participated in several important investments by funds managed by Legend Capital or its related parties, including in the Company, Sevalo, Wuqiao Heavy Industries Group, Tianji New Material, etc. Prior to joining Legend Capital, Mr. FAN worked as a senior manager of the investment banking department of United Securities Co., Ltd. and as an executive director of the merger and acquisition department of Hengxin Securities. Mr. FAN obtained his Bachelor's degree of economics from Hangzhou Dianzi University and a master's degree of management science from Fudan University. Save as the above, Mr. FAN has not been a director of any other listed companies.

Independent Non-Executive Directors

XIAO Changnian (肖長年), aged 67, was appointed as an independent non-executive Director of the Company on March 18, 2013. Mr. XIAO graduated with a bachelor's degree in industrial accounting from Hubei Institute of Finance and Economics (湖北財經學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1982. Mr. XIAO has more than 30 years of experience in the accounting and auditing profession. After graduation, Mr. XIAO worked for the National Audit Office of the PRC in the department of public transport (審計署工交局) from August 1982 to July 1994 and served as the deputy bureau chief of the Audit Office of the National Sports Commission of the PRC (國家體委審計局) from July 1994 to September 1998. He went on to serve as the deputy bureau chief in various departments of the National Audit Office of the PRC, such as the Customs Audit Office (海關審計局), the Transportation Audit Office (交通運輸審計局) and the Second Economics Audit Office (經濟審計二局) from September 1998 to December 2003. Thereafter, Mr. XIAO was appointed as auditing official (deputy bureau chief grade) of the Economics and Trade Office of National Audit Office of the PRC (審計署經貿司), where he served till December 2008. Mr. XIAO was the chairman of the board of supervisors of the Quantum Hi-Tech (China) Biological Co., Ltd (量子高科(中國)生物股份有限公司) (stock code: 300149.SZ), a company listed on the Shenzhen Stock Exchange, from November 2010 to August 13, 2014, and the independent director of Zhejiang Qianjiang Motorcycle Co., Ltd (浙江錢江摩托股份有限公司), (stock code: 000913.SZ), a company also listed on the Shenzhen Stock Exchange, since April 2012 to June 2015. Save as the above, Mr. Xiao has not been a director of any other listed companies.

LIU Zhangmin (劉章民), aged 66, was appointed as our independent non-executive Director on March 18, 2013. Mr. LIU graduated with a college degree in industrial accounting from the Beijing Institute of Machinery Management (北京機械工業管理學院) (now known as the Beijing Information Science and Technology University (北京資訊科技大學) in 1986. He also qualified as a senior auditor in 1996, and as a senior accountant in 2006. Mr. LIU has over 40 years of experience in the automobile industry since he joined the Dongfeng Motor Corporation (東風汽車公司) in 1970. Mr. LIU started as a deputy head of factory in Dongfeng Motor Corporation in July 1982, and worked in procurement, finance and other departments in different positions of responsibility. Mr. LIU was appointed as vice president of Dongfeng Motor Corporation in July 1995 and chief accounting officer in April 2005. He was appointed as chairman of the board of directors of Dongfeng Motor Finance Co., Ltd. (東風汽車財務有限公司) in November 1997, Dongfeng Checheng Logistics Co., Ltd (東風車城物流股份有限公司) in February 2004 and Dongfeng Nissan Auto Finance Co., Ltd (東風日產汽車金融有限公司) in July 2007.

Mr. LIU is an outside director of the China Shipping (Group) Company (中國海運(集團)總公司) (since March 2012); an outside director of China Poly Group Corporation (中國保利集團公司) (since April 2014); and the independent director of China Communications Construction Co., Ltd (中國交通建設股份有限公司) (stock code: 1800.HK, 601800.SS), a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange (since December 2009). He also held the following positions in the respective listed companies:

- the president and executive director of Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司) (stock code: 0489.HK), a company listed on the Hong Kong Stock Exchange (from December 2004 to June 2010).

- the independent director of China First Heavy Industries Co., Ltd (中國第一重型機械股份公司)(stock code: 601106.SS), a company listed on the Shanghai Stock Exchange (from December 2011 to April 2015); and

- the independent director of China Yangtze Power Co., Ltd (中國長江電力股份有限公司) (stock code: 600900.SS), a company listed on the Shanghai Stock Exchange (from June 2010 to May 2015).

Mr. LIU no longer served as the independent director of China First Heavy Industries Co., Ltd. (中國第一重型機械股份公司) (stock code: 601106.SS); and China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) (stock code: 600900.SS), both are companies listed on the Shanghai Stock Exchange, with effect from April 2015 and May 2015 respectively.

Save as the above, Mr. LIU has not been a director of any other listed companies.

XUE Guoping (薛國平), aged 65, was appointed as our independent non-executive Director of the Company on March 18, 2013. Mr. XUE graduated from Beijing University of Foreign Trade (北京對外貿易大學) (now known as University of International Business and Economics (對外經濟貿易大學)) in 1976. Mr. XUE began his career in the COFCO Group (中糧集團) and was appointed as deputy chief executive officer in 1994. He also served as the deputy general manager and general manager of COFCO Hong Kong (previously known as Top Glory International Holdings Limited (鵬利國際集團有限公司)) between 1994 and 2004. Mr. XUE continued to serve as the deputy chief executive officer of the COFCO Group until he retired in 2010. Mr. XUE was an executive director and later the chairman of the board of directors of China Foods Limited (中國食品有限公司) (stock code: 0506.HK), a company listed on the Stock Exchange and a division of the COFCO Group, from 1995 to 2007, and chairman of the board of directors of CPMC Holdings Limited (中糧包裝控股有限公司) (stock code: 0906.HK), a company listed on the Stock Exchange and a division of the COFCO Group, from 2008 to 2011. Save as the above, Mr. Xue has not been a director of any listed companies.

Senior Management

FENG Guo (馮果), aged 33, is the financial controller of our Group and is responsible for the audit, and financial related matters at our subsidiary level. Ms. FENG graduated with a bachelor's degree in law from Zhengzhou University (鄭州大學) in 2007 and obtained a master degree in business management from Zhongnan University of Economics and Law (中南財經政法大學) in 2009. She joined our Group in March 2005 as a deputy general manager responsible for finance matters. She was involved in establishing our partnership with BMW China in Henan Province and setting up Zhongdebao. Ms. FENG was also tasked with the development of automobile brands such as BMW, Land Rover and Rolls-Royce. Over the past three years, Ms. FENG has not been a director of any listed companies. Ms. FENG is the niece of Mr. FENG Changge.

YANG Shengjun (楊勝軍), aged 51, is the chief officer of human resources of our Group. Mr. YANG joined our Group in October 2012. Mr. YANG graduated from the Beijing Institute of Technology (北京理工大學) in July 1986 with a bachelor's degree in machinery manufacturing, and in March 1989 with a master's degree in machinery manufacturing. He also graduated as a research student from the Institute of Psychology, Chinese Academy of Sciences (中國科學院心理研究所) with a master's degree in applied psychology in July 2002. Mr. YANG has more than 10 years of experience in human resource planning and management. He joined Legends Holding (聯想控股集團) in March 1999 and served in various positions in his ten years with Legend Holdings and its affiliates, including as deputy general manager and subsidiary director of human resources. He then worked at Tianya Shequ Network Technology Co. Ltd. (天涯社區網絡科技股份有限公司) from June 2010 to October 2012 as director of human resource and deputy general manager of the Beijing branch office. Over the past three years, Mr. YANG has not been a director of any listed companies.

Company Secretary

WONG Wai Yee, Ella (黃慧兒), aged 40, was appointed as our company secretary on April 19, 2013. She is currently a senior manager of the corporate services division of Tricor Services Limited ("**Tricor**"). Prior to joining Tricor in 2004, Ms. WONG worked for Ernst & Young and Tengis Limited in Hong Kong as the supervisor of corporate secretarial services to many private companies and a number of public companies (including H share companies) listed on the Stock Exchange. Ms. WONG is currently the company secretary of Vedan International (Holdings) Limited (stock code: 2317.HK), a company listed on the Stock Exchange. Ms. WONG is a chartered secretary and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. WONG received a Bachelor of Economics from the University of Hong Kong in 1997 and has also completed a Postgraduate Diploma in Corporate Administration at the City University of Hong Kong in 2000.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2015.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the company held on May 8, 2015 and approved by the Registrar of Companies in Cayman Islands, the name of the Company was changed from 'China Harmony Auto Holding Limited' to 'China Harmony New Energy Auto Holding Limited' with effect from May 12,2015.

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. Its principal place of business and headquarter in PRC is located in Zhengzhou, Henan Province.

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 1 to the financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 10 to 21 of this annual report. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis and Corporate Governance Report of this annual report. The review forms part of this directors' report.

SUBSIDIARIES

Please refer to note 1 to the financial statements.

RESULTS AND DIVIDEND

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

The Board recommended the payment of a final dividend of HK12 cents per ordinary share (the "**Share**") for the year ended December 31, 2015, subject to the approval of such final dividend by the shareholders at the forthcoming AGM.

USE OF PROCEEDS FROM THE ISSUANCE OF NEW SHARES

(1) On December 22, 2014, the Company entered into a subscription agreement with Foxconn (Far East) Limited ("**Foxconn**"), a wholly-owned subsidiary of Hon Hai Precision Industry Co. Ltd., pursuant to which Foxconn conditionally agreed to subscribe for an aggregate of 128,734,000 Shares with a nominal value of HK$0.01 each at the subscription price of HK$4.73 per Share. The net issue price per Share of the aforesaid subscription was approximately HK$4.67. On December 22, 2014, the closing price of the Shares was HK$5.31 per Share as quoted on the Stock Exchange. The allotment of the said Shares was completed on March 2, 2015.

(2) On January 9, 2015, the Company and Eagle Seeker Company Limited ("**Eagle Seeker**") entered into separate placing agreements with each of First Shanghai Securities Limited ("**First Shanghai**") and Haitong International Securities Company Limited ("**Haitong Securities**"), pursuant to which First Shanghai and Haitong Securities as the placing agents have agreed to severally, as agents of Eagle Seeker, procure placees to purchase a total of up to 90,113,000 Shares owned by Eagle Seeker at the price of HK$6.08 per Share. The net issue price per the new Share was approximately HK$5.90 per Share. On January 9, 2015, the closing price of the Shares was HK$6.15 per Share as quoted on the Stock Exchange.

The placing and subscription were completed on January 13, 2015 and January 21, 2015, respectively. The Company intends to use the net proceeds for potential investments in the manufacturing of new energy electric vehicles.

(3) On May 22, 2015, the Company, Mr. FENG Chengge and Eagle Seeker entered into a placing agreement with Credit Suisse (Hong Kong) Limited and Haitong (collectively, the "**Joint Placing Agents**"), pursuant to which the Joint Placing Agents have agreed to, as agents of Eagle Seeker, procure placees to purchase a total of up to 262,616,779 Shares owned by Eagle Seeker at the placing price of HK$8.18 per Share. The net issue price per the new Share was approximately HK$8.04 per Share. On May 22, 2015, the closing price of the Shares was HK$8.91 per Share as quoted on the Stock Exchange.

The completion of the placing agreements of May 22, 2015 is subject to the entering into of the subscription agreement between the Company and Eagle Seeker which conditionally agrees to subscribe from the Company for an aggregate of up to 262,616,779 new Shares at the subscription price of HK$8.18 per subscription Share. The placing and the subscription were completed on May 27, 2015 and June 3, 2015, respectively.

As mentioned in the announcement dated May 22, 2015, the Company has been pursuing a proactive strategy of diversifying its business from the traditional automobile dealership business into the new energy vehicles sector and intended to use the net proceeds from all the above placings (totaling approximately HK$3,242.2 million) as follows:

- approximately 20% for investments in GFMC and Aiche Company of which HK$375 million was committed to be used as stated in the announcement relating to the acquisition of GFMC, and the rest for the acquisition of the remaining minority stake in GFMC if and when the Company is able to do so;

- approximately 15% as initial investment capital from the Group into one or more funds or other investment platforms to be set up with the Company's chosen partners to co-invest in suitable opportunities in the new energy vehicles sector;

- approximately 20% for investments in opportunities in the new energy vehicles sector with best-in-class partners, including developing and/or investing in the manufacture of high speed electric vehicles (approximately 19%) and research and development (approximately 1%);
- approximately 10% for investment in the after-sales services outlet of Tesla Motors, Inc. operated by the Group;
- approximately 20% for investment in comprehensive after-sales services through online to offline platforms; and
- approximately 15% for general working capital.

As of the date of this report, approximately 25% of the net proceeds had been applied.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report. This summary does not form part of the audited financial statements.

PLANT, PROPERTY AND EQUIPMENT

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

SHARE CAPITAL

Detail of the movement in the share capital and share option of the Company during the year are set out in notes 31 to the financial statements.

DISTRIBUTABLE RESERVES

At December 31, 2015, the Company's reserves available for distribution, subject to the Cayman Companies Law and the Articles of Association of the Company, amounted to RMB3,629.4 million, of which RMB158.1 million has been proposed as a final dividend for the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 43 to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2015, the aggregate purchases from our top five suppliers and our largest supplier accounted for approximately 96.8% and 45.4% of our total purchases, respectively.

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year ended December 31, 2015, no major customer information is presented in accordance with *HKFRS 8 Operating Segments*.

As far as the Directors are aware, neither the Directors, their close associates, nor shareholders who own more than 5% of the Company's share capital as at December 31, 2015 had any interest in any of the five largest suppliers and customers disclosed above.

DIRECTORS

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

Executive Directors:

Mr. FENG Changge *(Chairman)*
Mr. LIU Fenglei *(Chief Executive Officer)* (appointed with effect from October 19, 2015)
Mr. YANG Lei *(Chief Operating Officer and Vice-president)*
Mr. QIAN Yewen *(Chief Financial Officer)* (appointed with effect from September 1, 2015)
Ms. MA Lintao
Mr. YU Feng *(Chief Executive Officer)* (resigned with effect from October 19, 2015)
Mr. CUI Ke *(Vice-president)* (resigned with effect from September 1, 2015)

Non-executive Director:

Mr. FAN Qihui (appointed with effect from November 16, 2015)
Mr. WANG Nengguang (resigned with effect from November 16, 2015)

Independent Non-Executive Directors:

Mr. XIAO Changnian
Mr. LIU Zhangmin
Mr. XUE Guoping

In accordance with article 84 of the Company's Articles of Association, Mr. YANG Lei and Ms. MA Lintao, the executive Directors, will retire by rotation.

Pursuant to article 83(3) of the Company's Articles of Association, Mr. QIAN Yewen and Mr. LIU Fenglei, the executive Directors, and Mr. FAN Qihui; the non-executive Director, who were appointed by the Board on September 1, 2015, October 19, 2015 and November 16, 2015 respectively, shall hold office until the forthcoming annual general meeting and then shall be subject to re-election at the forthcoming AGM.

All the aforesaid retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Biographical details of the directors of the Company and the senior management of the Group are set out in pages 31 to 34 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with the Company for an initial fixed period of three years commencing from their respective date of appointment unless terminated earlier. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company.

Each of our non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for an initial fixed period of three years commencing from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed director's fee of HK$300,000 per annum while the non-executive Director is not entitled to any remuneration. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Associations of the Company.

None of the Directors proposed for re-election at the 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.

PERMITTED INDEMNITY

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Except for the service contracts detailed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' COMPETING INTERESTS

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACT

No contracts concerning the management and distribution of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

RESTRICTED SHARE UNIT SCHEME

On May 20, 2013, the RSU Scheme of the Company was approved and adopted by the then shareholders of the Company. The purpose of the RSU Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in our Company.

An award granted under the RSU Scheme (the "**RSU Award**") gives a participant in the RSU Scheme (the "**RSU Participant**") a conditional right when the RSU Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion.

On May 28, 2013, RSU Awards in respect of an aggregate of 19,110,898 new Shares, representing approximately 1.21% of the Shares in issue as at the date of this report, were granted pursuant to the RSU Scheme to several RSU Participants, 2 of which were Directors. The RSU Awards granted to the RSU Participants on May 28, 2013 pursuant to the RSU Scheme originally had a vesting period of four years as follows: 10% on January 2, 2014, 30% on January 2, 2015, 30% on January 2, 2016 and 30% on January 2, 2017. Pursuant to a resolution passed by the Board on August 27, 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU Awards granted is extended from four years to five years as follows: 10% on January 2, 2014, 10% on June 30, 2014, 20% on January 2, 2015, 20% on January 2, 2016, 20% on January 2, 2017 and 20% on January 2, 2018. Other than the aforesaid, the terms of the RSU Scheme remain unchanged. Please refer to the prospectus of the Company dated May 31, 2013 for further details of the principal terms of the RSU Scheme. As of December 31, 2015, 4,598,568 RSU Awards cancelled/lapsed/forfeited due to the resignation of certain RSU Participants and 6,621,267 RSU Awards were vested.

Details of the RSU Awards granted and outstanding under the RSU Scheme are set out below:

Name	Number of Shares Underlying the RSU Awards Granted as at January 1, 2015	Cancelled/ Lapsed/ Forfeited during the year	Vested during the year	Number of Shares Underlying the RSU Awards Granted as at December 31, 2015
Directors				
Mr. YANG Lei	2,444,347	–	977,738	1,466,609
Mr. LIU Fenglei(1)	626,587	–	250,636	375,951
Former Directors				
Mr. YU Feng(2)	2,600,994	–	1,040,398	1,560,596
Mr. CUI Ke(3)	1,817,760	–	727,104	1,090,656
Mr. FONG Heung Sang, Addy (Dexter)(4)	1,974,407	1,184,644	789,763	–
Ms. LIU Wei	173,944	–	173,944	–
Employees	7,594,073	1,535,138	2,661,684	3,397,251
Total	17,232,112	2,719,782	6,621,267	7,891,063

Notes:

(1) Mr. LIU Fenglei was appointed as an executive Director and Chief Executive Officer of the Company with effect from October 19, 2015.

(2) Mr. YU Feng has resigned as an executive Director and Chief Executive Officer of the Company with effect from October 19, 2015.

(3) Mr. CUI Ke has resigned as an executive Director and Vice President of the Company with effect from September 1, 2015.

(4) Mr. FONG Heung Sang, Addy (Dexter) has resigned as an executive Director of the Company with effect from June 16, 2014 and resigned as the Chief Financial Officer in April 2015.

Share Option Scheme

The Company has adopted the Share Option Scheme on June 26, 2015, which is made pursuant to Chapter 17 of the Listing Rules, for the purpose of attracting, retaining and motivating talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. A summary of the Share Option Scheme has been set out in note 33 to the financial statement.

Details of the options (the "**Share Options**") to subscribe ordinary shares of the Company granted as at December 31, 2015, pursuant to the Share Option Scheme are set out below:

			Number of Share Options					
Name of Grantees	Date granted	Exercise price per Share	Outstanding as at January 1, 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Vested during the year	Outstanding as at December 31, 2015
Directors								
Mr. YANG Lei – Executive Director, Chief Operating Officer and Vice President	June 29, 2015	HK$10.60	–	3,000,000[(1)]	–	–	–	3,000,000[(1)]
Mr. QIAN Yewen – Executive Director and Chief Financial Officer	July 2, 2015	HK$10.60	–	8,000,000[(2)]	–	–	–	8,000,000[(2)]
Other eligible employees	June 29, 2015	HK$10.60	–	34,000,000[(1)]	–	–	–	34,000,000[(1)]
Total								45,000,000[(1)]

Notes:

(1) The option period of the 37,000,000 Share Options is from June 29, 2015 to June 28, 2025. All Share Options granted on June 29, 2015 will vest and become exercisable as follows: (i) 40% on November 29, 2015; (ii) 30% on June 29, 2016; and (iii) the balance of 30% on June 29, 2017. The closing market price of the shares on the offer date was HK$8.40 per Share.

(2) On July 2, 2015, the Company has granted 8,000,000 Share Options to Mr. QIAN Yewen, the chief financial officer of the Company. The option period of the Share Options is from July 2, 2015 to July 1, 2025. All Share Options granted on July 2, 2015 well vest and become exercisable as follows: (i) 20% on December 2, 2015; (ii) 20% on July 2, 2016; (iii) 20% on July 2, 2017; (iv) 20% on July 2, 2018; and (v) the balance of 20% on July 2, 2019. The closing market price of the shares on the offer date was HK$8.05 per Share.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2015, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures 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 required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

		Nature of Interests						
		Ordinary Shares			Underlying Shares under Restricted Share Unit Scheme	Underlying Shares under Share Option Scheme		
Name	Position	Personal Interests	Family Interests[5]	Interest of controlled corporation	Beneficiaries	Personal Interests[4]	Total Interests	Approximate % of Shareholding Interest
Mr. FENG Changge	Director	–	–	682,066,160 (L)[1]	–	–	682,066,160 (L)	43.28%
Ms. MA Lintao	Director	–	682,066,160 (L)[1]	–	–	–	682,066,160 (L)	43.28%
Mr. YANG Lei	Director	997,738 (L)	–	–	1,466,609 (L)[2]	3,000,000[3]	5,464,347 (L)	0.34%
Mr. LIU Fenglei	Director	254,636 (L)	–	–	375,951 (L)[2]	–	630,587 (L)	0.04%
Mr. QIAN Yewen	Director	412,000 (L)	–	–	–	8,000,000[3]	8,412,000 (L)	0.53%

Notes:

(1) These 682,066,160 Shares in the Company are held by Eagle Seeker Company Limited ("**Eagle Seeker**"). Mr. FENG Changge is deemed to be interested in the said 682,066,160 Shares by virtue of Eagle Seeker being controlled by Mr. FENG Changge. Ms. MA Lintao is Mr. FENG Changge's spouse and is therefore deemed to be interested in all the Shares of the Company in which Mr. FENG Changge is deemed to be interested in.

(2) These Shares represent Shares underlying the RSU Awards granted to the relevant Directors/chief executive pursuant to the RSU Scheme of the Company. For further details, please refer to the section headed "Restricted Share Unit Scheme" above.

(3) These interests represent options to subscribe Shares in accordance with the Share Option Scheme granted to the relevant Directors/chief executive/employees. For further details, please refer to the section headed "Share Options Scheme" above.

(4) "Personal Interests" represents interests directly beneficially owned.

(5) "Family Interests" represents interests of spouse or child under 18.

(6) The letter "L" denotes the long position in ordinary Shares of the Company.

Save as disclosed above, as at December 31, 2015, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2015, as far as the Company is aware, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares Directly or Indirectly Held[3]	Approximate % of Shareholding Interest
Eagle Seeker[1]	Beneficial owner	682,066,160 (L)	43.28%
Foxconn (Far East) Limited[2]	Beneficial owner	128,734,000 (L)	8.16%
Hon Hai Precision Industry Co. Ltd[2]	Interest in controlling corporation	128,734,000 (L)	8.16%

Notes:

(1) Eagle Seeker is wholly owned by Mr. FENG Changge, an executive Director and the chairman of the Company.

(2) Foxconn is wholly owned by Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), a company listed on the Taiwan Stock Exchange. Accordingly, Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.

(3) The letter "L" denotes long position in such Shares.

Save as disclosed above, as at December 31, 2015, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apartment from the RSU Awards, at no time during the year was the Company, or any of its holding companies, 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, debentures of, the Company or any other body corporate.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. FENG Changge and Eagle Seeker Limited, in respect of their compliance with the terms of the non-competition undertaking as described in the prospectus of the Company dated May 31, 2013 and that they have not engaged, nor interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year 2015.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2015 are set out in note 26 to the 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 chief executive are set out in note 8 to the financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended December 31, 2015 is set out below:

Remuneration bands	Number of persons
Nil to HK$1,000,000	1
HK$2,000,001 to HK$2,500,000	1
	2

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the year are disclosed in note 40 to the financial statements. The related party transactions disclosed in note 40 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

For the period commencing from the Listing Date through to December 31, 2015, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period from the Listing Date to December 31, 2015.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

Donations made by the Group during the year ended December 31, 2015 amounting to RMB4,550 (2014: RMB67,882).

AUDITORS

The consolidated financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company to be held in May 2016. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming AGM of the Company.

By Order of the Board
CHINA HARMONY NEW ENERGY AUTO HOLDING LIMITED
FENG Changge
Chairman and Executive Director

March 31, 2016

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of China Harmony New Energy Auto Holding Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of China Harmony New Energy Auto Holding Limited (the "Company") and its subsidiaries set out on pages 48 to 131, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5(a)	**10,620,244**	10,195,890
Cost of sales and services	6(b)	**(9,498,495)**	(9,106,560)
Gross profit		**1,121,749**	1,089,330
Other income and gains, net	5(b)	**524,781**	474,072
Selling and distribution expenses		**(592,221)**	(515,668)
Administrative expenses		**(134,719)**	(124,097)
Profit from operations		**919,590**	923,637
Finance costs	7	**(157,056)**	(202,199)
Share of profits and losses of			
Joint ventures		**(587)**	–
An associate		**1,308**	4,916
Profit before tax	6	**763,255**	726,354
Income tax expense	10	**(194,566)**	(180,650)
Profit for the year		**568,689**	545,704
Attributable to:			
Owners of the parent		**563,393**	544,365
Non-controlling interests		**5,296**	1,339
		568,689	545,704
Earnings per share attributable to ordinary equity holders of the parent	12		
Basic (RMB)		**0.39**	0.51
Diluted (RMB)		**0.39**	0.50

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**568,689**	545,704
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**71,419**	(575)
Other comprehensive income for the year, net of tax	**71,419**	(575)
Total comprehensive income for the year, net of tax	**640,108**	545,129
Attributable to:		
Owners of the parent	**634,812**	543,790
Non-controlling interests	**5,296**	1,339
	640,108	545,129

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,842,151**	2,600,526
Land use rights	14	**12,297**	12,697
Intangible assets	15	**5,923**	5,376
Prepayments	16	**205,365**	81,374
Investments in joint ventures	17	**399,413**	–
Investment in an associate	18	**7,872**	11,439
Deferred tax assets	30	**52,030**	26,608
Total non-current assets		**3,525,051**	2,738,020
CURRENT ASSETS			
Inventories	19	**1,273,497**	1,486,540
Trade receivables	20	**86,369**	73,894
Prepayments, deposits and other receivables	21	**1,951,726**	1,425,045
Amounts due from related parties	40(a)	**–**	294
Structured deposits	22	**305,000**	869,500
Pledged bank deposits	23	**384,298**	550,978
Cash in transit	24	**39,435**	33,226
Cash and cash equivalents	25	**3,489,888**	1,041,080
Total current assets		**7,530,213**	5,480,557
CURRENT LIABILITIES			
Bank loans and other borrowings	26	**2,395,092**	3,028,764
Trade and bills payables	27	**864,094**	877,921
Other payables and accruals	28	**1,183,211**	955,764
Income tax payable		**683,244**	491,930
Total current liabilities		**5,125,641**	5,354,379
NET CURRENT ASSETS		**2,404,572**	126,178
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,929,623**	2,864,198

	Notes	2015 RMB'000	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,929,623**	2,864,198
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	26	**21,360**	102,308
Deferred tax liabilities	30	**21,196**	16,127
Total non-current liabilities		**42,556**	118,435
NET ASSETS		**5,887,067**	2,745,763
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**12,498**	8,633
Reserves	34	**5,843,263**	2,717,520
		5,855,761	2,726,153
Non-controlling interests		**31,306**	19,610
Total equity		**5,887,067**	2,745,763

YANG Lei
Director

LIU Fenglei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	8,633	1,126,913	89,672	371,200	23,848	1,296	532,036	67,251	2,220,849	16,271	2,237,120
Profit for the year	–	–	–	–	–	–	544,365	–	544,365	1,339	545,704
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(575)	–	–	(575)	–	(575)
Total comprehensive income for the year	–	–	–	–	–	(575)	544,365	–	543,790	1,339	545,129
Non-controlling interests arising from establishment of new subsidiaries	–	–	–	–	–	–	–	–	–	2,000	2,000
Final 2013 dividend declared	–	–	–	–	–	–	–	(67,251)	(67,251)	–	(67,251)
Equity-settled share award expense (note 32)	–	–	–	–	28,765	–	–	–	28,765	–	28,765
Proposed final 2014 dividend (note 12)	–	(102,405)	–	–	–	–	–	102,405	–	–	–
Transfer from retained profits	–	–	33,169	–	–	–	(33,169)	–	–	–	–
At 31 December 2014	8,633	1,024,508	122,841	371,200	52,613	721	1,043,232	102,405	2,726,153	19,610	2,745,763

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Share option reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	8,633	1,024,508	122,841	371,200	52,613	–	721	1,043,232	102,405	2,726,153	19,610	2,745,763
Profit for the year	–	–	–	–	–	–	–	563,393	–	563,393	5,296	568,689
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	71,419	–	–	71,419	–	71,419
Total comprehensive income for the year	–	–	–	–	–	–	71,419	563,393	–	634,812	5,296	640,108
Non-controlling interests arising from establishment of new subsidiaries	–	–	–	–	–	–	–	–	–	–	6,400	6,400
Final 2014 dividend declared	–	–	–	–	–	–	–	–	(102,405)	(102,405)	–	(102,405)
Equity-settled share award expense (note 32)	–	–	–	–	4,150	–	–	–	–	4,150	–	4,150
Equity-settled share option arrangements (note 33)	–	–	–	–	–	10,502	–	–	–	10,502	–	10,502
Restricted shares exercised (note 31)	–	26,181	–	–	(26,181)	–	–	–	–	–	–	–
Issue of shares (note 31)	3,865	2,647,174	–	–	–	–	–	–	–	2,651,039	–	2,651,039
Share issue expenses	–	(68,490)	–	–	–	–	–	–	–	(68,490)	–	(68,490)
Transfer from retained profits	–	–	45,379	–	–	–	–	(45,379)	–	–	–	–
At 31 December 2015	12,498	3,629,373	168,220	371,200	30,582	10,502	72,140	1,561,246	–	5,855,761	31,306	5,887,067

* These reserve accounts comprise the consolidated other reserves of RMB5,843,263,000 (2014: RMB2,615,115,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before tax		**763,255**	726,354
Adjustments for:			
Share of profits and losses of joint ventures and an associate		**(721)**	(4,916)
Depreciation of items of property, plant and equipment	13	**147,172**	109,392
Amortisation of land use rights	14	**400**	400
Amortisation of intangible assets	15	**1,529**	775
Interest income	5(b)	**(168,025)**	(132,788)
Gain on disposal of a subsidiary	5(b)	**(18,592)**	–
Penalty income from cancellation of a potential acquisition contract	5(b)	**–**	(15,835)
Net loss on disposal of items of property, plant and equipment	6(c)	**18,535**	8,783
Impairment of inventories		**5,666**	–
Equity-settled share award expense	6(a)	**4,150**	28,765
Equity-settled share option expense	6(a)	**10,502**	–
Finance costs	7	**157,056**	202,199
		920,927	923,129
Decrease in pledged bank deposits		**166,680**	190,797
(Increase)/decrease in cash in transit		**(6,209)**	786
(Increase)/decrease in trade receivables		**(12,475)**	42,883
Decrease/(increase) in prepayments, deposits and other receivables		**181,873**	(348,856)
Decrease in inventories		**207,377**	44,512
Decrease in trade and bills payables		**(13,827)**	(485,962)
Increase in other payables and accruals		**171,277**	27,480
Cash generated from operations		**1,615,623**	394,769
Income tax paid		**(24,805)**	(32,289)
Net cash generated from operating activities		**1,590,818**	362,480

	Notes	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(626,507)**	(1,027,630)
Proceeds from disposal of items of property, plant and equipment		**69,278**	68,560
Purchase of intangible assets		**(2,076)**	(1,270)
Acquisition of a subsidiary		**–**	(4,758)
Proceeds from disposal of a subsidiary	35	**37,646**	–
Investments in joint ventures		**(400,000)**	–
Repayment of advance to an associate		**294**	616
Repayment of advance to the Controlling Shareholder, net		**–**	36,585
Loans to third parties		**(700,000)**	(145,000)
Repayment of loans to third parties		**–**	240,000
Repayment of advance to a third party		**–**	159,500
Penalty income from cancellation of a potential acquisition contract		**–**	15,835
(Increase)/decrease in time deposits		**(613,000)**	970,100
Decrease/(increase) in structured deposits		**564,500**	(869,500)
Dividend received from an associate		**4,875**	–
Interest received		**165,387**	116,074
Net cash used in investing activities		**(1,499,603)**	(440,888)
Financing activities			
Proceeds from issue of shares	31	**2,651,039**	–
Share issue expenses		**(68,490)**	–
Proceeds from bank loans and other borrowings		**8,197,442**	7,463,289
Repayment of bank loans and other borrowings		**(8,832,062)**	(7,052,502)
Dividends paid		**(102,405)**	(67,251)
Contributions from non-controlling shareholders		**6,400**	2,000
Interest paid		**(178,750)**	(219,738)
Net cash generated from financing activities		**1,673,174**	125,798
Net increase in cash and cash equivalents		**1,764,389**	47,390
Cash and cash equivalents at the beginning of year		**830,680**	783,865
Effect of foreign exchange rate changes, net		**71,419**	(575)
Cash and cash equivalents at the end of year		**2,666,488**	830,680

	Note	2015 RMB'000	2014 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**2,666,488**	650,680
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	180,000
Cash and cash equivalents as stated in the statement of cash flows		**2,666,488**	830,680
Non-pledged time deposits with original maturity of more than three months when acquired		**823,400**	210,400
Cash and cash equivalents as stated in the statement of financial position		**3,489,888**	1,041,080

1. CORPORATE AND GROUP INFORMATION

China Harmony New Energy Auto Holding Limited (formerly known as "China Harmony Auto Holding Limited") (the "Company") was incorporated on 24 September 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 June 2013 ("Listing").

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

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Eagle Seeker Company Limited, which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Proportion of ownership interest Indirect %	Principal activities
Crystalline Prestige Investments Limited	Tortola, British Virgin Islands 2012	Registered capital of US$500 and paid-in capital of US$0.01	100%	–	Investment holding
LC Gloricar Investment Limited	Tortola, British Virgin Islands 2011	Registered capital of US$1,000,000 and paid-in capital of US$10,000	–	100%	Investment holding
Ace Manufacturing Holding Limited	Hong Kong, the PRC 2012	Paid-in capital of HK$100	–	100%	Investment holding
Daoable Future Limited	Hong Kong, the PRC 2011	Paid-in capital of US$100	–	100%	Investment holding
河南和諧汽車貿易有限公司 (Henan Hexie Automobile Trading Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB1,815,000,000	–	100%	Investment holding
河南中德寶汽車銷售服務有限公司 (Henan Zhongdebao Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2005	Registered and paid-in capital of RMB42,860,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
鄭州鄭德寶汽車銷售服務有限公司 (Zhengzhou Zhengdebao Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2009	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
西安華都汽車銷售服務有限公司 (Xi'an Huadu Automobile Sales & Services Co., Ltd.)	Xi'an, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
河南英之翼汽車銷售服務有限公司 (Henan Yingzhiyi Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2012	Registered and paid-in capital of RMB10,010,000	–	100%	Sale and service of motor vehicles
廣州市廣德寶汽車銷售服務有限公司 (Guangzhou Guangdebao Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
鄭州華鼎汽車銷售服務有限公司 (Zhengzhou Huading Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
洛陽路和汽車銷售服務有限公司 (Luoyang Luhe Automobile Sales & Services Co., Ltd.)	Luoyang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
上海上德寶駿汽車銷售服務有限公司 (Shanghai Shangdebaojun Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB50,000,000	–	90%	Sale and service of motor vehicles
宜昌路順汽車銷售服務有限公司 (Yichang Lushun Automobile Sales & Services Co., Ltd.)	Yichang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	65%	Sale and service of motor vehicles
新鄉市新德寶汽車服務有限公司 (Xinxiang Xindebao Automobile Services Co., Ltd.)	Xinxiang, the PRC 2009	Registered and paid-in capital of RMB1,500,000	–	100%	Service of motor vehicles
洛陽豫德寶汽車銷售服務有限公司 (Luoyang Yudebao Automobile Sales & Services Co., Ltd.)	Luoyang, the PRC 2009	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
南陽宛德寶汽車銷售服務有限公司 (Nanyang Wandebao Automobile Sales & Services Co., Ltd.)	Nanyang, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
河南和德寶汽車服務有限公司 (Henan Hedebao Automobile Services Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB20,000,000	–	100%	Service of motor vehicles
鄭州華誠汽車銷售服務有限公司 (Zhengzhou Huacheng Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
安陽安德寶汽車銷售服務有限公司 (Anyang Andebao Automobile Sales & Services Co., Ltd.)	Anyang, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
開封汴德寶汽車銷售服務有限公司 (Kaifeng Biandebao Automobile Sales & Services Co., Ltd.)	Kaifeng, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京市華德寶汽車銷售服務有限公司 (Beijing Huadebao Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of RMB55,000,000	–	100%	Sale and service of motor vehicles
鄭州遠達雷克薩斯汽車銷售服務有限公司 (Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2006	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
廈門遠達雷克薩斯汽車銷售服務有限公司 (Xiamen Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Xiamen, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
武漢漢德寶汽車銷售服務有限公司 (Wuhan Handebao Automobile Sales & Services Co., Ltd.)	Wuhan, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
武漢華鄭汽車銷售服務有限公司 (Wuhan Huazheng Automobile Sales & Services Co., Ltd.)	Wuhan, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
蘇州意駿汽車銷售服務有限公司 (Suzhou Yijun Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
新鄉和德寶汽車銷售服務有限公司 (Xinxiang Hedebao Automobile Sales & Services Co., Ltd.)	Xinxiang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	51%	Sale and service of motor vehicles
瀋陽瀋德寶汽車銷售服務有限公司 (Shenyang Shendebao Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
瀋陽瀋之翼汽車銷售服務有限公司 (Shenyang Shenzhiyi Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京豪駿行汽車銷售服務有限公司 (Beijing Haojunhang Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
漯河漯德寶汽車銷售服務有限公司 (Luohe Luodebao Automobile Sales & Services Co., Ltd.)	Luohe, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
常州常駿行汽車銷售服務有限公司 (Changzhou Changjunhang Automobile Sales & Services Co., Ltd.)	Changzhou, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
北京華駿行汽車銷售服務有限公司 (Beijing Huajunhang Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2013	Registered and paid-in capital of RMB50,010,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
無錫龍駿行汽車銷售服務有限公司 (Wuxi Longjunhang Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
河南和諧汽車融資租賃有限公司 (Henan Lease Finance Co., Ltd.)	Zhengzhou, the PRC 2013	Registered and paid-in capital of HK$250,000,000	–	100%	Service of finance leases
鄭州悦達和諧汽車服務有限公司 (Zhengzhou Yueda Hexie Automobile Services Co., Ltd.)	Zhengzhou, the PRC 2013	Registered and paid-in capital of RMB30,090,000	–	100%	Service of motor vehicles
洛陽和諧汽車維修服務有限公司 (Luoyang Hexie Automobile Repair Services Co., Ltd.)	Luoyang, the PRC 2013	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
陜西和諧汽車維修服務有限公司 (Shaanxi Hexie Automobile Repair Services Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
上海和諧汽車維修服務有限公司 (Shanghai Hexie Automobile Repair Services Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
洛陽遠達雷克薩斯汽車銷售服務有限公司 (Luoyang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Luoyang, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
上海谷卡二手車有限公司 (Shanghai Goocar Pre-owned Automobile Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of pre-owned motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
河南和諧汽車銷售有限公司 (Henan Hexie Automobile Sales Co., Ltd.)	Zhengzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of pre-owned motor vehicles
北京和諧遠達汽車銷售服務有限公司 (Beijing Hexie Yuanda Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Service of motor vehicles
廣州和諧汽車配件有限公司 (Guangzhou Hexie Automobile Spare Parts Co., Ltd.)	Guangzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
廣州和諧汽車技術服務有限公司 (Guangzhou Hexie Automobile Technology Services Co., Ltd.)	Guangzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
安陽和諧汽車維修服務有限公司 (Anyang Hexie Automobile Repair Services Co., Ltd.)	Anyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
商丘和諧汽車維修服務有限公司 (Shangqiu Hexie Automobile Repair Services Co., Ltd.)	Shangqiu, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	90%	Service of motor vehicles
漯河和諧汽車維修服務有限公司 (Luohe Hexie Automobile Repair Services Co., Ltd.)	Luohe, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
濮陽和諧汽車銷售服務有限公司 (Puyang Hexie Automobile Sales & Services Co., Ltd.)	Puyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
鄭州悅誠和諧汽車銷售服務有限公司 (Zhengzhou Yuecheng Hexie Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2014	Registered and paid-in capital of RMB3,000,000	–	100%	Service of motor vehicles
長垣和諧汽車維修服務有限公司 (Changyuan Hexie Automobile Repair Services Co., Ltd.)	Changyuan, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Service of motor vehicles
焦作盛達和諧汽車銷售服務有限公司 (Jiaozuo Shengda Hexie Automobile Sales & Services Co., Ltd.)	Jiaozuo, the PRC 2014	Registered and paid-in capital of RMB1,000,000	–	100%	Service of motor vehicles
鶴壁和諧汽車維修服務有限公司 (Hebi Hexie Automobile Repair Services Co., Ltd.)	Hebi, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Service of motor vehicles
濟南和諧汽車銷售服務有限公司 (Jinan Hexie Automobile Sales & Services Co., Ltd.)	Jinan, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
無錫和諧汽車維修服務有限公司 (Wuxi Hexie Automobile Repair Services Co., Ltd.)	Wuxi, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
南陽和諧汽車銷售服務有限公司 (Nanyang Hexie Automobile Sales & Services Co., Ltd.)	Nanyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
武漢漢達和諧汽車服務有限公司 (Wuhan Handa Hexie Automobile Services Co., Ltd.)	Wuhan, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
杭州和諧汽車銷售服務有限公司 (Hangzhou Hexie Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
平頂山和諧汽車銷售有限公司 (Pingdingshan Hexie Automobile Sales & Services Co., Ltd.)	Pingdingshan, the PRC 2014	Registered and paid-in capital of RMB3,000,000	–	100%	Service of motor vehicles
貴陽悦誠和諧汽車服務有限公司 (Guiyang Yuecheng Hexie Automobile Services Co., Ltd.)	Guiyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
深圳悦誠和諧汽車銷售服務有限公司 (Shenzhen Yuecheng Hexie Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
邯鄲遠達雷克薩斯汽車銷售服務有限公司 (Handan Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Handan, the PRC 2014	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
商丘商沃汽車銷售服務有限公司 (Shangqiu Shangwo Automobile Sales & Services Co., Ltd.)	Shangqiu, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
商丘商德寶汽車銷售服務有限公司 (Shangqiu Shangdebao Automobile Sales & Services Co., Ltd.)	Shangqiu, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
南陽宛沃汽車銷售服務有限公司 (Nanyang Wanwo Automobile Sales & Services Co., Ltd.)	Nanyang, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海君諾汽車服務有限公司 (Shanghai Junnuo Automobile Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
周口周德寶汽車銷售服務有限公司 (Zhoukou Zhoudebao Automobile Sales & Services Co., Ltd.)	Zhoukou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	51%	Sale and service of motor vehicles
永城和諧汽車銷售服務有限公司 (Yongcheng Hexie Automobile Sales & Services Co., Ltd.)	Yongcheng, the PRC 2015	Registered and paid-in capital of RMB2,000,000	–	70%	Service of motor vehicles
上海和諧進出口貿易有限公司 (Shanghai Hexie Import & Export Trading Co., Ltd.)	Shanghai, the PRC 2015	Registered and paid-in capital of RMB10,000,000	–	100%	Parallel-import vehicles
三門峽和諧汽車銷售服務有限公司 (Sanmenxia Hexie Automobile Sales & Services Co., Ltd.)	Sanmenxia, the PRC 2015	Registered and paid-in capital of RMB2,000,000	–	100%	Service of motor vehicles
淄博齊豫和諧汽車銷售服務有限公司 (Zibo Qiyu Hexie Automobile Sales & Services Co., Ltd.)	Zibo, the PRC 2015	Registered and paid-in capital of RMB2,000,000	–	100%	Service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
成都蓉城和諧汽車銷售服務有限公司 (Chengdu Rongcheng Hexie Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2015	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
開封悅達和諧汽車銷售服務有限公司 (Kaifeng Yueda Hexie Automobile Sales & Services Co., Ltd.)	Kaifeng, the PRC 2015	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
信陽市和諧汽車銷售服務有限責任公司 (Xinyang Hexie Automobile Sales & Services Co., Ltd.)	Xinyang, the PRC 2015	Registered and paid-in capital of RMB3,000,000	–	100%	Service of motor vehicles
青島和諧汽車銷售服務有限公司 (Qingdao Hexie Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2015	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
台州和諧德豪汽車銷售服務有限公司 (Taizhou Hexie Dehao Automobile Sales & Services Co., Ltd.)	Taizhou, the PRC 2015	Registered and paid-in capital of RMB3,000,000	–	70%	Service of motor vehicles
重慶林寶和諧汽車銷售服務有限公司 (Chongqing Linbao Hexie Automobile Sales & Services Co., Ltd.)	Chongqing, the PRC 2015	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Direct %	Indirect %	Principal activities
南京遠諧汽車銷售服務有限公司 (Nanjing Yuanxie Automobile Sales & Services Co., Ltd.)	Nanjing, the PRC 2015	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
廈門鑫禾諧汽車銷售服務有限公司 (Xiamen Xinhexie Automobile Sales & Services Co., Ltd.)	Xiamen, the PRC 2015	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
信陽申城和諧汽車服務有限公司 (Xinyang Shencheng Hexie Automobile Services Co., Ltd.)	Xinyang, the PRC 2015	Registered and paid-in capital of RMB3,000,000	–	100%	Service of motor vehicles
杭州鐺鐺科技有限公司 (Hangzhou Dangdang Technology Co., Ltd.)	Hangzhou, the PRC 2015	Registered and paid-in capital of RMB1,000,000	–	100%	Technology R&D and consulting
宜昌和諧汽車維修服務有限公司 (Yichang Hexie Automobile Repair Services Co., Ltd.)	Yichang, the PRC 2015	Registered and paid-in capital of RMB600,000	–	100%	Service of motor vehicles
貴州豫和諧汽車貿易有限公司 (Guizhou Yu Hexie Automobile Trading Co., Ltd.)	Guizhou, the PRC 2015	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

(i) the materiality requirements in HKAS 1;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Buildings	20-40 years	5%
Leasehold improvements	Over the shorter of the lease terms and 10 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	3-10 years	5%
Motor vehicles	4-10 years	5%

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

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

Construction in progress represents buildings, plant and machinery under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

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

Category	Estimated useful life
Software	5 years
Others	10 years

Leases

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

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

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the rights to use certain land and the consideration paid for these rights are recorded as land use rights, which are amortised over the lease terms of 40 years using the straight-line method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

The Group's financial assets mainly include cash and cash equivalents, cash in transit, pledged bank deposits, structured deposits, amounts due from related parties and trade and other receivables.

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities mainly include trade and bills payables, other payables and bank loans and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

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

Revenue recognition

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

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

(b) from the rendering of services in the period in which the services are rendered;

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

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

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

Vendor rebates

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 32 and note 33 to the financial statements.

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding awards and options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.6% has been applied to the expenditure on the individual assets during the year ended 31 December 2015 (2014: 7.2%).

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB52,030,000 as at 31 December 2015 (2014: RMB26,608,000). The amount of unrecognised tax losses at 31 December 2015 was RMB7,524,000 (2014: RMB6,912,000). Further details are contained in note 30 to the financial statements.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Information about geographical area

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

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns, trade discounts, where applicable.

	2015 **RMB'000**	2014 RMB'000
Revenue from the sale of motor vehicles	**8,934,918**	8,946,621
Others	**1,685,326**	1,249,269
	10,620,244	10,195,890

(b) Other income and gains, net:

	Notes	**2015** **RMB'000**	2014 RMB'000
Commission income		**275,992**	228,471
Advertisement support received from motor vehicle manufacturers		**15,093**	11,364
Bank interest income		**65,284**	62,247
Interest income from loans to third parties		**102,741**	70,541
Government grants	(i)	**1,043**	52,353
Gain on disposal of a subsidiary	35	**18,592**	–
Penalty income from cancellation of a potential acquisition contract		**–**	15,835
Others		**46,036**	33,261
Total		**524,781**	474,072

(i) Various government grants have been received for the encouragement of the Company's Listing in 2014. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

(a) Employee benefit expense (including directors' and chief executive's remuneration (note 8)):

	2015 RMB'000	2014 RMB'000
Wages and salaries	232,105	208,282
Equity-settled share award expense	4,150	28,765
Equity-settled share option expense	10,502	–
Other welfare	42,082	32,792
	288,839	269,839

(b) Cost of sales and services:

	2015 RMB'000	2014 RMB'000
Cost of sales of motor vehicles*	8,572,903	8,429,209
Others**	925,592	677,351
	9,498,495	9,106,560

* During the year, the impairment of inventory of RMB5,666,000 is included in "Cost of sales" in the consolidated statement of profit or loss.

** There were employee benefit expenses of RMB67,243,000 (2014: RMB53,081,000) included in the cost of sales and services.

6. PROFIT BEFORE TAX (continued)

(c) Other items:

	Notes	2015 RMB'000	2014 RMB'000
Depreciation of items of property, plant and equipment	13	**147,172**	109,392
Amortisation of land use rights	14	**400**	400
Amortisation of intangible assets	15	**1,529**	775
Auditors' remuneration		**4,000**	3,988
Advertisement and business promotion expenses		**65,501**	71,822
Bank charges		**11,977**	13,045
Lease expenses		**83,397**	70,040
Logistics and petroleum expenses		**25,083**	26,534
Office expenses		**9,507**	11,207
Net loss on disposal of items of property, plant and equipment		**18,535**	8,783
Foreign exchange differences, net		**(1,358)**	(14)

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expense on bank borrowings	**152,648**	195,881
Interest expense on other borrowings	**26,102**	23,857
Less: Interest capitalised	**(21,694)**	(17,539)
	157,056	202,199

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2015					
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity-settled share award expense RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
– Mr. FENG Changge	–	–	–	–	–	–
– Mr. YU Feng(i)	–	650	2,271	–	34	2,955
– Mr. YANG Lei	–	414	2,133	694	34	3,275
– Mr. CUI Ke(v)	–	223	1,586	–	54	1,863
– Ms. MA Lintao	–	–	–	–	–	–
– Mr. LIU Fenglei(vi)	–	366	–	–	34	400
– Mr. QIAN Yewen(vii)	–	737	–	1,949	–	2,686
	–	2,390	5,990	2,643	156	11,179
Non-executive directors:						
– Mr. WANG Nengguang(viii)	–	–	–	–	–	–
– Mr. FAN Qihui(ix)	–	–	–	–	–	–
Independent non-executive directors:						
– Mr. XIAO Changnian	240	–	–	–	–	240
– Mr. LIU Zhangmin	240	–	–	–	–	240
– Mr XUE Guoping	240	–	–	–	–	240
	720	–	–	–	–	720
	720	2,390	5,990	2,643	156	11,899

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

	Year ended 31 December 2014				
	Fees RMB'000	Salaries, allowance and other benefits RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
– Mr. FENG Changge	–	–	–	–	–
– Mr. YU Feng(i)	–	660	4,444	34	5,138
– Ms. LIU Wei(ii)	–	–	–	–	–
– Mr. YANG Lei	–	480	4,176	34	4,690
– Mr. CUI Ke(v)	–	402	3,106	54	3,562
– Ms. MA Lintao	–	–	–	–	–
– Mr. FONG Heung Sang, Addy (Dexter)(iii)	–	932	3,373	–	4,305
	–	2,474	15,099	122	17,695
Non-executive director:					
– Mr. WANG Nengguang(viii)	–	–	–	–	–
Independent non-executive directors:					
– Mr. XIAO Changnian	237	–	–	–	237
– Mr. LIU Zhangmin	237	–	–	–	237
– Mr. LI Daomin(iv)	117	–	–	–	117
– Mr. XUE Guoping	237	–	–	–	237
	828	–	–	–	828
	828	2,474	15,099	122	18,523

(i) Mr. YU Feng resigned from his position as an executive director and the Group's chief executive with effect from 19 October 2015.

(ii) Ms. LIU Wei resigned from her position as an executive director with effect from 29 January 2014.

(iii) Mr. FONG Heung Sang, Addy (Dexter) resigned from his position as an executive director with effect from 16 June 2014 and also resigned as the chief financial officer of the Group in April 2015.

(iv) Mr. LI Daomin resigned from his position as an independent non-executive director with effect from 25 June 2014.

(v) Mr. CUI Ke has resigned from his position as a director of the Group with effect from 1 September 2015.

(vi) Mr. LIU Fenglei was appointed as an executive director and the Group's chief executive with effect from 19 October 2015.

(vii) Mr. QIAN Yewen was appointed as an executive director with effect from 1 September 2015 and he was also appointed as the chief financial officer of the Group.

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

(viii) Mr. WANG Nengguang resigned from his position as a non-executive director with effect from 16 November 2015.

(ix) Mr. FAN Qihui was appointed as a non-executive director with effect from 16 November 2015.

In the year 2013, certain directors were granted share awards, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of these awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

In the year 2015, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

No emoluments were paid to the non-executive director of the Company during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included four directors (or former director) for the year (2014: four), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining non-director and non-chief executive, highest paid employee for the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefits in kind	**240**	213
Equity-settled share award expense	**1,572**	3,078
Pension scheme contributions	**34**	34
	1,846	3,325

9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2015	2014
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
	1	1

In the year 2013, share awards were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of these awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

	2015 **RMB'000**	2014 RMB'000
Current Mainland China corporate income tax	**216,119**	186,067
Deferred tax (note 30)	**(21,553)**	(5,417)
	194,566	180,650

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

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

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. There are no assessable profits arising in Hong Kong during the year (2014: RMB9,705,000).

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

10. INCOME TAX (continued)

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

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**763,255**	726,354
Tax at the applicable tax rate (25%)	**190,814**	181,589
Different tax rate for a subsidiary in Hong Kong	**–**	(825)
Profits and losses attributable to an associate	**(180)**	(1,229)
Tax effect of non-deductible expenses	**3,779**	7,481
Tax losses not recognised	**153**	1,728
Tax losses utilised from previous periods	**–**	(8,094)
Tax charge	**194,566**	180,650

The share of tax attributable to joint ventures and an associate amounting to RMB748,000 (2014: RMB1,765,000) is included in "Share of profits and losses of joint ventures and an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Proposed final – HK12 cents (2014: HK10 cents) per ordinary share	**158,074**	102,405

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The calculation of the proposed final dividend for the year ended 31 December 2015 is based on the proposed final dividend per ordinary share and the total number of ordinary shares as at this report date.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year. The number of shares for the current year has been arrived at after eliminating the restricted shares of the Company held under the restricted share unit scheme.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the restricted share unit scheme and share option scheme.

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

Earnings

	2015 **RMB'000**	2014 RMB'000
Profit for the year attributable to ordinary equity holders of the parent	**563,393**	544,365

Shares

	2015	2014
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,426,739,395**	1,075,126,000
Effect of dilution – weighted average number of ordinary shares:		
– Restricted shares	**13,579,715**	11,736,000
	1,440,319,110	1,086,862,000

Outstanding share options of the Company during the year ended 31 December 2015 have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's earnings per share for the year ended 31 December 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 1 January 2015:							
Cost	1,347,811	380,368	111,043	120,533	222,001	630,471	2,812,227
Accumulated depreciation	(84,308)	(29,918)	(28,242)	(30,097)	(39,136)	–	(211,701)
Net carrying amount	1,263,503	350,450	82,801	90,436	182,865	630,471	2,600,526
At 1 January 2015, net of accumulated depreciation	1,263,503	350,450	82,801	90,436	182,865	630,471	2,600,526
Additions	11,002	9,393	11,325	28,665	80,723	365,497	506,605
Transfer	10,994	163,342	1,399	1,893	–	(177,628)	–
Depreciation provided during the year	(31,747)	(44,131)	(12,855)	(21,823)	(36,616)	–	(147,172)
Disposal of a subsidiary	–	–	–	–	–	(29,995)	(29,995)
Disposals	(5,416)	(3,110)	(3,787)	(461)	(75,039)	–	(87,813)
At 31 December 2015, net of accumulated depreciation	1,248,336	475,944	78,883	98,710	151,933	788,345	2,842,151
At 31 December 2015:							
Cost	1,364,359	548,304	119,439	149,568	199,627	788,345	3,169,642
Accumulated depreciation	(116,023)	(72,360)	(40,556)	(50,858)	(47,694)	–	(327,491)
Net carrying amount	1,248,336	475,944	78,883	98,710	151,933	788,345	2,842,151
31 December 2014							
At 1 January 2014:							
Cost	1,116,344	108,121	78,038	67,258	177,203	303,627	1,850,591
Accumulated depreciation	(52,539)	(8,709)	(18,759)	(14,799)	(33,683)	–	(128,489)
Net carrying amount	1,063,805	99,412	59,279	52,459	143,520	303,627	1,722,102
At 1 January 2014, net of accumulated depreciation	1,063,805	99,412	59,279	52,459	143,520	303,627	1,722,102
Additions	33,310	93,708	21,710	44,878	147,433	724,120	1,065,159
Transfer	198,157	178,539	11,502	9,078	–	(397,276)	–
Depreciation provided during the year	(31,769)	(21,209)	(9,612)	(15,852)	(30,950)	–	(109,392)
Disposals	–	–	(78)	(127)	(77,138)	–	(77,343)
At 31 December 2014, net of accumulated depreciation	1,263,503	350,450	82,801	90,436	182,865	630,471	2,600,526
At 31 December 2014:							
Cost	1,347,811	380,368	111,043	120,533	222,001	630,471	2,812,227
Accumulated depreciation	(84,308)	(29,918)	(28,242)	(30,097)	(39,136)	–	(211,701)
Net carrying amount	1,263,503	350,450	82,801	90,436	182,865	630,471	2,600,526

At 31 December 2015, certain of the Group's buildings with an aggregate net book value of approximately RMB31,245,000 (2014: RMB34,158,000) were pledged as security for the Group's bank borrowings (note 26(a)).

14. LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning and end of the year	15,981	15,981
Amortisation:		
At the beginning of the year	(3,284)	(2,884)
Charge for the year	(400)	(400)
At the end of the year	(3,684)	(3,284)
Net book value:		
At the end of the year	12,297	12,697

All of the Group's land use rights were pledged as security for the Group's bank loans and other borrowings as at 31 December 2015 and 2014 (note 26(a)).

15. INTANGIBLE ASSETS

	Software RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2015	**7,582**	**500**	**8,082**
Additions	**2,076**	**–**	**2,076**
At 31 December 2015	**9,658**	**500**	**10,158**
Amortisation:			
At 1 January 2015	**(2,661)**	**(45)**	**(2,706)**
Charge for the year	**(1,479)**	**(50)**	**(1,529)**
At 31 December 2015	**(4,140)**	**(95)**	**(4,235)**
Net book value:			
At 31 December 2015	**5,518**	**405**	**5,923**
Cost:			
At 1 January 2014	6,312	–	6,312
Additions	1,270	–	1,270
Acquisition of a subsidiary	–	500	500
At 31 December 2014	7,582	500	8,082
Amortisation:			
At 1 January 2014	(1,931)	–	(1,931)
Charge for the year	(730)	(45)	(775)
At 31 December 2014	(2,661)	(45)	(2,706)
Net book value:			
At 31 December 2014	4,921	455	5,376

16. PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Prepayments for purchase of items of property, plant and equipment	**167,377**	49,611
Prepaid lease for buildings and land use rights	**37,988**	31,763
	205,365	81,374

17. INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	**399,413**	–

河南和諧富騰互聯網加智能電動汽車企業管理有限公司 (Henan Harmony Futeng Internet and Intelligent Electric Vehicle Corporate Management Company Limited) ("Futeng Corporate Management Company") and 河南和諧富騰互聯網加智能電動汽車新能源合夥企業（有限合夥）(Henan Harmony Futeng Internet and Intelligent Electric Vehicle Corporate New Energy Partnership (Limited Partnership)) ("Henan Harmony Futeng LP") are joint ventures of the Group and are considered to be related parties of the Group.

Henan Harmony Futeng LP and Futeng Corporate Management Company were incorporated in 2015. Henan Harmony Futeng LP is incorporated as an investment platform to jointly invest in new energy and/or intelligent electric vehicles projects and related internet projects. The establishment of Futeng Corporate Management Company aims to leverage on the investors' resources in the internet and intelligent electric vehicle area, professional investment management team and advanced investment concepts for managing the daily operation of Henan Harmony Futeng LP.

17. INVESTMENTS IN JOINT VENTURES (continued)

(a) Particulars of joint ventures are as follows:

Name	Place and date of incorporation/ registration	Authorised registered/ paid-in/issued capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Futeng Corporate Management Company	Zhengzhou, the PRC 2 July 2015	RMB20,000,000	40%	40%	40%	Technological development and sale of electric vehicles; corporate management consulting
Henan Harmony Futeng LP	Zhengzhou, the PRC 9 July 2015	RMB1,000,000,000	39.2%	39.2%	39.2%	Technological development and sale of electric vehicles; corporate management consulting

17. INVESTMENTS IN JOINT VENTURES (continued)

(b) Henan Harmony Futeng LP, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Henan Harmony Futeng LP reconciled to the carrying amount in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Current assets	773,255	–
Non-current assets, excluding goodwill	521,155	–
Goodwill	235,291	–
Current liabilities	(208,032)	–
Non-current liabilities	(491,552)	–
Non-controlling interests	(8,064)	–
Net assets	822,053	–
Capital contribution to be made by joint venture partner	177,100	–
	999,153	–
Reconciliation to the Group's interest in the joint venture		
Proportion of the Group's ownership	39.2%	–
Carrying amount of the investment	391,668	–
Expenses	(847)	–
Loss for the year	847	–

The financial information of Futeng Corporate Management Company is not individually material to the Group and the carrying amount of the Group's investments in Futeng Corporate Management Company is RMB7,745,000 and the loss for the year attributable to the Group is RMB255,000.

18. INVESTMENT IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Share of net assets	**7,872**	11,439

鄭州永達和諧汽車銷售服務有限公司 (Zhengzhou Yongda Hexie Automobile Sales & Services Co., Ltd.) ("Yongda Hexie") is an associate of the Group and is considered to be related party of the Group.

(a) Particulars of an associate are as follows:

			Percentage of			
Name	Place and date of incorporation/ registration	Authorised registered/ paid-in/issued capital	Ownership interest	Voting power	Profit sharing	Principal activities
Yongda Hexie	Zhengzhou, the PRC 26 December 2011	RMB20,000,000	30%	30%	30%	Sale and service of motor vehicles

(b) The following table illustrates the summarised financial information in respect of Yongda Hexie reconciled to the carrying amount in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Non-current assets	**66,527**	70,753
Current assets	**63,950**	175,090
Current liabilities	**(104,237)**	(207,713)
Net assets	**26,240**	38,130
Reconciliation to the Group's interest in the associate		
Proportion of the Group's ownership	**30%**	30%
Carrying amount of the investment	**7,872**	11,439
Revenue	**524,746**	599,563
Expenses	**(517,893)**	(577,293)
Tax	**(2,493)**	(5,883)
Profit for the year	**4,360**	16,387

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Motor vehicles	**1,134,079**	1,355,292
Spare parts and accessories	**139,418**	131,248
	1,273,497	1,486,540

At 31 December 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB367,279,000 (2014: RMB560,245,000) were pledged as security for the Group's bank loans and other borrowings (note 26(a)).

At 31 December 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB293,646,000 (2014: RMB296,964,000) were pledged as security for the Group's bills payable (note 27).

20. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**86,369**	73,894

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**78,673**	66,364
More than 3 months but less than 1 year	**7,696**	7,530
	86,369	73,894

20. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**86,369**	73,894

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments to suppliers	**405,350**	659,294
Rebate receivables	**430,880**	390,129
Loans to third parties(i)	**845,000**	145,000
VAT recoverables(ii)	**133,650**	162,517
Interest receivables	**12,115**	9,477
Staff advances	**5,013**	5,876
Insurance commission receivable	**54,010**	26,703
Others	**65,708**	26,049
	1,951,726	1,425,045

Notes:

(i) The loans granted to a third party with an amount of RMB145,000,000 as of 31 December 2015 (31 December 2014: RMB145,000,000) are guaranteed by the Controlling Shareholder and 河南和諧實業集團有限公司 (Henan Hexie Industrial Group Co., Ltd. ("Hexie Industrial Group")), which is controlled by the Controlling Shareholder. The loan granted to the third party earn interest at fixed interest rates of 18% (31 December 2014: 25% per annum) with a maturity period of one year.

During 2015, the Group granted entrusted loans to third parties with amounts of RMB700,000,000 (31 December 2014: Nil), which are guaranteed by the Controlling Shareholder and Hexie Industrial Group. The entrusted loans earn interests at rates ranging from 17% to 20% per annum with a maturity period of one year.

(ii) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is deductible input VAT, which has not been claimed from the tax bureau. The applicable tax rate for domestic sales of the Group is 17%.

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

22. STRUCTURED DEPOSITS

	2015 RMB'000	2014 RMB'000
Structured deposits in licensed banks in the PRC, at amortised cost	**305,000**	869,500

These structured deposits have terms of less than one year and have expected annual rates of return up to 3.2% (2014: 4.7%). Pursuant to the underlying contracts or notices, these structured deposits are principal guaranteed upon the maturity date.

23. PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks	**384,298**	550,978

Pledged bank deposits earn interest at interest rates stipulated by financial institutions. All pledged bank deposits at each reporting date were denominated in the currency of RMB.

24. CASH IN TRANSIT

	2015 RMB'000	2014 RMB'000
Cash in transit	**39,435**	33,226

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

25. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**2,666,488**	650,680
Time deposits	**823,400**	390,400
Cash and cash equivalents	**3,489,888**	1,041,080

25. CASH AND CASH EQUIVALENTS (continued)

The Group's cash and bank balances at each reporting date are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**1,754,268**	1,013,959
US$	**10,377**	10,007
HK$	**1,725,243**	17,114
	3,489,888	1,041,080

26. BANK LOANS AND OTHER BORROWINGS

	2015		2014	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	**4.6-8.7**	**1,798,504**	6.0-8.7	2,471,014
Other borrowings	**7.5-8.7**	**596,588**	8.0-8.7	557,750
		2,395,092		3,028,764
NON-CURRENT:				
Bank loans	**8.7**	**21,360**	7.5-8.7	102,308
		2,416,452		3,131,072

26. BANK LOANS AND OTHER BORROWINGS (continued)

		2015 RMB'000	2014 RMB'000
Bank loans and other borrowings representing:			
– secured	(a)	**326,945**	1,111,030
– guaranteed	(b)	**736,720**	936,720
– secured and guaranteed	(a)(b)	**898,723**	254,272
– unsecured		**454,064**	829,050
		2,416,452	3,131,072
Analysed into:			
Bank loans repayable:			
Within one year or on demand		**1,798,504**	2,471,014
In the second year		**15,360**	33,138
In the third to fifth years, inclusive		**6,000**	69,170
		1,819,864	2,573,322
Other borrowings repayable:			
Within one year or on demand		**596,588**	557,750
		2,416,452	3,131,072

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

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB12,297,000 as at 31 December 2015 (2014: RMB12,697,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB31,245,000 as at 31 December 2015 (2014: RMB34,158,000); and

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB367,279,000 as at 31 December 2015 (2014: RMB560,245,000).

26. BANK LOANS AND OTHER BORROWINGS (continued)

(b) Certain of the Group's bank loans and other borrowings are guaranteed by:

(i) certain of the Group's bank loans and other borrowings amounting to RMB1,048,723,000 were guaranteed by the Controlling Shareholder as at 31 December 2015 (2014: RMB836,472,000);

(ii) certain of the Group's bank loans and other borrowings amounting to RMB36,720,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at 31 December 2015 (2014: RMB49,520,000);

(iii) certain of the Group's bank loans amounting to RMB25,000,000 were guaranteed by the Controlling Shareholder, Hexie Industrial Group, 河南東方金沙湖國際高爾夫俱樂部有限公司 ("Henan Jinshahu Golf Club Co., Ltd."), which is controlled by the Controlling Shareholder, and Ms. ZHAO Lu, who is a close family member of the Controlling Shareholder, as at 31 December 2014;

(iv) certain of the Group's bank loans amounting to RMB15,000,000 were guaranteed by the Controlling Shareholder, and secured by certain of the land use rights of 河南和諧置業有限公司 ("Henan Hexie Property Co., Ltd."), which is controlled by the Controlling Shareholder, as at 31 December 2015 (2014: RMB35,000,000); and

(v) certain of the Group's bank loans amounting to RMB535,000,000 was guaranteed by the Controlling Shareholder and Henan Hexie Property Co., Ltd. as at 31 December 2015 (2014: RMB245,000,000).

27. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**157,531**	130,325
Bills payable	**706,563**	747,596
Trade and bills payables	**864,094**	877,921

27. TRADE AND BILLS PAYABLES (continued)

An aged analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**769,762**	807,222
3 to 6 months	**91,549**	58,071
6 to 12 months	**789**	11,831
Over 12 months	**1,994**	797
	864,094	877,921

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

(a) Certain of the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB293,646,000 as at 31 December 2015 (2014: RMB296,964,000).

(b) Certain of the Group's bills payable amounting to RMB52,318,000 were guaranteed by the Controlling Shareholder as at 31 December 2015 (2014: RMB40,845,000).

(c) Certain of Group's bills payable amounting to RMB4,223,000 were guaranteed by Hexie Industrial Group as at 31 December 2015 (2014: RMB26,224,000).

(d) Certain of the Group's bills payable amounting to RMB11,445,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at 31 December 2014.

(e) Certain of Group's bills payable amounting to RMB25,519,000 were guaranteed by the Controlling Shareholder and Henan Hexie Property Co., Ltd. as at 31 December 2014.

28. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Payables for purchase of items of property, plant and equipment	**70,072**	93,902
Advances and deposits from distributors	**3,146**	5,270
Advances from customers	**328,565**	306,827
Taxes payable (other than income tax)	**547,082**	409,748
Lease payables	**33,140**	27,769
Staff payroll and welfare payables	**48,846**	37,884
Payable to the subsidiary disposed of	**59,840**	–
Others	**92,520**	74,364
	1,183,211	955,764

29. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 14% to 21% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 12% of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for these contributions to the accommodation fund.

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

30. DEFERRED TAX

Deferred tax assets

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

	Losses available for offsetting against future taxable profits RMB'000	Accrued payroll RMB'000	Deferred rental expenses RMB'000	Others* RMB'000	Total RMB'000
At 1 January 2014	5,947	8,388	3,003	–	17,338
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	(1,189)	1,083	3,939	5,437	9,270
At 31 December 2014	4,758	9,471	6,942	5,437	26,608
Disposal of a subsidiary	(1,050)	–	(150)	–	(1,200)
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	13,216	2,741	1,493	9,172	26,622
At 31 December 2015	16,924	12,212	8,285	14,609	52,030

* Others mainly arise from temporary differences caused by the useful life differences of property, plant and equipment and inventory provision.

As at 31 December 2015, deferred tax assets have not been recognised in respect of tax losses arising in Mainland China of RMB7,524,000 (2014: RMB6,912,000) that will expire in one to five years for offsetting against future taxable profits as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. DEFERRED TAX (continued)

Deferred tax liabilities

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

	Capitalised interest expense RMB'000
At 1 January 2014	12,274
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10(a))	3,853
At 31 December 2014	16,127
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10(a))	5,069
At 31 December 2015	21,196

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors.

As at 31 December 2015, the Group has not provided for withholding taxes on accumulated earnings of RMB1,683,271,000 (2014: RMB971,488,000) generated by its PRC entities, because it is not probable that these accumulated earnings will be distributed to the holding company outside the PRC in the foreseeable future.

31. SHARE CAPITAL

	As at 31 December 2015		As at 31 December 2014	
	No. of shares at HK$0.01 each	**Equivalent to RMB'000**	No. of shares at HK$0.01 each	Equivalent to RMB'000
Ordinary shares	**1,563,211,046**	**12,399**	1,075,126,000	8,482
Restricted shares (note (a))	**12,489,631**	**99**	19,110,898	151
	1,575,700,677	**12,498**	1,094,236,898	8,633

31. SHARE CAPITAL (continued)

	Number of issued and fully paid shares	Nominal value of shares HK$'000	Share premium without proposed final dividend HK$'000	Equivalent nominal value of shares RMB'000	Equivalent share premium without proposed final dividend RMB'000	Declared final dividend RMB'000	Equivalent share premium RMB'000
At 1 January 2014	1,094,236,898	10,942	1,513,603	8,633	1,194,164	–	1,194,164
Final 2013 dividend declared	–	–	–	–	–	(67,251)	(67,251)
At 31 December 2014 and 1 January 2015	1,094,236,898	10,942	1,513,603	8,633	1,194,164	(67,251)	1,126,913
Issue of new shares (note (b))	481,463,779	4,815	3,300,188	3,865	2,647,174	–	2,647,174
Restricted shares exercised (note (a))	–	–	33,137	–	26,181	–	26,181
Final 2014 dividend declared	–	–	–	–	–	(102,405)	(102,405)
Share issue expenses	–	–	(77,450)	–	(68,490)	–	(68,490)
As at 31 December 2015	1,575,700,677	15,757	4,769,478	12,498	3,799,029	(169,656)	3,629,373

Notes:

(a) Pursuant to the resolution of the Board of the Company on 28 May 2013, 19,110,898 restricted shares of HK$0.01 each were allotted and issued and to be converted as fully paid at par on 13 June 2013, by way of capitalisation of the sum of HK$191,000 (equivalent to approximately RMB151,000) standing to the credit of the share premium account. These restricted shares were issued for the purpose of the Company's Restricted Share Unit Scheme ("RSU Scheme") and managed by a professional trustee. As at the end of 2015, 6,621,267 restricted shares were exercised and converted to ordinary shares. For further details of the RSU Scheme, please refer to note 32 below.

(b) During 2015, the issues of new shares were as follows:

(i) On 21 January 2015, the Company issued 90,113,000 new ordinary shares of HK$0.01 each at a price of HK$6.08 per share with gross proceeds of HK$547,887,000 (equivalent to approximately RMB439,294,000).

(ii) On 2 March 2015, the Company issued 128,734,000 ordinary shares of HK$0.01 each at a price of HK$4.73 per share with gross proceeds of HK$608,911,000 (equivalent to approximately RMB492,149,000).

(iii) On 27 May 2015 and 3 June 2015, the Company issued 262,616,779 new ordinary shares of HK$0.01 each at a price of HK$8.18 per share with gross proceeds of HK$2,148,205,000 (equivalent to approximately RMB1,719,596,000).

32. RSU SCHEME

The Company's RSU Scheme was approved and adopted by the then shareholder on 20 May 2013 for the primary purpose of attracting skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new shares.

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. A participant in the RSU Scheme (the "RSU Participant") does not have any contingent interest in any shares underlying an RSU award unless and until such shares are actually transferred to the RSU Participant. Further, an RSU Participant may not exercise voting rights in respect of the shares underlying their RSU award and, unless otherwise specified by the board of directors of the Company in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying an RSU award.

On 28 May 2013, RSU awards in respect of an aggregate of 19,110,898 shares, representing approximately 1.75% of the total shares issued on the date the listing of the Company's shares, had been granted, at nil consideration, to 18 RSU Participants pursuant to the RSU Scheme, of which five of the RSU Participants are Directors. All RSU awards granted pursuant to the RSU Scheme to the RSU Participants have a vesting period of four years as follows: 10% on 2 January 2014, 30% on 2 January 2015, 30% on 2 January 2016 and 30% on 2 January 2017. Each RSU award granted pursuant to the RSU Scheme has the same terms and conditions. The grant and vesting of the RSU awards granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules.

On 27 August 2013, each of the five directors of the RSU Participants agreed to, and as confirmed and approved by the board of directors, reduce the RSU awards granted to them by 62,000 units each. The aggregate amount of the RSU awards so reduced (i.e. 310,000 RSU awards) were granted to an employee of the Company. As a result of the foregoing, the total number of RSU awards granted under the RSU Scheme remained unchanged.

Pursuant to a resolution passed by the board of directors on 27 August 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU awards granted is extended from four years to five years as follows: 10% on 2 January 2014, 10% on 30 June 2014, 20% on 2 January 2015, 20% on 2 January 2016, 20% on 2 January 2017 and 20% on 2 January 2018. Other than the adjustments in the number of shares underlying the RSU awards granted to certain RSU Participants as described in the previous paragraph and the duration of the vesting period, the terms of the RSU Scheme remained unchanged.

The fair value of the RSU awards granted as at the grant date was RMB82,554,000 (RMB4.32 each), of which the Group recognised a total RSU award expense of RMB4,150,000 during the year ended 31 December 2015 (2014: RMB28,765,000) and a total share award reserve with an amount of RMB26,181,000 (2014:Nil) was transferred to share premium account upon the conversion into ordinary shares during the year ended 31 December 2015.

32. RSU SCHEME (continued)

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period.

As at 31 December 2015, a total of 4,598,568 RSU awards were cancelled/lapsed/forfeited due to the resignation of certain RSU Participants and 6,621,267 RSU awards were exercised. At the end of the year, the Company had 7,891,063 RSU awards outstanding under the RSU Scheme.

33. SHARE OPTION SCHEME

The Company operates a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of Share Option Scheme include directors and employees of the Company and its subsidiaries. The Share Option Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015. The maximum number of shares issuable under share options to each eligible participant in Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this 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 associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, an amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the option period.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

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

33. SHARE OPTION SCHEME (continued)

The following share options were outstanding under Share Option Scheme during the year:

	2015	
	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	–	–
Granted during the year	10.60	45,000
At 31 December	10.60	45,000

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2015

Number of options '000	Exercise price* HK$ per share	Exercise period
37,000	10.60	29-11-2015 to 28-6-2025
8,000	10.60	2-12-2015 to 1-7-2025
45,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted on 29 June 2015 and 2 July 2015 was RMB90,997,000 (RMB1.89 each and RMB2.05 each), of which the Group recognised a share option expense of RMB10,502,000 during the year ended 31 December 2015.

33. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2015
Dividend yield (%)	1.19% to 1.24%
Expected volatility (%)	44.18% to 44.33%
Historical volatility (%)	44.18% to 44.33%
Risk-free interest rate (%)	1.70% to 1.83%
Weighted average share price (HK$ per share)	6.39

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

At the end of the reporting period, the Company had 45,000,000 share options outstanding under Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,000,000 additional ordinary shares of the Company and additional share capital of HK$450,000 (equivalent to RMB377,000) (before issue expense).

At the date of approval of these financial statements, the Company had 45,000,000 share options outstanding under Share Option Scheme, which represented approximately 2.9% of the Company's shares in issue as at that date.

34. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

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

(iii) Exchange fluctuation reserve

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

35. DISPOSAL OF A SUBSIDIARY

	Note	2015 RMB'000
Net assets disposed of:		
Property, plant and equipment		29,995
Cash and bank balances		3,354
Prepayments and other receivables		71,859
Deferred tax assets		1,200
Bank loans and other borrowings		(80,000)
		26,408
Gain on disposal of subsidiary	5(b)	18,592
		45,000

	2015 RMB'000
Satisfied by:	
Cash	45,000

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

	2015 RMB'000
Cash consideration	45,000
Cash consideration not yet received	(4,000)
Cash and bank balances disposed of	(3,354)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	37,646

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Loans and receivables	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**86,369**	73,894
Financial assets included in prepayments, deposits and other receivables	**1,412,726**	603,234
Amounts due from related parties	**–**	294
Structured deposits	**305,000**	869,500
Pledged bank deposits	**384,298**	550,978
Cash in transit	**39,435**	33,226
Cash and cash equivalents	**3,489,888**	1,041,080
	5,717,716	3,172,206

Financial liabilities

	Financial liabilities at amortised cost	
	2015	2014
	RMB'000	RMB'000
Trade and bills payables	**864,094**	877,921
Financial liabilities included in other payables and accruals	**230,715**	173,536
Bank loans and other borrowings	**2,416,452**	3,131,072
	3,511,261	4,182,529

37. CONTINGENT LIABILITIES

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

38. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property and equipment and capital contribution outstanding at each reporting date not provided for these financial statements are as follows:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Land use rights and buildings	209,588	254,692
Capital contribution payable to an associate*	154,000	–
	363,588	254,692

* 河南和諧汽車貿易有限公司 (Henan Hexie Automobile Trading Co., Ltd) and Henan Harmony Futeng LP agreed to make joint capital contributions to establish 浙江愛車互聯網智能電動車有限公司 (Zhejiang Aiche Internet Intelligent Electric Vehicle Company Limited) ("Aiche Company"), with a registered capital of RMB550 million, which will be owned as to 28% by Henan Harmony and 55% by Harmony Futeng, and as to 17% by other investors to be introduced in the future. Aiche Company acquired 87.57% equity interests in 浙江綠野汽車有限公司 (Green Field Motor Co., Ltd.) for the purpose of researching and developing new energy vehicles. The capital contribution was subsequently paid in January 2016.

(b) Operating lease commitments

At each reporting date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015		2014	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	105,616	16,366	69,044	15,793
In the second to fifth years, inclusive	278,116	71,603	184,597	67,378
After five years	164,355	203,896	120,849	230,599
	548,087	291,865	374,490	313,770

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

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable as disclosed in note 13, note 14, note 19 and note 23 to these financial statements.

40. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. FENG Changge is the Controlling Shareholder of the Group and is also considered to be a related party of the Group.

In addition to the disclosures in note 21, note 26 and note 27 to the financial statements, the Group had the following transactions with related parties during the year:

(a) Balances with related parties

The Group had the following significant balances with its related parties as at each reporting date:

Due from a related party:

	2015 **RMB'000**	2014 RMB'000
Non-trade related:		
An associate		
– Yongda Hexie	**–**	294

Due to a related party:

	2015 **RMB'000**	2014 RMB'000
Non-trade related:		
– Hexie Industrial Group	**1,417**	–

Balances with related parties are unsecured and non-interest-bearing and have no fixed repayment terms.

40. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**3,809**	3,747
Equity-settled share award expense	**8,525**	18,712
Equity-settled share option expense	**2,643**	–
Post-employee benefits	**244**	210
Total compensation paid to key management personnel	**15,221**	22,669

Further details of directors' and chief executive's emoluments are included in note 8 to these financial statements.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, cash in transit, pledged bank deposits, structured deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and the fair values also approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2015 was assessed to be insignificant.

At the end of the year, the Group had no financial asset or liability measured at fair value (2014: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than loans to third parties (note 21), structured deposits (note 22), pledged bank deposits (note 23) and cash and cash equivalents (note 25).

The Group's interest rate risk arises from its bank loans and other borrowings, details of which are set out in note 26. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

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

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2015		
RMB	**50**	–
RMB	**(50)**	–
Year ended 31 December 2014		
RMB	**50**	(104)
RMB	**(50)**	104

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

Credit risk

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

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

Liquidity risk

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

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

	As at 31 December 2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	452,418	2,023,028	25,428	–	2,500,874
Trade and bills payables	17,592	790,038	56,464	–	–	864,094
Other payables and accruals	230,715	–	–	–	–	230,715
	248,307	1,242,456	2,079,492	25,428	–	3,595,683

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	As at 31 December 2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	991,649	2,130,969	109,930	–	3,232,548
Trade and bills payables	37,967	708,028	131,926	–	–	877,921
Other payables and accruals	173,536	–	–	–	–	173,536
	211,503	1,699,677	2,262,895	109,930	–	4,284,005

Capital management

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

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, less cash and cash equivalents and structured deposits. The gearing ratios as at the end of the reporting periods were as follows:

	2015 RMB'000	2014 RMB'000
Bank loans and other borrowings	**2,416,452**	3,131,072
Trade and bills payables	**864,094**	877,921
Other payables and accruals	**1,183,211**	955,764
Less: Cash and cash equivalents	**(3,489,888)**	(1,041,080)
Structured deposits	**(305,000)**	(869,500)
Net debt	**668,869**	3,054,177
Equity attributable to owners of the parent	**5,855,761**	2,726,153
Gearing ratio	**10.3%**	52.8%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**2,104,605**	1,168,860
Total non-current assets	**2,104,605**	1,168,860
CURRENT ASSETS		
Cash and cash equivalents	**1,704,984**	3,081
Total current assets	**1,704,984**	3,081
CURRENT LIABILITIES		
Other payables and accruals	**6,115**	–
Total current liabilities	**6,115**	–
NET CURRENT ASSETS	**1,698,869**	3,081
NET ASSETS	**3,803,474**	1,171,941
EQUITY		
Share capital	**12,498**	8,633
Reserves	**3,790,976**	1,163,308
Total equity	**3,803,474**	1,171,941

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

Note:

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

	Share premium RMB'000	Share award reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	1,194,164	–	–	(11,123)	(1,345)	1,181,696
Final 2013 dividend declared	(67,251)	–	–	–	–	(67,251)
Total comprehensive income for the year	–	–	–	26,532	(30,282)	(3,750)
Equity-settled share award expense	–	52,613	–	–	–	52,613
At 31 December 2014 and 1 January 2015	**1,126,913**	**52,613**	**–**	**15,409**	**(31,627)**	**1,163,308**
Final 2014 dividend declared	**(102,405)**	**–**	**–**	**–**	**–**	**(102,405)**
Total comprehensive income for the year	**–**	**–**	**–**	**156,611**	**(19,874)**	**136,737**
Issue of shares	**2,578,684**	**–**	**–**	**–**	**–**	**2,578,684**
Equity-settled share award expense	**–**	**4,150**	**–**	**–**	**–**	**4,150**
Restricted shares exercised	**26,181**	**(26,181)**	**–**	**–**	**–**	**–**
Equity-settled share option expense	**–**	**–**	**10,502**	**–**	**–**	**10,502**
At 31 December 2015	**3,629,373**	**30,582**	**10,502**	**172,020**	**(51,501)**	**3,790,976**

44. APPROVAL OF THE FINANCIAL STATEMENTS

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

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

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**10,620,244**	10,195,890	8,332,749	5,656,744	3,031,856
Cost of sales and services	**(9,498,495)**	(9,106,560)	(7,335,607)	(4,993,298)	(2,614,356)
Gross profit	**1,121,749**	1,089,330	997,142	663,446	417,500
Other income and gains, net	**524,781**	474,072	303,160	236,658	78,903
Selling and distribution costs	**(592,221)**	(515,668)	(426,408)	(237,030)	(106,737)
Administrative expenses	**(134,719)**	(124,097)	(117,584)	(71,611)	(30,330)
Profit from operations	**919,590**	923,637	756,310	591,463	359,336
Finance costs	**(157,056)**	(202,199)	(194,839)	(116,403)	(61,872)
Share of profits and losses of					
Joint ventures	**(587)**	–	–	–	–
An associate	**1,308**	4,916	501	222	–
Profit before tax	**763,255**	726,354	561,972	475,282	297,464
Income tax expense	**(194,566)**	(180,650)	(154,847)	(124,563)	(77,014)
Profit for the year	**568,689**	545,704	407,125	350,719	220,450
Attributable to:					
Owners of the parent	**563,393**	544,365	404,135	350,822	220,466
Non-controlling interests	**5,296**	1,339	2,990	(103)	(16)
	568,689	545,704	407,125	350,719	220,450
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**11,055,264**	8,218,577	7,609,013	4,375,138	2,850,188
TOTAL LIABILITIES	**(5,168,197)**	(5,472,814)	(5,371,893)	(3,773,099)	(1,991,833)
NON-CONTROLLING INTERESTS	**(31,306)**	(19,610)	(16,271)	(13,281)	(4,984)
	5,855,761	2,726,153	2,220,849	588,758	853,371