



HARMONY AUTO
和諧汽車

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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3836



Interim Report
2015



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Corporate Information

Board of Directors

Executive Directors

Mr. Feng Changge (*Chairman*)
Mr. Yu Feng
Mr. Yang Lei
Mr. Cui Ke (resigned on September 1, 2015)
Ms. Ma Lintao
Mr. Qian Yewen (appointed on September 1, 2015)

Non-executive Director

Mr. Wang Nengguang

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,
Shangwunehuan Road,
CBD Zhengdongxin District
Zhengzhou, Henan Province
PRC



Corporate Information

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



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of China Harmony New Energy Auto Holding Limited (“**China Harmony Auto**” or 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 the first half of 2015.

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

STABLE GROWTH OF OPERATING RESULTS

In the first half of 2015, the operating results of the Group are as follows:

The Group recorded new vehicle sales volume of 10,679 units, increased by 7.4% over the corresponding period in 2014 and outpaced overall market growth.

Revenue of the Group amounted to approximately RMB5,008.1 million, representing an increase of 0.1% over the corresponding period in 2014, of which, revenue from after-sales services increased by 40.1% to RMB791.8 million.

Gross profit of the Group amounted to approximately RMB547.7 million, which was roughly the same as the corresponding period in 2014, among which, gross profit of after-sales services amounted to approximately RMB365.5 million, accounting for 66.7% of the gross profit of the Group and representing an increase of 21.3 percentage points over the corresponding period in 2014. Gross profit margin of the Group was 10.9%, representing a stable level as compared with the corresponding period of 2014, among which, gross profit margin of after-sales services was 46.2%, representing an increase of 2.2 percentage points over the corresponding period of 2014.

The commission income (mainly from insurance agency and vehicle financing agency services) of the Group was approximately RMB131.4 million, representing an increase of 33.1% as compared with the same period of 2014.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) was approximately RMB528.5 million, representing an increase of 4.8% as compared with the same period of 2014.

Net profit of the Group amounted to approximately RMB282.5 million, representing an increase of 2.2% over the corresponding period of 2014.



Chairman's Statement

MAINTAINING STABLE NUMBER 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 46 dealership outlets and insisted in maintaining a brand mix consisting exclusively of luxury and ultra-luxury brands. With respect to luxury brands, the Group has established a business presence in the central-western region and held a dominant and leading position in certain regions which ensured our profitability and quality; in terms of ultra-luxury brands, we are building up our business in first-tier cities and prosperous eastern coastal region and gradually attaining a dominant and leading position.

After-sales services of our increasing mature dealership outlets have become one of the most important drivers of our operation and our profit growth. In particular, the dealership 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. The Group also benefited from our exclusive focus on luxury and ultra-luxury passenger vehicles, as the owners of luxury and ultra-luxury passenger vehicles were desirous of more professional services and place higher value on after-sales service quality. We have always attached high importance to the development of insurance and finance businesses. In the first half of 2015, insurance and finance businesses contributed to a rapid growth in our commission income.

RAPID DEVELOPMENT OF COMPREHENSIVE REPAIR AND MAINTENANCE SERVICES

In the past decade, China's high-end automobile market maintained continuous growth and its luxury and ultra-luxury automobile markets have achieved 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 sales of new vehicles and the number of vehicles in use in China, the after-sales market is set to become the "golden niche" in the PRC automobile industry, which is highly lucrative and sustainable. The comprehensive after-sales service businesses of the Group developed rapidly in the first half of 2015. As of the date of this report, the Group owned a total of 56 independent comprehensive after-sales services outlets covering 43 cities across the country. The operation model of the Group's comprehensive after-sales has been established and the famous brand of "Harmonious Car Maintenance" (和諧修車) has been built. 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 the profit growth driver of the Group.

PROACTIVE DEVELOPMENT STRATEGY FOR COMMUNITY CHAIN BUSINESS FEATURING QUICK REPAIR AND INSURANCE SERVICES

With the increasing maturity of the comprehensive after-sales outlets, the Group will give a central role to these outlets which are widely scattered across different cities to establish quick repair and insurance services outlets in communities where our target customers are concentrated. In order to offer more convenient and standardized vehicle maintenance and insurance services, we adopt a combined online and offline operation strategy under which comprehensive after-sales outlets will be developed into parent stores with community outlets serving as satellite stores and mobile stores covering the neighbourhood. Our goal is to further increase our bonding with customers, enhance the awareness of the brand "Harmony Car Maintenance", and further strengthen our dominant position and competitiveness in after-sales market. We strongly believe that those who are closer to customers will be more able to acquire customers and finally dominate the market.



Chairman's Statement

STRENGTHENING THE FOUNDATION OF NEW ENERGY VEHICLE BUSINESS

New energy vehicle will be the future development direction of the global automobile industry as well as the key to the reform already happening in the traditional automobile industry. The Group has grasped this opportunity to develop its new energy vehicle business steadily.

In March 2015, the Company entered into a strategic cooperation framework agreement in respect of "internet + intelligent electric car" 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 has achieved rapid progress.

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 (Limited Partnership)*) ("**Henan Harmony Futeng LP**"). It is intended that Henan Harmony Futeng LP, 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, for 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 Hexie Automobile Trading Co., Ltd.*) (hereinafter referred to as "**Henan Hexie**"), 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.*) (hereinafter referred to as "**GFMC**") successively, thus holding its 87.57% equity interests in GFMC. The Group intends to introduce strategic shareholders to GFMC and to develop it into a leading enterprise of economic electric vehicle in the PRC.

In addition, the Group intends to collaborate with its strategic partners in the development of a high-end intelligent electric vehicle project in Zhengzhou, Henan Province, in order to tap into this market with rapid growth and tremendous potential. As of the date of this report, the project has been preliminarily determined construction site, product planning and investment scheme; and global recruitment is also in process to form the respective management team.

We strongly believe that the high-tech internet electric vehicle is not only a reform to the traditional vehicles, but also to the manufacturing, controlling and commercial models, which would provide opportunities for Chinese automobile industry to leapfrog its competitors. New energy vehicles will definitely become a brand new industry in China, which would develop continuously and vigorously.

The Company delivered remarkable results in the first half of 2015, which was attributable to the continuous efforts 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.

Feng Changge

Chairman of the Board

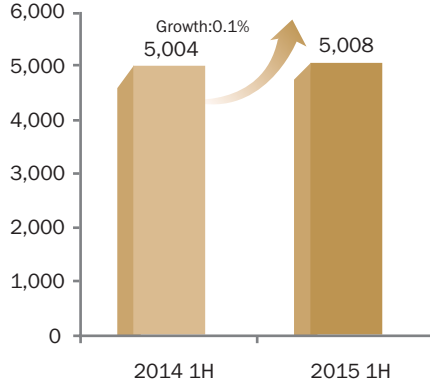
August 31, 2015



Financial Highlights

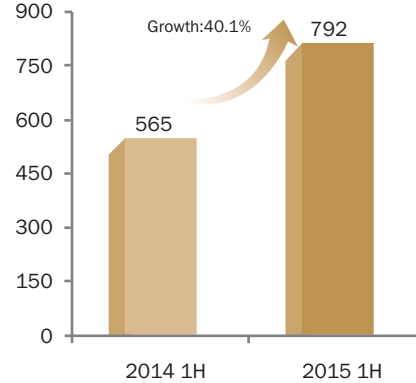
Revenue

(Expressed by RMB in million)



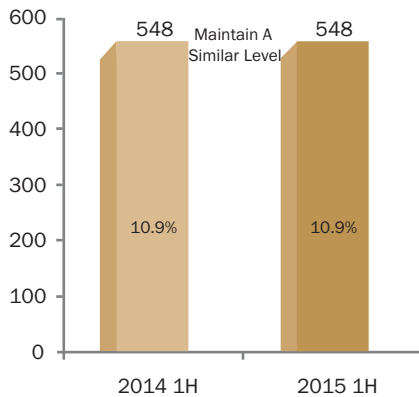
After-Sales Services Revenue

(Expressed by RMB in million)

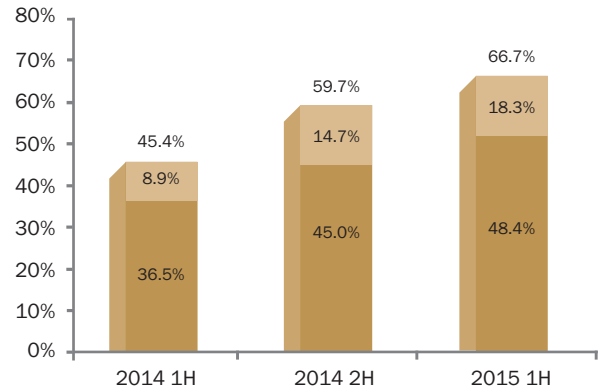


Gross Profit & Gross Profit Margin

(Expressed by RMB in million)



Contribution of After-Sales Services to Gross Profit



■ GP from after-sales services of dealership outlets / Total GP

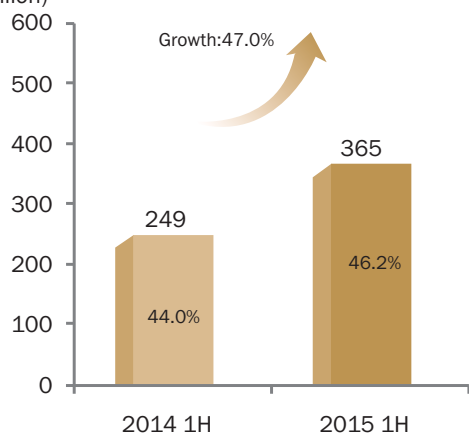
■ GP from after-sales services of comprehensive after-sales outlets / Total GP



Financial Highlights

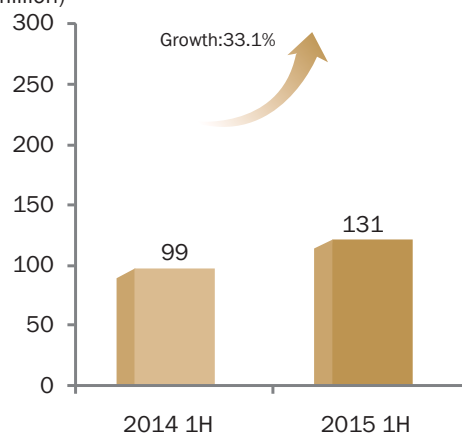
Gross Profit & Gross Profit Margin After-Sales Services

(Expressed by RMB in million)



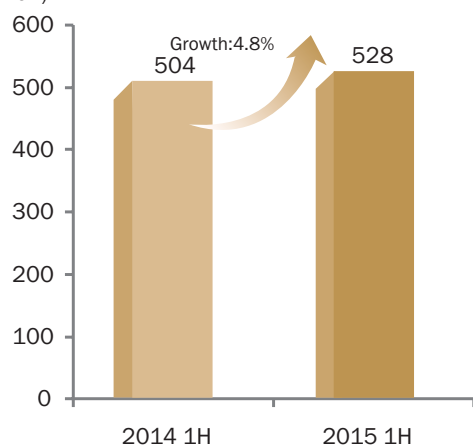
Commission Income

(Expressed by RMB in million)



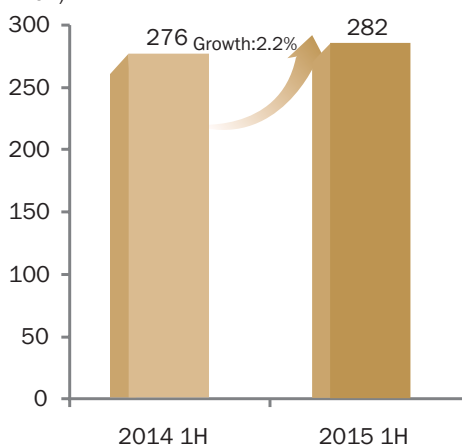
EBITDA

(Expressed by RMB in million)



Net Profit

(Expressed by RMB in million)





Industry Overview

In the first half of 2015, vehicles sales in China slowed down due to the decelerating growth of China's economy, stock market fluctuations and other factors. According to China Association of Automobile Manufacturers, in the first half of 2015, sales volume of passenger vehicles reached 10.10 million in China, representing a year-on-year growth of 4.8%.

Despite the general slowdown in sales of new vehicles in the PRC, the sector of new energy vehicles recorded explosive growth due to various positive factors, including favorable national policies, rising environmental awareness of consumers and increasingly mature development of new energy vehicles. According to China Association of Automobile Manufacturers, in the first half of 2015, sales of new energy vehicles in China reached 72,711 units, increasing by 2.4 times as compared with the same period last year, among which, sales volume of pure electric vehicles reached 46,219 units, increasing by 2.9 times as compared with the corresponding period of last year.

In addition, figures from the National Bureau of Statistics of the PRC showed that vehicle ownership for civilian use totalled 154.47 million units by the end of 2014. The enormous level of vehicle ownership laid the foundation for the rapid development of the after-sales services market, among which independent comprehensive after-sales services achieved particularly fast growth due to its distinctive advantages comparing with traditional dealership outlets and individual repair stores.



Business Overview

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

Proactive Transformation of Network Layout

Maintaining Stable Number of Dealership Outlets

As of the date of this report, the Group owned a total of 46 dealership outlets, covering 20 cities across the country. The Group 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 Comprehensive After-sales Services Outlets

As of the date of this report, the Group owned a total of 56 independent comprehensive after-sales services outlets covering 43 cities across the country. Operating under the brand "Harmony Auto Maintenance (和諧汽修)", the Group's comprehensive 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, and the Group is also one of the major after-sales service partners of Tesla in China.

Stable Growth of Sales of New Vehicles

For the six months ended June 30, 2015, the Group recorded new vehicle sales volume of 10,679 units, increased by 739 units or 7.4% as compared with 9,940 units for the six months ended June 30, 2014 and outpaced overall market growth.

A breakdown of the new vehicle sales volume of the Group for the six months ended June 30, 2015 is as follows:

- Sales volume of BMW brand reached 9,202 units (inclusive of MINI Brand), up 5.6% as compared with the same period of last year; sales volume of other brands were 1,477 units, representing a year-on-year growth of 20.2%.
- Sales volume of luxury vehicles were 10,160 units, up 6.4% as compared with the same period of last year while sales volume of ultra-luxury vehicles were 519 units, representing a growth of 33.4% as compared with same period last year.
- Among luxury vehicles, sales volume of domestic manufactured models were 6,234 units, representing a growth of 17.8% as compared with same period last year while sales of imported models reached 3,926 units, decreasing by 7.8% as compared with the same period of last year.



Business Overview

Rapid Growth of After-sales Services

In the first half of 2015, both after-sales services in dealership outlets and comprehensive after-sales services outlets of the Group recorded substantial growth, mainly attributable to the increasing maturity of dealership outlets and the increasing number of stores in operation; and maturity of the comprehensive after-sales services outlets.

As at June 30, 2015, the number of comprehensive after-sales services outlets owned by the Group reached 56. Comprehensive 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 our comprehensive after-sales services outlets into the enormous luxury and ultra-luxury vehicle markets has generated significant growth in revenue.

Strengthening the Foundation of New Energy Vehicles Business

In March 2015, the Company entered into a strategic cooperation framework agreement in respect of “internet + intelligent electric car” with Foxconn and Tencent to actively explore innovative cooperation in the area of internet and intelligent electric car. So far, the above strategic cooperation has achieved rapid progress.

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 LP). It is intended that Henan Harmony Futeng LP, 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, for investments in new energy and/or intelligent electric vehicle projects and related internet projects.

In May and June 2015, Henan Hexie, 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. The Group intends to introduce strategic shareholders to GFMC and to develop it into a leading enterprise of economic electric vehicle in the PRC. In order to achieve this goal, GFMC has already adopted the following measures to enhance its competitive strengths:

- recruiting outstanding talents in research and development, manufacturing, sales, purchase and management;
- establishing Shanghai Technology Research and Development Center;
- expanding dealership and sales networks; and
- actively conducting development and research of high-speed electric vehicle model.



Business Overview

In addition, the Group intends to collaborate with its strategic partners in the development of a high-end intelligent electric vehicle project in Zhengzhou, Henan Province, in order to tap into this market with rapid growth and tremendous potential. As of the date of this report, the project have been preliminary determined construction site, product planning and investment scheme; and global recruitment is also in process to form the respective management team.

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 rationalization of stock market, the luxury and ultra-luxury automobile markets are set to resume normal growth.

As at the end of 2014, vehicle ownership for civilian use in China reached 154 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 comprehensive after-sales service businesses, quickly developing community satellite 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 RMB5,008.1 million for the six months ended June 30, 2015, representing a stable level as compared with RMB5,004.4 million for the six months ended June 30, 2014. Despite the slight drop of revenue from new vehicles comparing with corresponding period last year, the Group maintained similar level of overall revenue comparing with the corresponding period of last year due to the rapid growth in the after-sales services revenue of the Group's comprehensive after-sales outlets.

Revenue from sales of new passenger vehicles slightly decreased by 5.0% from RMB4,439.3 million for the six months ended June 30, 2014 to RMB4,216.3 million for the six months ended June 30, 2015, accounting for 84.2% of the revenue (88.7% for the same period in 2014). The slight drop in sales revenue of new passenger vehicles was mainly due to the increasing sales volume of domestic car models of luxury brands and a slight drop in sales volume of imported car models as the unit prices of domestic car products are 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.

Revenue from after-sales services increased 40.1% to RMB791.8 million for the six months ended June 30, 2015 from RMB565.1 million for the six months ended June 30, 2014, accounting for 15.8% of the total revenue in the first half of 2015 as compared with 11.3% in the first half of 2014. Among which, after-sales services revenue derived from our dealership outlets increased to RMB565.6 million in the first half of 2015, representing an increase of 23.3% as compared with RMB458.8 million in the first half of 2014. Such increase was mainly attributable to the increasing maturity of our stores newly built in 2012 - 2013 and increasing demand for after-sales services from an expanded client base. Our comprehensive after-sales outlets contributed revenue of RMB226.2 million in the first half of 2015, an increase of 112.8% from RMB106.3 million in the first half of 2014. The proportion of after-sales revenue attributable to comprehensive after-sales outlets also increased to 28.6% in the first half of 2015 from 18.8% in the first half of 2014. Looking into the future, 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.

Cost of sales and services provided

Our cost of sales and services increased by 0.1% from RMB4,456.7 million in the six months ended June 30, 2014 to RMB4,460.4 million in the six months ended June 30, 2015. Cost of sales attributable to sales of new passenger vehicles dropped by 2.6% from RMB4,140.2 million in the six months ended June 30, 2014 to RMB4,034.1 million in the six months ended June 30, 2015. Cost of sales attributable to after-sales services increased by 34.7% from RMB316.5 million in the six months ended June 30, 2014 to RMB426.3 million in the six months ended June 30, 2015.



Financial Overview

Gross profit and gross profit margin

Our gross profit remained stable at RMB547.7 million in the six months ended June 30, 2015 as compared to RMB547.7 million in the six months ended June 30, 2014. Our gross profit margin was 10.9% in the six months ended June 30, 2015, maintaining a level similar as compared with 10.9% over the six months ended June 30, 2014.

Gross profit from sales of new passenger vehicles decreased by 39.0% to RMB182.3 million for the six months ended June 30, 2015 from RMB299.0 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, sales of new vehicles reported gross profit margin of 4.3%, representing decreases of 2.4 percentage points and 0.5 percentage point as compared against that for the first half and the second half of 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 47.0% from RMB248.6 million for the six months ended June 30, 2014 to RMB365.5 million for the six months ended June 30, 2015, which contributed an increase to total gross profit by 66.7% for the first half of 2015 as compared with 45.4% for the first half of 2014. It was mainly attributable to the growing client base for our maturing dealership outlets and an expanding market share, gross profit derived from after-sales services provided by our dealership outlets increased by 32.5% from RMB200.2 million to RMB265.3 million, while our comprehensive after-sales services outlets contributed gross profit from after-sales services of RMB100.2 million, with a growth of 107.0% from RMB48.4 million in the corresponding period last year. Due to the rapid development and increasing maturity of our comprehensive after-sales outlets, the gross profit contributed by these outlets for the six months ended June 30, 2015 accounted for 27.4% of the total gross profit derived from our after-sales services, compared to 19.5% in the same period in 2014. For the six months ended June 30, 2015, gross profit margin of our after-sales service was 46.2%, representing an increase of 2.2 percentage points comparing with 44.0% of gross profit margin from our after-sales services in the first half of 2014, of which the gross profit margin for the after-sales services of dealership outlets was 46.9%, up by 3.3% from the same period in 2014, while the gross profit margin for comprehensive after-sales services outlets was 44.3%, down by 1.2 percentage points from the same period in 2014.

Selling and administrative expenses

As compared to RMB287.9 million for the six months ended June 30, 2014, selling and administrative expenses increased by 14.9% to RMB330.8 million for the six months ended June 30, 2015. It was mainly attributed to the increase of selling expenses of comprehensive after-sales services outlets which were newly built. For the six months ended June 30, 2015, selling and administrative expenses of dealership outlets was RMB247.0 million, representing an increase of 1.1% from RMB244.2 million for the six months ended June 30, 2014; for the six months ended June 30, 2015, selling and administrative expenses of comprehensive after-sales outlets was RMB45.5 million, representing an increase of 103.1% from RMB22.4 million for the six months ended June 30, 2014.



Financial Overview

Other income and gains, net

Other income and gains, net increased by 26.6% from RMB196.4 million for the six months ended June 30, 2014 to RMB248.6 million for the six months ended June 30, 2015, and the increase was primarily due to:

- the commission income (mainly from insurance agency and vehicle financing agency services) for the six months ended June 30, 2015 was RMB131.4 million, representing an increase of 33.1% from RMB98.7 million for the six months ended June 30, 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 40.7% increase in bank interest income from RMB29.5 million for the six months ended June 30, 2014 to RMB41.5 million for the six months ended June 30, 2015, primarily attributable to the increase in our bank deposit contributed partly by the proceeds from the offer of new shares in the first half of 2015;
- a 27.9% growth in interest income of entrusted loan and other third party loan from RMB29.8 million for the six months ended June 30, 2014 to RMB38.1 million for the six months ended June 30, 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

Our finance costs for the six months ended June 30, 2015 was RMB84.7 million, representing a decrease of RMB13.7 million or 13.9% as compared to RMB98.4 million for the six months ended June 30, 2014, primarily due to the decrease of borrowing interest rates in China and that the Group repaid part of bank loans in the first half of 2015.

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

Our EBITDA for the six months ended June 30, 2015 was RMB528.5 million, representing a growth of RMB24.1 million or 4.8% as compared to RMB504.4 million for the six months ended June 30, 2014.

Profit from operations

Based on the reasons discussed above, the Group's profit from operations for the six months ended June 30, 2015 was RMB465.6 million, representing an increase of RMB9.5 million or 2.1% as compared to RMB456.1 million for the six months ended June 30, 2014.

Profit for the period

Our profit for the six months ended June 30, 2015 was RMB282.5 million, representing an increase of 2.2% as compared against RMB276.4 million for the six months ended June 30, 2014.



Financial Overview

Liquidity and Capital Resources

Cash flow

Our 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 outlets and to fund our working capital and operating expenses. We finance our liquidity needs through a combination of short-term bank loans and cash flows generated from our operating activities.

As at June 30, 2015, cash and deposits of the Group totalled RMB4,390.7 million, representing a significant growth of 76.0% as compared with December 31, 2014, mainly attributable to the proceeds from issuing new shares in the amount of RMB2,651.0 million which we received in the first half of 2015 and mainly kept as cash deposit. As at June 30, 2015, among our cash and cash equivalents, HK\$2,059.9 million (equivalent to RMB1,650.2 million) was deposited overseas and in Hong Kong dollars.

For the six months ended June 30, 2015 and the six months ended June 30, 2014, our net cash from operating activities was RMB717.2 million and RMB31.9 million, respectively. For the six months ended June 30, 2015 and the six months ended June 30, 2014, net cash used in investing activities was RMB608.5 million and RMB211.1 million, respectively. Net cash generated from financing activities for the six months ended June 30, 2015 and the six months ended June 30, 2014 was RMB1,921.3 million and RMB203.7 million, respectively.

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

Net current assets

As at June 30, 2015, we had net current assets of RMB2,723.5 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

As at June 30, 2015, our capital expenditure (primarily used for the purchase of items of property, plant and equipment in connection with the establishment of new outlets), was RMB247.5 million, representing a decrease of 24.6% comparing with the same period last year (as of June 30, 2014: RMB328.3 million).

Inventory

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



Financial Overview

Our inventories decreased by RMB10.3 million or 0.7% from RMB1,486.5 million as of December 31, 2014 to RMB1,476.2 million as of June 30, 2015, primarily due to a decrease in our inventory of new passenger vehicles by 1.2% from RMB1,355.3 million as of December 31, 2014 to RMB1,338.5 million as at June 30, 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 and 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.

Our average inventory turnover days for the six months ended June 30, 2015 were 60 days with a similar level to 2014. 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 June 30, 2015, we had bank loans and other borrowings in the aggregate amount of RMB2,653.2 million, 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:

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Bank loans repayable:		
Within one year or on demand	1,910,503	2,471,014
In the second year	33,138	33,138
In the third to fifth years	92,542	69,170
	2,036,183	2,573,322
Other borrowings repayable:		
Within one year or on demand	616,980	557,750
Total	2,653,163	3,131,072

Our 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 31.6% as at June 30, 2015.



Financial Overview

As at June 30, 2015, certain of our bank loans and other borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as at June 30, 2015 consisted of (i) inventories in the amount of RMB403.5 million; (ii) property, plant and equipment in the amount of RMB33.5 million; and (iii) land use rights in the amount of RMB12.5 million. In addition, certain of our bank loans and other borrowings were guaranteed by the Controlling Shareholder or affiliates of the Controlling Shareholder. As at June 30, 2015, the Group did not have bank borrowings, loans or bonds payable denominated in foreign currency.

Contingent liabilities

As at June 30, 2015, we did not have any material contingent liabilities or guarantees.

Interest rate risk and foreign exchange risk

We are exposed to interest rate risk resulting from fluctuations in interest rate on our debt. Certain of our 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 our cost of borrowing. If this occurs, it could adversely affect our finance costs, profit and our 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. We do not currently use any derivative instruments to manage our interest rate risk.

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

Employees and remuneration policies

As at June 30, 2015, the Group had a total of 3,486 employees (December 31, 2014: 3,476 employees; June 30, 2014: 3,229 employees). Relevant staff cost for the six months ended June 30, 2015 was approximately RMB139.4 million (including employee share incentive of RMB7.9 million), while our staff cost was approximately RMB115.7 million for the six months ended June 30, 2014.



Corporate Governance and Other Information

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

As at June 30, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name	Position	Ordinary Shares		Restricted Share			Total Interests	Approximate % of Shareholding Interest
		Personal Interests ⁽⁶⁾	Family Interests ⁽⁷⁾	Interest of controlled corporation	Unit Scheme	Share Options		
					Beneficiaries	Personal Interests		
Mr. FENG Changge	Director	-	-	673,068,500(L) ⁽⁴⁾	-	-	673,068,500(L)	42.71%
Ms. MA Lintao	Director	-	673,068,500(L) ⁽⁴⁾	-	-	-	673,068,500(L)	42.71%
Mr. YANG Lei	Director	20,000(L)	-	-	2,444,347(L) ⁽²⁾	3,000,000(L) ⁽³⁾	5,464,347(L)	0.34%
Mr. YU Feng	Director	30,000(L)	-	-	2,600,994(L) ⁽²⁾	-	2,630,994(L) ⁽²⁾	0.16%
Mr. CUI Ke ⁽⁴⁾	Director	10,000(L)	-	-	1,817,760(L) ⁽²⁾	-	1,827,760(L)	0.11%

Notes:

- These 673,068,500 shares in the Company are held by Eagle Seeker Company Limited ("Eagle Seeker"). Mr. FENG Changge is deemed to be interested in the said 673,068,500 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.
- These shares represent shares underlying the restricted share unit awards ("RSU Awards") granted to the relevant Directors/chief executive pursuant to the restricted share unit scheme ("RSU Scheme") of the Company. For further details, please refer to the section headed "Restricted Share Unit Scheme" below.
- 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 "The Share Options Scheme" below.
- Mr. Cui Ke resigned as an executive director of the Company with effect from September 1, 2015.
- On July 2, 2015, the Company has granted 8,000,000 share options (representing approximately 0.5% shareholding interest of the Company) to Mr. Qian Yewen, the chief financial officer with effect from July 1, 2015 and also the executive Director with effect from September 1, 2015. Mr. Qian Yewen also has personal interest in 332,000 shares of the Company, all of which were purchased on the market at Mr. Qian Yewen's own cost.
- "Personal Interests" represents interests directly beneficially owned.
- "Family Interests" represents interests of spouse or child under 18.
- The letter "L" denotes the long position in ordinary shares of the Company.

Save as disclosed above, as at June 30, 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.



Corporate Governance and Other Information

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.

A RSU Award granted under the RSU Scheme gives a participant in the RSU Scheme (the “**RSU Participant**”) a conditional right when the RSU Award vests to obtain either shares of the Company (the “**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 1.75% of the Shares in issue as at the date of this report, were granted pursuant to the RSU Scheme to several RSU Participants, 5 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 June 30, 2015, 3,063,430 RSU Awards lapsed due to the resignation of certain RSU Participants.

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	Lapsed during the period	Vested during the period	Number of Shares Underlying the RSU Awards Granted as at June 30, 2015
Directors				
Mr. YU Feng	2,600,994	–	–	2,600,994
Mr. YANG Lei	2,444,347	–	–	2,444,347
Mr. CUI Ke ⁽²⁾	1,817,760	–	–	1,817,760
Former Directors				
Mr. FONG Heung Sang, Addy (Dexter) ⁽¹⁾	1,974,407	1,184,644	–	789,763
Ms. LIU Wei	173,944	–	–	173,944
Employees	8,220,660	–	–	8,220,660
Total	17,232,112	1,184,644	–	16,047,468



Corporate Governance and Other Information

Notes:

- (1) Mr. Fong Heung Sang, Addy (Dexter) has resigned as a Director of the Company with effect from June 16, 2014 and resigned as the Chief Financial Officer of the Company in April 2015.
- (2) Mr. Cui Ke has resigned as a Director of the Company with effect from September 1, 2015.

The Share Option Scheme

On June 26, 2015, the Company has adopted a share option scheme (the “**Share Option Scheme**”) by the shareholders at an extraordinary general meeting. The purpose of the Share Option Scheme is to attract, retain and motivate 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.

Details of the options (the “**Share Options**”) to subscribe ordinary shares of the Company granted as at June 30, 2015, pursuant to the Share Option Scheme are set out below:

Name of Grantees	Number of Shares Options						Date granted	Exercise price per Share
	Outstanding as at January 1, 2015	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Vested during the period	Outstanding as at June 30, 2015		
Executives								
Mr. YANG Lei								
- Executive Director, Chief Operating Officer and Vice President	-	3,000,000 ⁽¹⁾	-	-	-	3,000,000 ⁽¹⁾	June 29, 2015	HK\$10.60
Other eligible employees	-	34,000,000 ⁽¹⁾	-	-	-	34,000,000 ⁽¹⁾	June 29, 2015	HK\$10.60
Total						37,000,000⁽¹⁾		

Notes:

- (1) The exercise 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 have a vesting period 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 said 37,000,000 Share Options 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 exercise period of the Share Options is from July 2, 2015 to July 1, 2025. All Share Options granted on July 2, 2015 have a vesting period as follows: (i) 20% on July 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 said 8,000,000 Share Options on the offer date was HK\$8.05 per Share.



Corporate Governance and Other Information

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

As at June 30, 2015, 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	673,068,500 (L)	42.71%
Foxconn (Far East) Limited ⁽²⁾	Beneficial owner	128,734,000 (L)	8.16%
Hon Hai Precision Industry Co. Ltd ⁽²⁾	Interest in controlled 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., a company listed on the Taiwan Stock Exchange. Hon Hai Precision Industry Co. Ltd. is deemed to have interest in the 128,734,000 Shares held by Foxconn.
- (3) The letter "L" denotes long position in ordinary shares of the Company.

Save as disclosed above, as at June 30, 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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended June 30, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions by Directors

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 for the six months ended June 30, 2015.



Corporate Governance and Other Information

Compliance with the Corporate Governance Code

For the six months ended June 30, 2015, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules.

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

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2015.

Change in Directors’ Biographical Details

Mr. Liu Zhangmin, an independent non-executive Director, became an outside director of China Poly Group Corporation (中國保利集團公司) since April 2014.

He no longer served as (1) the independent non-executive director of China First Heavy Industries Co., Ltd (中國第一重型機械股份有限公司) (Stock Code: 601106.SS), a company listed on the Shanghai Stock Exchange since April 2015; and (2) the independent non-executive 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 since May 2015.

Mr. Xiao Changnian, an independent non-executive Director, no longer served as the independent non-executive 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 listed on the Shenzhen Stock Exchange, with effect from June 2015.

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the Code. As at the date of this report, the Audit Committee consists of three members, namely Mr. Xiao Changnian, Mr. Liu Zhangmin and Mr. Xue Guoping, all of whom are independent non-executive Directors of the Company. Mr. Xiao Changnian is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the six months ended June 30, 2015.



Interim Consolidated Statement of Profit or Loss

For the six months ended June 30, 2015

	Notes	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Revenue	4(a)	5,008,101	5,004,368
Cost of sales and services	5(b)	(4,460,364)	(4,456,684)
Gross profit		547,737	547,684
Other income and gains, net	4(b)	248,649	196,356
Selling and distribution expenses		(281,417)	(237,222)
Administrative expenses		(49,351)	(50,719)
Profit from operations		465,618	456,099
Finance costs	6	(84,662)	(98,380)
Share of profit of an associate		386	2,389
Profit before tax	5	381,342	360,108
Income tax expense	7	(98,889)	(83,701)
Profit for the period		282,453	276,407
Attributable to:			
Owners of the parent		279,330	274,686
Non-controlling interests		3,123	1,721
		282,453	276,407
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic (RMB)		0.22	0.26
Diluted (RMB)		0.21	0.26

The accompanying notes on pages 32 to 54 form an integral part of the interim condensed consolidated financial statements.



Interim Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2015

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
PROFIT FOR THE PERIOD	282,453	276,407
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(6,833)	1,168
Other comprehensive (loss)/income for the period, net of tax	(6,833)	1,168
Total comprehensive income for the period, net of tax	275,620	277,575
Attributable to:		
Owners of the parent	272,497	275,854
Non-controlling interests	3,123	1,721
	275,620	277,575

The accompanying notes on pages 32 to 54 form an integral part of the interim condensed consolidated financial statements.



Interim Consolidated Statement of Financial Position

As at June 30, 2015

		June 30, 2015	December 31, 2014
	Notes	Unaudited RMB'000	Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,720,576	2,600,526
Land use rights		12,497	12,697
Intangible assets		6,373	5,376
Prepayments	10	129,040	81,374
Investment in an associate		6,950	11,439
Deferred tax assets		37,579	26,608
Total non-current assets		2,913,015	2,738,020
CURRENT ASSETS			
Inventories	11	1,476,195	1,486,540
Trade receivables	12	81,536	73,894
Prepayments, deposits and other receivables	13	1,832,573	1,425,045
Amounts due from a related party	23(a)	-	294
Structured deposits		410,000	869,500
Pledged bank deposits		350,510	550,978
Cash in transit		47,969	33,226
Cash and cash equivalents		3,582,229	1,041,080
Total current assets		7,781,012	5,480,557
CURRENT LIABILITIES			
Bank loans and other borrowings	14	2,560,621	3,028,764
Trade and bills payables	15	878,327	877,921
Other payables and accruals		1,032,541	955,764
Amounts due to a related party	23(a)	860	-
Income tax payable		585,178	491,930
Total current liabilities		5,057,527	5,354,379
NET CURRENT ASSETS		2,723,485	126,178
TOTAL ASSETS LESS CURRENT LIABILITIES		5,636,500	2,864,198



Interim Consolidated Statement of Financial Position

As at June 30, 2015

	Notes	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	14	92,542	102,308
Deferred tax liabilities		18,801	16,127
Total non-current liabilities		111,343	118,435
NET ASSETS			
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	12,498	8,633
Reserves		5,489,326	2,615,115
Proposed final dividend		-	102,405
		5,501,824	2,726,153
Non-controlling interests		23,333	19,610
Total equity		5,525,157	2,745,763

The accompanying notes on pages 32 to 54 form an integral part of the interim condensed consolidated financial statements.



Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015

	Attributable to owners of the parent										Total equity RMB'000
	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	
At January 1, 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 period	-	-	-	-	-	-	279,330	-	279,330	3,123	266,928
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(6,833)	-	-	(6,833)	-	(6,833)
Total comprehensive income for the period	-	-	-	-	-	(6,833)	279,330	-	272,497	3,123	275,620
Non-controlling interests arising from establishment of a new subsidiary	-	-	-	-	-	-	-	-	-	600	600
Final 2014 dividend declared	-	-	-	-	-	-	(102,405)	(102,405)	(102,405)	-	(102,405)
Issue of shares (note 16)	3,865	2,593,794	-	-	-	-	-	-	2,597,659	-	2,597,659
Equity-settled share award expense (note 17)	-	-	-	-	7,390	-	-	-	7,390	-	7,390
Equity-settled share option arrangements (note 18)	-	-	-	-	530	-	-	-	530	-	530
At June 30, 2015 (Unaudited)	12,498	3,618,302	122,841	371,200	60,533	(6,112)	1,322,562	-	5,501,824	23,333	5,525,157

* These reserve accounts comprise the consolidated reserves of RMB5,489,326,000 (December 31, 2014: RMB2,615,115,000) in the interim consolidated statement of financial position as at June 30, 2015.



Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 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 January 1, 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 period	-	-	-	-	-	-	274,686	-	274,686	1,721	276,407
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	1,168	-	-	1,168	-	1,168
Total comprehensive income for the period	-	-	-	-	-	1,168	274,686	-	275,854	1,721	277,575
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 17)	-	-	-	-	13,856	-	-	-	13,856	-	13,856
At June 30, 2014 (Unaudited)	8,633	1,126,913	89,672	371,200	37,704	2,464	806,722	-	2,443,308	19,992	2,463,300

The accompanying notes on pages 32 to 54 form an integral part of the interim condensed consolidated financial statements.



Interim Condensed Consolidated Cash Flow Statement

For the six months period ended June 30, 2015

	Notes	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Operating activities			
Profit before tax		381,342	360,108
Adjustments for:			
Share of profit of an associate		(386)	(2,389)
Depreciation of items of property, plant and equipment	5(c)	61,604	45,365
Amortisation of land use rights	5(c)	200	200
Amortisation of intangible assets	5(c)	714	325
Interest income	4(b)	(79,580)	(64,561)
Penalty income from cancellation of a potential acquisition contract	4(b)	-	(15,835)
Net (gain)/loss on disposal of items of property, plant and equipment	5(c)	(6,634)	4,338
Equity-settled share award expense	5(a)	7,390	13,856
Equity-settled share option expense	5(a)	530	-
Finance costs	6	84,662	98,380
		449,842	439,787
Decrease/(increase) in pledged bank deposits		200,468	(299,505)
Increase in cash in transit		(14,743)	(14,521)
(Increase)/decrease in trade receivables		(7,642)	55,219
Decrease/(increase) in prepayments, deposits and other receivables		13,913	(502,122)
Decrease in inventories		10,345	213,478
Increase in trade and bills payables		406	174,489
Increase/(decrease) in other payables and accruals		78,543	(16,259)
Cash generated from operations		731,132	50,566
Income tax paid		(13,938)	(18,663)
Net cash generated from operating activities		717,194	31,903
Investing activities			
Purchase of items of property, plant and equipment		(253,963)	(270,931)
Proceeds from disposal of items of property, plant and equipment		70,773	42,948
Purchase of intangible assets		(1,711)	(628)
Investment in an associate		-	(4,758)
Prepayment for purchase of equity interests from third parties		(30,450)	-
Dividends received from an associate		4,875	-
Repayment of advance from an associate		294	-
Advance to the Controlling Shareholder, net		860	36,585
Repayment of advance to a third party		-	159,500
Entrusted loans made to third parties		(402,050)	-
Penalty income from cancellation of a potential acquisition contract		-	15,835
(Increase)/decrease in time deposits		(518,000)	530,100
Decrease/(increase) in structure deposits		459,500	(769,500)
Interest received		61,376	49,798
Net cash used in investing activities		(608,496)	(211,051)



Interim Condensed Consolidated Cash Flow Statement

For the six months period ended June 30, 2015

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Financing activities		
Proceeds from issue of new shares	2,651,039	-
Share issue expenses	(53,380)	-
Proceeds from bank loans and other borrowings	4,024,614	4,225,258
Repayment of bank loans and other borrowings	(4,502,523)	(3,914,900)
Contributions from non-controlling shareholders	600	2,000
Interest paid	(96,661)	(108,643)
Dividends paid	(102,405)	-
Net cash generated from financing activities	1,921,284	203,715
Net increase in cash and cash equivalents	2,029,982	24,567
Cash and cash equivalents at the beginning of each period	830,680	783,865
Effect of foreign exchange rate changes, net	(6,833)	1,168
Cash and cash equivalents at the end of each period	2,853,829	809,600
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	3,582,229	1,460,000
Non-pledged time deposits with original maturity of more than three months when acquired	(728,400)	(650,400)
Cash and bank balances	2,853,829	809,600
Cash and cash equivalents as stated in the statement of cash flows	2,853,829	809,600

The accompanying notes on pages 32 to 54 form an integral part of the interim condensed consolidated financial statements



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

1. GENERAL INFORMATION

China Harmony New Energy Auto Holding Limited (formerly known as “China Harmony Auto Holding Limited”) (the “**Company**”) was incorporated on September 24, 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 Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on June 13, 2013.

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**”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2015 (the “**Reporting Period**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim condensed consolidated financial statements were presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements were approved for issue on August 31, 2015. These interim condensed consolidated financial statements have not been audited.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014, except for the adoption of the revised Hong Kong Financial Reporting Standards and interpretations as of January 1, 2015, noted below:

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning July 1, 2014.

Amendments to HKAS 19 <i>Annual Improvements 2010-2012 Cycle</i> <i>Annual Improvements 2011-2013 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> ¹ Amendments to a number of HKFRSs ¹ Amendments to a number of HKFRSs ¹
-------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

2.3 New and revised HKFRSs and new disclosure requirements under the Hong Kong companies ordinance not yet adopted

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

¹ Effective for annual periods beginning on or after January 1, 2016

² Effective for annual periods beginning on or after January 1, 2017

³ Effective for annual periods beginning on or after January 1, 2018

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

3. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

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

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered after allowances for returns, trade discounts, where applicable.

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Revenue from the sale of motor vehicles	4,216,343	4,439,295
Others	791,758	565,073
	5,008,101	5,004,368



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains, net

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Commission income	131,353	98,696
Advertisement support received from motor vehicle manufacturers	6,836	4,596
Bank interest income	41,461	29,491
Interest income from loans to third parties	18,125	29,762
Interest income from entrusted loans	19,994	-
Penalty income from cancellation of a potential acquisition contract	-	15,835
Others	30,880	17,976
Total	248,649	196,356



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

5. PROFIT BEFORE TAX

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

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	112,413	87,272
Equity-settled share award expense	7,390	13,856
Equity-settled share option expense	530	-
Other welfare	19,068	14,589
	139,401	115,717
(b) Cost of sales and services		
Cost of sales of motor vehicles	4,034,055	4,140,246
Others	426,309	316,438
	4,460,364	4,456,684



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

5. PROFIT BEFORE TAX (continued)

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
(c) Other items		
Depreciation of items of property, plant and equipment	61,604	45,365
Amortisation of land use rights	200	200
Amortisation of intangible assets	714	325
Net (gain)/loss on disposal of items of property, plant and equipment	(6,634)	4,338
Advertisement and business promotion expenses	29,751	32,606
Bank charges	5,852	7,364
Lease expenses	39,957	29,218
Logistics and petroleum expenses	12,062	10,206
Office expenses	4,502	3,877
Foreign exchange differences, net	(130)	(189)

6. FINANCE COSTS

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Interest expense on bank borrowings wholly repayable within five years	82,932	96,628
Interest expense on other borrowings	13,729	12,015
Less: Interest capitalised	(11,999)	(10,263)
	84,662	98,380



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

7. INCOME TAX

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Current Mainland China corporate income tax	107,186	84,772
Deferred tax	(8,297)	(1,071)
	98,889	83,701

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% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

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%.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

8. DIVIDENDS

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Dividends on ordinary shares declared during the period		
Final dividends for 2014: HK10 cents (2013: HK8 cents)	102,405	67,251

The Board of the Company has resolved not to declare any interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

9. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period. The number of shares for the period has been arrived at after eliminating the restricted shares of the Company held under the share award scheme.

The calculation of the diluted earnings per share amount is based on the profit for the period 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 share award scheme and the Share Option Scheme.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Earnings		
Profit for the period attributable to ordinary equity holders of parent	279,330	274,686
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,290,931,463	1,075,126,000
Effect of dilution-weighted average number of ordinary shares:		
– Restricted shares	14,769,744	–
– Share options	–	–
	1,305,701,207	1,075,126,000



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

10. PREPAYMENTS

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Prepayments for purchase of items of property, plant and equipment	68,014	49,611
Prepaid lease for buildings and land use rights	30,576	31,763
Prepayments for purchase of equity interests from third parties (i)	30,450	-
	129,040	81,374

Note:

- (i) Pursuant to the sales and purchase agreement, the Group has prepaid RMB30,450,000 to acquire 22.93% equity interests in 浙江綠野汽車有限公司 (Green Field Motor Co., Ltd.*).

11. INVENTORIES

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Motor vehicles	1,338,507	1,355,292
Spare parts and accessories	137,688	131,248
	1,476,195	1,486,540

At June 30, 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB403,490,000 (December 31, 2014: RMB560,245,000) were pledged as security for the Group's bank loans and other borrowings.

At June 30, 2015, certain of the Group's inventories with an aggregate carrying amount of approximately RMB343,313,000 (December 31, 2014: RMB296,964,000) were pledged as security for the Group's bills payable.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

12. TRADE RECEIVABLES

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Trade receivables	81,536	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:

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Within 3 months	75,425	66,364
More than 3 months but less than 1 year	6,111	7,530
	81,536	73,894

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

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Neither past due nor impaired	81,536	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.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Prepayments to suppliers	518,250	659,294
Rebate receivables	407,980	390,129
Loans to third parties (i)	565,200	145,000
VAT recoverable (ii)	152,567	162,517
Prepaid interest expense	17,593	-
Deposits for purchasing equity interests	10,000	-
Interest receivables	9,556	9,477
Staff advances	7,421	5,876
Others	144,006	52,752
	1,832,573	1,425,045

Notes:

- (i) The loans granted to third parties (with amounts of RMB163,150,000 as of June 30, 2015 (December 31, 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. These loans granted to third parties earn interest at fixed interest rates of 25% and have a maturity period within one year.

During the period, the Group granted entrusted loans to third parties with amounts of RMB402,050,000 (December 31, 2014: Nil), which bear interest at rates ranging from 20% to 21% per annum with 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 to 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.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

14. BANK LOANS AND OTHER BORROWINGS

	June 30, 2015 Unaudited		December 31, 2014 Audited	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
Current				
Bank loans	5.1-8.7	1,943,641	6.0-8.7	2,471,014
Other borrowings	8.0-8.7	616,980	8.0-8.7	557,750
		<u>2,560,621</u>		<u>3,028,764</u>
Non-current				
Bank loans	7.5-8.7	92,542	7.5-8.7	102,308
		<u>2,653,163</u>		<u>3,131,072</u>

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Bank loans and other borrowings representing:		
– secured	1,089,071	1,111,030
– guaranteed	692,880	936,720
– secured and guaranteed	217,183	254,272
– unsecured	654,029	829,050
	<u>2,653,163</u>	<u>3,131,072</u>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,910,503	2,471,014
In the second year	33,138	33,138
In the third to fifth years, inclusive	92,542	69,170
	<u>2,036,183</u>	<u>2,573,322</u>
Other borrowings repayable:		
Within one year or on demand	616,980	557,750
	<u>2,653,163</u>	<u>3,131,072</u>



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

14. BANK LOANS AND OTHER BORROWINGS (continued)

- (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 RMB12,497,000 as at June 30, 2015 (December 31, 2014: RMB12,697,000);
 - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB33,467,000 as at June 30, 2015 (December 31, 2014: RMB34,158,000); and
 - (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB403,490,000 as at June 30, 2015 (December 31, 2014: RMB560,245,000).
- (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 RMB619,383,000 were guaranteed by the Controlling Shareholder as at June 30, 2015 (December 31, 2014: RMB836,472,000);
 - (ii) certain of the Group's bank loans and other borrowings amounting to RMB45,680,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at June 30, 2015 (December 31, 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 December 31, 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 June 30, 2015 (December 31, 2014: RMB35,000,000); and
 - (v) certain of the Group's bank loans amounting to RMB230,000,000 were guaranteed by the Controlling Shareholder and Henan Hexie Property Co., Ltd. as at June 30, 2015 (December 31, 2014: RMB245,000,000).



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

15. TRADE AND BILLS PAYABLES

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Trade payables	157,351	130,325
Bills payable	720,976	747,596
Trade and bills payables	878,327	877,921

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

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Within 3 months	770,991	807,222
3 to 6 months	86,711	58,071
6 to 12 months	15,249	11,831
Over 12 months	5,376	797
Total	878,327	877,921

The trade and bill 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 RMB343,313,000 as at June 30, 2015 (December 31, 2014: RMB296,964,000).
- (b) Certain of the Group's bills payable amounting to RMB17,662,000 were guaranteed by the Controlling Shareholder as at June 30, 2015 (December 31, 2014: RMB40,845,000).
- (c) Certain of the Group's bills payable amounting to RMB112,470,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at June 30, 2015 (December 31, 2014: RMB11,445,000).
- (d) Certain of Group's bills payable amounting to RMB26,224,000 were guaranteed by Hexie Industrial Group as at December 31, 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 December 31, 2014.



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

16. SHARE CAPITAL

Authorised:

	As at June 30, 2015 and December 31, 2014 No. of shares at HK\$0.01 each
Ordinary shares	<u>2,000,000,000</u>

Issued and fully paid:

	As at June 30, 2015		As at December 31, 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	1,556,589,779	12,347	1,075,126,000	8,482
Restricted shares (note (a))	19,110,898	151	19,110,898	151
	1,575,700,677	12,498	1,094,236,898	8,633

	Number of issued and fully paid shares	Nominal value of shares HK\$'000	Share premium without declared final dividend HK\$'000	Equivalent nominal value of shares RMB'000	Equivalent share premium		Equivalent share premium RMB'000
					without declared final dividend RMB'000	Declared final dividend RMB'000	
As at January 1, 2015	1,094,236,898	10,942	1,513,603	8,633	1,194,164	(169,656)	1,024,508
Issue of new shares (note (b))	481,463,779	4,815	3,300,189	3,865	2,647,174	-	2,647,174
Share issue expenses	-	-	(63,310)	-	(53,380)	-	(53,380)
As at June 30, 2015	1,575,700,677	15,757	4,750,482	12,498	3,787,958	(169,656)	3,618,302



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

16. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to the resolution of the Board of the Company on May 28, 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 June 13, 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 and managed by a professional trustee. For further details of the RSU Scheme, please refer to note 17 below.
- (b) During the period, the issuances of new shares were as follows:
 - (i) On January 21, 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 approximately HK\$547,887,000 (equivalent to approximately RMB439,294,000).
 - (ii) On March 2, 2015, the Company issued 128,734,000 new ordinary shares of HK\$0.01 each at a price of HK\$4.73 per share with gross proceeds of approximately HK\$608,911,000 (equivalent to approximately RMB492,149,000).
 - (iii) On June 3, 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 approximately HK\$2,148,205,000 (equivalent to approximately RMB1,719,596,000).



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

17. RSU SCHEME

The Company's RSU Scheme was approved and adopted by the then shareholder on May 20, 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 May 28, 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 January 2, 2014, 30% on January 2, 2015, 30% on January 2, 2016 and 30% on January 2, 2017. Each RSU awards 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 August 27, 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 remains unchanged.

Pursuant to a resolution passed by the board of directors 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 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 remain 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 RMB7,390,000 during the six months ended June 30, 2015 (six months ended June 30, 2014: RMB13,856,000).



Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2015

17. 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.

During the six months ended June 30, 2015, 1,184,644 RSU awards lapsed due to the resignation of a RSU Participant. As a result, the Company had 16,047,468 RSU awards outstanding under the RSU Scheme at the end of the period.

18. SHARE OPTION SCHEME

On June 29, 2015, 37,000,000 share options with an exercise price of HK\$10.60 were granted to employees (the “**Grantees**”) in respect of their services to the Group, under the share option scheme adopted by the Company on June 26, 2015 (the “**Share Option Scheme**”). All share options granted on June 29, 2015 pursuant to the Share Option Scheme to the Grantees have a vesting period of three years as follows: 40% on November 29, 2015, 30% on June 29, 2016 and 30% on June 29, 2017.

The Group recognised a share option expense of RMB530,000 during the six months ended June 30, 2015 (six months period ended June 30, 2014: Nil).

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group’s financial instruments as at each reporting date were as follows:

Financial assets

	Loans and receivables	
	June 30, 2015 Unaudited RMB’000	December 31, 2014 Audited RMB’000
Trade receivables	81,536	73,894
Financial assets included in prepayments, deposits and other receivables	1,161,756	603,234
Amounts due from a related party	–	294
Structured deposits	410,000	869,500
Pledged bank deposits	350,510	550,978
Cash in transit	47,969	33,226
Cash and cash equivalents	3,582,229	1,041,080
	5,634,000	3,172,206



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19. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Trade and bills payables	878,327	877,921
Financial liabilities included in other payables and accruals	188,010	173,536
Amounts due to a related party	860	-
Bank loans and other borrowings	2,653,163	3,131,072
	3,720,360	4,182,529

20. 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/to a related party, trade and bill 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, which are also approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at June 30, 2015 was assessed to be insignificant.

As the end of the period, neither the Group nor the Company had any financial asset or liability measured at fair value (December 31, 2014: Nil).

During the period, 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 (December 31, 2014: Nil).



Notes to the Interim Condensed Consolidated Financial Statements

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21. CONTINGENT LIABILITIES

As at June 30, 2015, neither the Group nor the Company had any significant contingent liabilities.

22. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at each reporting date not provided for these financial statements are as follows:

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Contracted, but not provided for land use rights and buildings	207,500	254,692
Contracted, but not provided for equity interests investment in Green Field Motor Co., Ltd	27,650	-

(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:

	June 30, 2015 Unaudited		December 31, 2014 Audited	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	87,753	16,665	69,044	15,793
In the second to fifth years, inclusive	223,231	68,863	184,597	67,378
After five years	144,147	221,946	120,849	230,599
	455,131	307,474	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.



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23. 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 13, note 14 and note 15 to the financial statements, the Group had the following transactions and balances with related parties during the period:

(a) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2015 and December 31, 2014, respectively.

Due from a related party:

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Non-trade related:		
An associate		
– 鄭州永達和諧汽車銷售服務有限公司 (Zhengzhou Yongda Hexie Automobiles Sales & Service Co., Ltd.)	–	294

Due to a related party:

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Non-trade related:		
– Hexie Industrial Group	860	–

Balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.



Notes to the Interim Condensed Consolidated Financial Statements

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23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	For the six months ended June 30, 2015 Unaudited RMB'000	For the six months ended June 30, 2014 Unaudited RMB'000
Short term employee benefits	1,580	2,514
Equity-settled share award expense	4,740	13,856
Equity-settled share option expense	43	-
Post-employee benefits	103	120
	6,466	16,490
Total compensation paid to key management personnel	6,466	16,490

24. EVENTS AFTER THE REPORTING PERIOD

On July 2, 2015, 8,000,000 share options with an exercise price of HK\$10.60 were granted to the chief financial officer of the Company in respect of his service to the Group, under the Share Option Scheme.