



广汽集团
GAC GROUP

Guangzhou Automobile Group Company Limited
廣州汽車集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2238



2015
Annual Report



1. The Board, supervisory committee and the directors, supervisors and senior management of the Company warrant the authenticity, accuracy and completeness of the information contained in the annual report and there are no misrepresentations, misleading statements contained in or material omissions from the annual report for which they shall assume joint and several responsibilities.
2. All directors of the Company have attended the meetings of the Board.
3. Zhang Fangyou, the Chairman of the Company, Zeng Qinghong, the General Manager, Wang Dan, the person in charge of accounting function and Li Canhui, the manager of the accounting department (Accounting Chief), represent that they warrant the truthfulness and completeness of the financial statement contained in this annual report.
4. The plan for profit distribution or conversion of capital reserve fund into share capital for the reporting period considered by the Board:

The Board proposed payment of cash dividend of RMB1.2 per 10 shares (tax inclusive), and together with the cash dividend paid of RMB0.8 per 10 shares (including tax) during the interim period, the ratio of total cash dividend payment for the year to net profit attributable to the shareholders' equity of listed company for the year was approximately 30.56%.

5. Risks relating to forward-looking statements

The forward-looking statements contained in this annual report regarding the Company's future plans and development strategies do not constitute any substantive commitment to investors and investors are reminded of investment risks and to exercise caution in their investment.

6. No appropriation of funds of the Company by the controlling shareholder or its related parties for non-operational activities.
7. There are no guarantees granted to external parties by the Company without complying with the prescribed decision-making procedures.





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I DEFINITIONS

In this annual report, unless the context otherwise requires, all terms used shall have the following meaning:

“associated companies, associated enterprises”	all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entities
“Board”	the board of directors of the Company
“Company” or “the Company”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司)
“Company Law”	Company Law of the PRC
“CAAM”	China Association of Automobile Manufacturers
“China Lounge Investments”	China Lounge Investments Limited (中隆投資有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
“CSRC”	China Securities Regulatory Commission
“Denway Motors”	Denway Motors Limited (駿威汽車有限公司), a wholly-owned subsidiary of the Company incorporated on 23 June 1992 in Hong Kong
“GAC Bus”	Guangzhou Automobile Group Autobus Co., Ltd (廣州汽車集團客車有限公司) (formerly known as Guangzhou Denway Bus Co., Ltd (廣州駿威客車有限公司)), a wholly-owned subsidiary of the Group incorporated on 18 January 1993 under PRC law
“GAC BYD”	Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), an associated company incorporated on 4 August 2014 under PRC law by the Group and BYD Company Limited, and the Group holds 49% of its equity interest
“GAC Capital”	GAC Capital Co., Ltd. (廣汽資本有限公司), a wholly-owned subsidiary incorporated in April 2013 under PRC Law
“GAC Changfeng”	GAC Changfeng Motor Co., Ltd. (廣汽長豐汽車股份有限公司) (formerly known as Hunan Changfeng Motor Co. Ltd. (湖南長豐汽車製造股份有限公司)), a company incorporated in November 1996 under PRC law, in which the Company currently holds 100% equity interest
“GAC Commercial”	Guangzhou Automobile Group Business Co., Ltd (廣州汽車集團商貿有限公司), a wholly-owned subsidiary of the Group incorporated on 21 March 2000 under PRC law



Chapter 1 Definitions

“GAC Component”	Guangzhou Automobile Group Component Co., Ltd. (廣州汽車集團零部件有限公司), a wholly-owned subsidiary incorporated on 29 August 2000 under PRC law and jointly funded by the Group and its subsidiaries
“GAC Fiat-Chrysler”	GAC FIAT Automobiles Co., Ltd. (廣汽菲亞特汽車有限公司), a jointly controlled entity incorporated on 9 March 2010 under PRC law by the Company and Fiat Group Automobiles S.P.A., on 19 January 2015, the name of this company was changed to GAC Fiat Chrysler Automobiles Co., Ltd. (廣汽菲亞特克萊斯勒汽車有限公司)
“GAC Gonow”	GAC Gonow Automobile Co., Ltd (廣州吉奧汽車有限公司), a subsidiary incorporated on 8 December 2010 under PRC Law by the Company and Gonow Auto, and the Company holds 51% of its equity interest
“GAC Hino”	GAC Hino Motors Co., Ltd. (廣汽日野汽車有限公司), a jointly controlled entity incorporated on 28 November 2007 under PRC law by the Company and Hino Motors, Ltd.
“GAC (HK)”	Guangzhou Auto Group (Hong Kong) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of GAIG
“GAC Leasing”	Guangzhou Automobile Leasing Co., Ltd. (廣州廣汽租賃有限公司), a subsidiary of GAC Commercial incorporated in February 2004 under PRC law
“GAC Mitsubishi”	GAC Mitsubishi Motor Co., Ltd. (廣汽三菱汽車有限公司), a jointly controlled entity incorporated on 25 September 2012 under PRC law held by the Company and Mitsubishi Motors Corporation
“GAC Toyota Engine”	GAC Toyota Engine Co., Ltd. (廣汽豐田發動機有限公司), an associated company incorporated on 24 February 2004 under PRC law by the Group and Toyota Motor Company, and the Company holds 30% of its equity interest
“GAC-SOFINCO”	GAC-SOFINCO Automobile Finance Co., Ltd. (廣汽滙理汽車金融有限公司), a jointly controlled entity incorporated on 25 May 2010 under PRC law by the Company and Société de Financement Industriel et Commercial (SOFINCO)
“GAMC”	Guangzhou Automobile Group Motor Co. Ltd. (廣州汽車集團乘用車有限公司), a wholly-owned subsidiary incorporated on 21 July 2008 under PRC law by the Group
“GAC Toyota”	GAC Toyota Motor Co. Ltd (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Motor Co. Ltd (廣州豐田汽車有限公司)), a jointly controlled entity incorporated on 1 September 2004 under PRC law by the Company and Toyota Motor Company



“GAEI”	Guangzhou Automobile Group Company Automotive Engineering Institute, a subsidiary of the Company, established on 29 June 2006 for the purpose of conducting research and development of the products and technology in which the Company has proprietary rights
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), which was a state-owned enterprise incorporated on 18 October 2000, and is the controlling shareholder of the Company
“Gonow Holdings”	Zhejiang Gonow Holdings Limited (浙江吉奧控股集團有限公司), a company incorporated under PRC law with limited liabilities
“Guangqi Honda”	Guangqi Honda Automobile Co., Ltd. (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd (廣州本田汽車有限公司)), a jointly controlled entity incorporated on 13 May 1998 under PRC law by the Company and Honda Motor Co. Ltd.
“Guang Ai”	Guangzhou Guang Ai Insurance Brokers Limited (廣州廣愛保險經紀有限公司), a subsidiary incorporated on 7 June 2006 under PRC law, in which the Company accumulatively (directly and indirectly) holds 75.1% equity interest
“the Group”	The Company and its subsidiaries, joint venture companies, associated companies
“Honda (China)”	Honda Automobile (China) Co., Ltd. (本田汽車(中國)有限公司), an associated company incorporated by the Company, Honda Motor Co. Ltd. and Dongfeng Motor Company on 8 September 2003 under PRC law, and the Company holds 25% of its equity interest
“joint venture, joint enterprise, jointly controlled entity”	joint venture companies under direct or indirect joint control, and the direct or indirect joint control causes no participating party to have any unilateral control power over the economic activities of that jointly controlled entity
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Shares on the SSE, as amended from time to time
“MPV”	multi-purpose passenger vehicle
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)



Chapter 1 Definitions

“SSE”	the Shanghai Stock Exchange
“Shanghai Hino”	Shanghai Hino Engine Co., Ltd. (上海日野發動機有限公司), an associated company incorporated on 8 October 2003 under PRC law. Shanghai Hino is held as to 50% by Hino Motors, Ltd., 30% by the Company and 20% by Shanghai Electric (Group) Corporation respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUV”	sports utility vehicle
“Tong Fang Logistics”	Tong Fang Global (Tianjin) Logistics Co., Limited (同方環球(天津)物流有限公司), jointly established by China First Automobile Works Group and Toyota Motor Company in July 2007, and the Company holds 25% of its equity interest
“Urtrust Insurance”	Urtrust Insurance Co., Ltd (眾誠汽車保險股份有限公司), a subsidiary incorporated on 8 June 2011 under PRC law, and in which the Group directly and indirectly holds a total of 60% equity interest
“Wuyang-Honda”	Wuyang-Honda Motors (Guangzhou) Co., Ltd. a jointly controlled entity jointly established in 1992 by the Company, Honda Motor Co. Ltd. and Honda Technology & Research Industry (China) Investment Co., Ltd., in which each company holds 50% equity interest







Zhang Fangyou
Chairman

Dear shareholders,

On behalf of the Board, I am pleased to present the 2015 annual report of the Company for your review.

I. ANNUAL RESULTS

In 2015, in face of the pressure on economic downturn, intensifying polarisation in different industries, and a lot of expected and unexpected problems and challenges during the economic transformation process, the central government implemented a series of policies and measures which stabilised economic growth, adjusted structures, induced reforms, benefited the livelihood of people and prevented risk. For the year 2015, year-on-year GDP growth was 6.9% and CPI recorded a year-on-year increase of 1.5% while PPI decreased by 5.2% as compared with the corresponding period last year. The economic growth maintained within a reasonable range and structural adjustment achieved new progress. Overall, China's economy evinced the characteristics of stability with slowdown and progress.

According to the data of CAAM, in 2015, the production and sales of vehicles in China were 24,503,300 units and 24,597,600 units, representing a year-on-year increase of 3.3% and 4.7% respectively but growth rate recorded a decrease of 4% and 2.2% as compared with the corresponding period last year. In particular, the production and sales of passenger vehicles first time exceeded 20,000,000 units and amounted to 21,079,400 units and 21,146,300 units, representing an increase of 5.8% and 7.3% respectively compared to the corresponding period last year. New energy vehicles were the focus of the Chinese vehicle market in 2015 with the production and sales of passenger vehicles amounting to 340,500 units and 331,100 units, representing an increase of 330% and 340% respectively compared to the corresponding period last year. The market demand for motorcycles dropped significantly. The production and sales of motorcycles in China were 18,832,200 units and 18,823,000 units respectively, representing a decrease of 11.57% and 11.71% respectively, being 4.49% and 4.12% higher compared to last year.



The production and sales of vehicles of the Group together with its joint ventures and associated companies were 1,273,900 units and 1,299,700 units respectively, representing an increase of 4.54% and 10.86% respectively compared to the corresponding period last year, of which the production and sales of passenger vehicles under the self-developed brand Trumpchi amounted to 188,900 units and 195,100 units, representing an increase of 52.46% and 61.64% as compared to the corresponding period last year; SUV had the fastest growth. It recorded production and sales volume of 423,900 units and 428,500 units for the year, representing an increase of 54.54% and 61.20% as compared to the corresponding period last year. The production of motorcycles was 1,061,900 units, representing a decrease of 1.11%; sales of motorcycles was 1,070,200 units, representing an increase of 0.74% compared to the corresponding period last year; operating income amounted to approximately RMB215,999 million, representing an increase of approximately 5.61% as compared with the same period last year.

The Group's consolidated revenue amounted to approximately RMB29,418 million, representing an increase of approximately 31.43% as compared with the corresponding period last year; the net profit attributable to equity holders of the Company amounted to approximately RMB4,212 million, representing an increase of approximately 31.85% as compared with the corresponding period last year; earnings per share was approximately RMB0.65, representing an increase of approximately RMB0.15 as compared with the corresponding period last year; and return on net assets was 11.36%, representing an increase of approximately 2.11% as compared with the corresponding period last year.

In 2015, the growth rate of the Group's sales volume was 232% higher than the industry average, and the market share of the Group increased by 0.5% as compared with same period last year. Sales of motorcycles bucked the trend and recorded a positive growth, with a growth rate of 12% above the industry average.

Driven by innovation, the Group initially established its own system with the theme of "Two centres, four platforms", where GAEI acted as a technological research and development centre, and GAMC acted as the production and manufacturing centre, sharing the research and development, sourcing, brand sales and service channels, human resources and other resources. Also, the Group increased resources input into R&D, production and marketing of new energy vehicles to advance the further development of the new energy vehicles business.

The Group, together with its joint ventures and associated companies, focused on the development of major projects and optimised the layout of advanced manufacturing. The investment amount for major projects during the year was RMB11,155 million, representing an increase of 12% as compared to the corresponding period last year. The Group and its investment companies implemented product strategic planning and introduced new products to promote the optimisation and upgrade of product structure.

The Group strengthened management on market capitalisation in response to the frequent fluctuations in A share market. Encouraging the substantial shareholder, a state-owned institution, to increase its shareholding, the undertakings to not reduce shareholdings were given by directors, supervisors and senior management, and a series of innovative measures to maintain investor relationship and investment, had stabilised and increased the Company's stock price. As at the end of the reporting period, the market capitalisation of the Company exceeded RMB100 billion, representing an increase of approximately 119% as compared to the beginning of the year.



II. RESULTS OF THE “TWELFTH FIVE-YEAR PLAN”

During the period of the “Twelfth Five-year Plan”, the Group recorded production and sales volume of over a million units in vehicles and motorcycles together with joint ventures and associated companies. CAGR of vehicle sales was 15%, which was 8% above the industry average. Operating revenue increased by 168% and its CAGR was 27.93%. The ratio of annual average cash bonus was over 30%. After many years of strategic layout, the Group completed full automobile industry chain by launching five core segments, namely R&D, whole vehicle, auto parts, commercial services and financial services businesses; acquired internationally advanced manufacturing and management technology and was equipped with competitive edge in quality; initiated the independent and innovative R&D and production system “GAC Model”; built A/H share investment and financing platform and formed the capability of capital operation and integration of industry and financing. We were also pleased that since the beginning of 2013 the major shareholder GAIG, has been listed on the Fortune 500 enterprises for successive years and the rank continuously rose to 362 in 2015.

On the basis of evaluating and summarising the experience of the “Twelfth Five-year Plan”, the Group completed the formulation of the plan for the “Thirteenth Five-year Plan” and formulated the sub-plans of capital operation strategy and internationalisation strategy, ascertaining the overall goal and development philosophy.

III. PROSPECTS

In 2016, the global economy tortuously recovers from deep correction and the economic environment remains harsh and complicated. In the first year of the “Thirteenth Five-year Plan”, China’s economy is in a critical stage of transformation and rebalancing. Basically, the economy continues to retain its upward trend in the long run. It is expected that the GDP growth rate for the year will range between 6.5%-7.0%. In view of positive factors such as the continuous stable growth of China’s economy, continuous rise in urban and rural income, state policies to further expand domestic consumption, low oil price and rapid development of the vehicle aftermarket, but also challenging factors such as buying restrictions in central cities, traffic jams, difficult and expensive parking, the increasing pressure on energy conservation and environmental protection, as well as the change in consumption pattern and transportation means, together with the increasingly higher car ownership and sales bases, it is expected that the growth rate of annual sales of vehicles will be around 5%.

In 2016, based on the development plan for “Thirteenth Five-year Plan” and the annual operation plan, the Group will strengthen and strive to improve the strength of self-developed brand, accelerate the implementation of new energy vehicles development, promote the R&D of whole vehicle and parts and components, manufacturing upgrade, and the structural optimisation of commercial and financial services industry. The Group will cultivate and layout for strategic emerging industry such as the greater transport sector and advance the establishment of brand and corporate culture and improve overall competitiveness.

IV. ACKNOWLEDGEMENT

On behalf of the Group, I would like to express sincere gratitude to the shareholders, business partners, and all employees for their continuous support and contribution to the development of the Group. Adhering to its corporate philosophy of “people as foundation, integrity as principle, innovation as priority”, the Group will maintain growth with firm confidence, adapt to the new normal and seek new development opportunity.





I. CORPORATE INFORMATION

Chinese name of the Company	廣州汽車集團股份有限公司
Chinese abbreviation	廣汽集團
English name of the Company	GUANGZHOU AUTOMOBILE GROUP CO., LTD.
English abbreviation	GAC GROUP
Legal representative	Zhang Fangyou

II. CONTACT PERSON AND CONTACT METHOD

Secretary to the Board

Name	Lu Sa
Address	GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou
Telephone	020-83150886
Facsimile	020-83150319
E-mail	lus@gagc.com.cn

III. BASIC INFORMATION

Registered office of the Company	23/F, Chengyue Building, 448-458 Dong Feng Zhong Road, Yuexiu District, Guangzhou 510030
Postal code of the Company's registered office address	
Office address of the Company	GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou 510623
Postal code of the Company's office address	
Principal place of business in Hong Kong	Room 808, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Company's website	www.gagc.com.cn
E-mail	ir@gagc.com.cn
Investor hotline	020-83151089

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing the annual report	www.sse.com.cn
Website designated by Stock Exchange for publishing the annual report	www.hkex.com.hk
Place of inspection of the annual report of the Company	22/F, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou



V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's Shares			
Class of shares	Stock Exchange of listing shares	Stock abbreviation	Stock code
A shares	SSE	GAC GROUP	601238
H shares	Stock Exchange	GAC GROUP	02238

VI. OTHER RELEVANT INFORMATION

Auditors (Domestic)	Name:	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address:	4th Floor, 61 Nanjing East Road, Huangpu District, Shanghai
	Name of signatory Accountants:	Liu Jiesheng, Xu Dan
Auditors (Overseas)	Name:	PricewaterhouseCoopers
	Business address:	22/F, Prince's Building, Central, Hong Kong
	Name of signatory Accountants:	Xavier Zee
H share registrar of the Company	Name:	Tricor Investor Services Limited
	Address of the registrar:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong



VII. DIFFERENCE IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

The differences in net profits and net assets in accordance with overseas financial reporting standards and PRC Accounting Standards are set out as follows:

Unit: RMB'000

	Net profits		Net assets	
	Current period	Last period	End of period	Beginning of period
In accordance with PRC Accounting Standards	4,006,861	2,936,397	39,437,435	36,195,725
Adjusted items and amounts under overseas financial reporting standards:				
Staff and workers' bonus and welfare fund included in profit or loss restored to profit distribution	-21,797	-1,117	0	0
Amortisation of equity investment difference	416	416	44,877	44,461
Difference in accounting treatment of the reversal of impairment of non-current assets	49	-378	9,008	8,961
In accordance with overseas financial reporting standards	3,985,529	2,935,318	39,491,320	36,249,147

Financial statements of the Company for the year 2015 prepared in accordance with the China Accounting Standard have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP.





I. SUMMARY OF BUSINESS

The main businesses consist of the research and development, manufacturing, sales and after-sales services of passenger vehicles, commercial vehicles, motorcycles, and auto parts, the import and export of automobile-related products, automobile leasing, used vehicles, logistics services, disassembling, renewable resources, automobile credit, finance leasing, commercial factoring, insurance, insurance brokerage services and equity interest investment.

1. Vehicles

The Group's passenger vehicles are mainly produced through its joint ventures Guangqi Honda, GAC Toyota, GAC Fiat-Chrysler and GAC Mitsubishi and its subsidiaries, GAMC and GAC Gonow. The Company's passenger vehicles mainly consist of multiple series of sedans, SUV and MPV, such as Guangqi Honda Accord, Crider, Vezel, Crosstour, Odyssey, Fit, Everus, etc.; GAC Toyota Camry, Highlander, Yaris L, E'Z, Levin, etc.; GAC Fiat-Chrysler Viaggio, Ottimo, JEEP Cherokee, etc.; GAC Mitsubishi ASX, Pajero, etc.; GAC Trumpchi (GA5, GA6, GS5, GS5•SUPER, GA3, GA3S•Vision, GS4), GAC Gonow Aoxuan G5, Xinglang etc.

Energy conservation and new energy products of the Group include: hybrid GAC Toyota Camry twin engine and Levin twin engine and GAC Trumpchi programmed hybrid GA5REV.

The Group also participates in the production of Accord sedans through its associate Honda (China), completely oriented to markets such as the Middle East.

The commercial vehicles of the Group are mainly manufactured by GAC Hino, GAC Bus, GAC Gonow and GAC BYD. Main products include light and heavy trucks, construction vehicles, pickups, large to medium-sized passenger vehicles (including purely electrically powered and hybrid), etc.

As at the end of the reporting period, production capacity of passenger vehicles and commercial vehicles of the Group was 1,620,000 units.

The Group develops automobile sales through sales outlet and online channels, as at the end of the reporting period, the Company, together with its joint ventures and associated companies has 2,404 sales outlets covering 31 provinces, counties, autonomous regions and municipalities, 210 of which were new outlets established during the year. At the same time, 127,765 vehicles were sold through online channels during the reporting period, representing 9.8% of the total sales of vehicles for the year.

2. Motorcycles

The Group manufactures motorcycles mainly through its joint venture Wuyang-Honda. Main products include standard motorcycles, sport bikes and scooters, etc.

As at the end of the reporting period, the production capacity of motorcycles of the Group was 1.25 million units.



3. Parts and components

The Group's production of auto-parts was mainly carried out through controlling, jointly controlled, invested companies and associated companies of GAC Component, a subsidiary. The auto parts include engines, gearboxes, car seats, HVAC systems, auto lamps, automation accessories, redirectors, shock absorbers and accessories. 80% of the products were whole vehicle accessories of the Group.

4. Automobile-related services

Through GAC Commercial, GAC-SOFINCO, Urtrust Insurance, GAC Capital, GAC Leasing, Guang Ai, Tong Fang Logistics to provide automobile sales, credit, insurance, finance investment, leasing, logistics and import and export and other related services.

II. INDUSTRY ENVIRONMENT

In 2015, the production and sales volume of vehicles in China had a minor growth. Total production of vehicles amounted to 24,503,300 units, representing an increase of 3.25% as compared to the corresponding period last year; and total sales of vehicles amounted to 24,597,600 units, representing an increase of 4.68% as compared to the corresponding period last year. The automobile industry showed the following features:

First, production and sales volume exceed 24,000,000 units, remaining the top in the world.

Second, production and sales of new energy vehicles amounted to 340,500 units and 331,100 units, representing an increase of 330% and 340% as compared to the corresponding period last year.

Third, the market for passenger vehicles with emission of 1.6 litres or below was higher than the overall growth of passenger vehicles achieved a rapid growth; for the year, the sales of passenger vehicles with emission of 1.6 litres or below amounted to 14,508,600 units, representing an increase of 10.38% as compared to the corresponding period last year.

Fourth, market share of self-developed brand passenger vehicles amounted to 41.3%, representing a 2.9% increase. For the year, the sales of self-developed brand passenger vehicles amounted to 8,737,600 units, representing an increase of 15.3% as compared to corresponding period last year.

Fifth, economic efficiency of the industry slightly declined. For the year, major automobile industry corporations (group) recorded a total profit amounted to RMB347,676,000,000, representing a decrease of 2.91% as compared to corresponding period last year.

Sixth, the industry concentration remained high. Sales of vehicles of top ten corporate groups amounted to 22,006,900 units, representing 89.5% of total sales of vehicles.

Seventh, the import and export of whole vehicles continued to fall. For the year, the import and export of vehicles amounted to 1,101,900 units and 755,500 units, representing a decrease of 22.73% and 20.25% as compared to the corresponding period last year.



III. ANALYSIS ON CORE COMPETITIVENESS

In the reporting period, the core competitiveness of the Group is mainly reflected in:

1. Industry layouts with complete industry chain and optimised structure

After years of resources integration and industry re-organisation, the Group has formed the industry strategic layout based in South China and radiating to North China, East China and Bohai Rim Region and a complete closed-loop industry chain centering upon manufacture of vehicles and covering research and development of vehicles and parts and components in the upstream and automobile service and financial investment in the downstream; it is the automobile groups with the most integrated industry chain nationally, and the most optimised industry layout.

2. Advanced manufacturing, craftsmanship, quality and procedure management

The Group has comprehensive advantages in terms of manufacturing, craftsmanship, quality and procedure management, mainly including: (1) world leading quality advantage; (2) innovation advantage brought by “continued improvement”; (3) cost advantage brought by seeking for greater perfection.

3. Enriched product line and optimised product structure

The Group has a full range of sedans, SUV, MPV and other full range products. The Group actively promotes the iteration of products based on the changes in the markets and the demand of consumers. It maintained a relatively high customer loyalty and a widely recognised brand reputation.

4. Initialised the “GAC Model” of the research and development and production system of self-developed brand

The Group acquired the internationally advanced production and management technique after introducing, digesting, absorbing and re-innovating it, which formulated a world class production system. For R&D, the Group integrated global resources and established a cross-platform and modular-structured R&D system so as to acquire the advantage of integrated innovation.

5. Worldwide connecting capital operation platforms

The Group successfully built capital operation platforms in both A share and H share markets, which was favourable to the Group in leveraging on domestic and overseas capital markets in various forms to achieve effective resources allocation by integration of internal and external growth and create the maximisation of capital appreciation and corporate value.





I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the Group actively advanced all kind of works in order and over accomplished annual revenue objectives:

1. **Dedicating efforts to production and operation and achieving new success through development**

The Group dedicated efforts to production and operation and major financial indicators had a stable growth. Vehicles achieved a year-on-year increase of 10.86% in sales, of which self-developed brand Trumpchi achieved a production and sales of over 180,000 units, representing an approximately 50% year-on-year growth. Year-on-year increase in motorcycles sales was 1.2%, a positive growth under the sliding trend, being higher than the industry average growth rate of approximately 11%. Multiple popular and best-selling models, such as Vezel, Trumpchi GS4, Highlander and Levin hybrid, were launched, of which the monthly sales of Trumpchi GS4 was among the top 3 of SUV in the country. Under the increasingly competitive market, the Group's market share increased by 0.5% as compared to the corresponding period last year.

2. **Reinforcing innovation-driven growth and stimulating new growth momentum**

The Group continued to strengthen the research and development and ability building. The Group validly applied for 634 new patents this year, of which 148 invention patents, 230 practical new design patents and 256 exterior design patents. For the year, the Group was granted 361 patents, of which 31 invention patents, 182 practical new design patents and 148 exterior design patents. In 2015, State-Accredited Enterprise Technology Centre, with GAEI as its core, entered the top 1%, co-ranking at 10th among over 1,100 National-level Enterprise Technology Centres in the accreditation, rising 5 places. The Group's general R&D strength is of an advanced standard in the PRC.

In the new car quality study report released by J.D. Power in 2015, GAC Trumpchi ranked 8th, 6 places higher than its ranking in 2014. It ranked the first for three consecutive years in the domestic brands.

3. **Focusing on major projects and exploring new paths for growth**

Guangqi Honda third production line and fuel-operated engine project, GAC Fiat-Chrysler Guangzhou factory project, GAC BYD new energy passenger vehicle project, GAMC production capacity expansion project, GAC Toyota production capacity expansion and increasing product diversity projects were in progress as planned, which would be favourable to extending the Company's operation scale, facilitating transformation and upgrading and improving comprehensive competitiveness, thus creating a new path for growth.

4. **Activating capital operation and releasing new energy for the economy**

Well-ordered market capitalisation management optimised shareholders structure and stabilised market confidence. A share and H share of the Group were listed on SSE 380 Index and FTSE China 50 Index respectively. The issuance of 5-year period corporate bond of RMB2 billion was successfully completed at an issuing rate significantly lower than that of bonds for the same period. The issuance of 6-year period A share convertible bond of RMB4,105.58 million was completed as planned with 352 times of oversubscription in February 2016.



5. Standardising information disclosure and keeping a positive market image

The Group insisted on protecting the interest of small and medium investors, improving the initiative, specification and effectiveness of the Company's disclosure and strengthening voluntary disclosure. During the year, 134 and 135 regular reports and ad hoc announcements were disclosed in the Stock Exchange and SSE respectively; it strengthened the management of inside information, and no knowledge of the sensitive information and made filing and registration was leaked. Investor relationship activities such as annual results release conference, domestic and overseas roadshows, reverse roadshows, vehicle exhibition communication activities and investor summits were held during the year, resulted in positive corporate and investor interactions; a total of more than 60 communication meetings were arranged during the year and more than 500 investors and analysts were connected with.

6. Performing social responsibilities and being a model corporate citizen

During the reporting period, the Group supported sports, environmental protection, cultural education, medical relief, assistance and other public welfare and charity with contribution of over RMB82,640,000.

II. DISCUSSION AND ANALYSIS BY THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, sales revenue of the Group together with its joint ventures and associated companies amounted to approximately RMB215.999 billion, representing an increase of approximately RMB11.482 billion or 5.61% as compared to the corresponding period last year.

During the reporting period, sales revenue of the Group amounted to approximately RMB29.418 billion, representing an increase of approximately 31.43% as compared to the corresponding period last year; net profit attributable to owners of the parent company amounted to approximately RMB4.212 billion, representing an increase of approximately 31.85% as compared to the corresponding period last year and earnings per share amounted to approximately RMB0.65, both representing an increase of RMB0.15 as compared to the corresponding period last year.

The major factors leading to variation of the operating results during the reporting period include: 1. the production and sales of the Group's self-developed brand, GAMC, surged by 52.46% and 61.64%; 2. major joint ventures of the Group gradually launched new car models such as Vezel and brand new Highlander, which was well-received by the market and further improved the operating results of the joint ventures; 3. the automobile credit, insurance, automobile parts and commercial services business grew alongside with the increase in sales and production volume of self-developed brand, which contributed to the growth of the operating results.

For the year ended 31 December 2015, according to the proportion of shareholdings of the Group in the joint ventures, the total jointly controlled liabilities and total revenues were RMB38,938,426,188 and RMB73,496,287,209 respectively, which will be used in the calculation of waivers granted by the Stock Exchange to the Company in respect of asset and revenue ratios.



(1) ANALYSIS OF PRINCIPAL BUSINESS

Analysis of changes of items in the consolidated statement of comprehensive income and the cash flow statement

Unit: 100 million Currency: RMB

Item	Current period	Corresponding period last year	Change (%)
Revenue	294.18	223.83	31.43
Cost of sales	259.75	198.31	30.98
Selling and distribution cost	18.67	18.41	1.41
Administrative expenses	20.37	18.82	8.24
Finance costs	8.49	7.45	13.96
Interest income	5.40	4.39	23.01
Share of profit of joint ventures and associated companies	47.20	41.81	12.89
Net cash flow generated from operating activities	38.91	3.48	1,018.10
Net cash flow generated from investment activities	7.42	-32.54	122.80
Net cash flow generated from financing activities	-33.72	-9.09	-270.96

1. Analysis on income and cost

During the reporting period, operating revenue of the Group amounted to RMB29.418 billion, representing an increase of approximately 31.43% as compared with the corresponding period last year. This was mainly due to the progressive launch of new products by the Group, the significant growth in sales volume of the self-developed brand “Trumpchi” of the Group and the rapid development of various businesses such as automobile parts and components and automobile after-production service.

During the reporting period, the Group recorded total cost of sales of approximately RMB25.975 billion, representing an increase of approximately 30.98% as compared with the corresponding period last year, which was lower than the growth rate of the profit margin. Total gross profit amounted to approximately RMB3.444 billion, representing an increase of approximately RMB891 million or 34.95% as compared with the corresponding period last year. The gross profit margin increased by 0.30% as compared with the corresponding period last year, mainly due to the effect of economies of scale from the increased sales of passenger vehicles as well as higher percentage of small vehicles due to the change in sales structure.



Principal business by industry

Unit: 100 million Currency: RMB

By Industry	Revenue	Cost of Sales	Gross profit margin (%)	Increase/decrease in revenue over last year (%)	Increase/decrease in cost of sales over last year (%)	Increase/decrease in gross profit margin over last year (%)
Vehicles and related trades	282.85	250.87	11.31	31.11	30.36	0.56
Others	11.33	8.88	21.62	40.05	51.28	-5.82
Total	294.18	259.75	11.70	31.43	30.98	0.30

Principal business by product

Unit: 100 million Currency: RMB

By product	Revenue	Cost of Sales	Gross profit margin (%)	Increase/decrease in revenue over last year (%)	Increase/decrease in cost of sales over last year (%)	Increase/decrease in gross profit margin over last year (%)
Passenger vehicles	175.33	155.24	11.46	57.16	57.61	-0.25
Vehicles related trades	105.66	92.17	12.77	9.47	6.43	2.49
Others	13.19	12.34	6.44	-16.15	-6.66	-9.51
Total	294.18	259.75	11.70	31.43	30.98	0.30



Principal business by regions

Unit: 100 million Currency: RMB

By region	Revenue	Cost of Sales	Gross profit margin (%)	Increase/ decrease in revenue over last year (%)	Increase/ decrease in cost of sales over last year (%)	Increase/ decrease in gross profit margin over last year (%)
Mainland China	294.02	259.75	11.66	31.38	30.98	0.26
Hong Kong	0.16	0.00	-	433.33	-	-
Total	294.18	259.75	11.70	31.43	30.98	0.30

Analysis of sales and production

Major products	Production volume	Sales volume	Inventory	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory over last year (%)
Sedans	31,939	34,006	235	-22.92	-15.52	-89.58
SUV	150,277	154,002	388	92.46	102.48	-90.68

Illustration on sales and production: mainly from the sales and production data of the GAMC consolidated report, the sales of the SUV models by GAMC in 2015 amounted to 154,000 units, accounting for 81.91% of the total sales.

Sales to major customers

Unit: 100 million Currency: RMB

Customers	Revenue	Ratio to revenue (%)
Total sales to top 5 customers	14.82	5.04



Major suppliers

Unit: 100 million Currency: RMB

<u>Suppliers</u>	<u>Amount of procurement</u>	<u>Ratio to total procurement (%)</u>
Total procurement from the top 5 suppliers	65.44	32.35

Amount of procurement paid to the largest supplier of the Group accounted for 13.00% of the total amount of procurement of the Group for the year.

During the year, to the directors' knowledge, no directors, supervisors or their close associates or shareholders holding more than 5% of the Company's share capital had any interest in the top 5 suppliers.

2. Expenditures

- (1) The increase of approximately RMB26 million in selling and distribution cost as compared with the corresponding period last year was mainly due to the increase of labor costs, the increase of logistics and warehousing expenses resulting from higher sales volume, and the decrease in advertisement expenditure.
- (2) The increase of approximately RMB155 million in the administrative expenses as compared with the corresponding period last year was mainly attributable to the increase in R&D expenses, depreciation and amortisation and the staff costs for the restructuring of the Company's investment companies, as well as the decrease in operation budget.
- (3) The increase of approximately RMB104 million in the finance costs as compared with the corresponding period last year was mainly attributable to the increase of average borrowings of the Group during the reporting period.
- (4) The increase of approximately RMB101 million in interest income as compared with the corresponding period last year was mainly attributable to the increase of interest income coming from the enhanced funding utilisation.



3. Research and development expenditures

(1) Table of research and development expenditures

Unit: 100 million Currency: RMB

Expensed research and development expenses for the period	3.54
Capitalised research and development expenses for the period	15.65
Total research and development expenditures	19.19
Percentage of total research and development expenditures over total operating income (%)	6.52
Number of research and development staff	3,050
Number of research and development staff over total number of staff (%)	17.91
Percentage of capitalised research and development expenditures (%)	81.55

- (2) During the reporting period, the Group increased the investment in independent research and development and orderly advanced the independent research and development and the launch of new product, through which the independent research and development strengths gradually increased, the research and development system was gradually improved.

4. Share of profit of joint ventures and associated companies

During the reporting period, the Group's share of profit of joint ventures and associated companies was approximately RMB4,720 million, representing an increase of approximately RMB539 million as compared with the corresponding period last year, mainly as a result of the combined effect of the following factors: a. the gradual launch of the Vezele and the brand new Highlander in the market facilitated the further growth of results of whole vehicles of the joint ventures; b. the synergies of industries continued to strengthen, the auto parts business and the service businesses of auto financing and auto logistics in the upstream and downstream of the industry chain developed rapidly.

5. Cash flows

- (1) During the reporting period, net cash inflow generated from operating activities amounted to approximately RMB3,891 million, representing an increased inflow by approximately RMB3,543 million as compared with net cash inflow of approximately RMB348 million of the corresponding period last year, mainly due to an increase in sales;
- (2) During the reporting period, net cash inflow generated from investment activities amounted to approximately RMB742 million, representing an increased inflow by approximately RMB3,996 million as compared with net cash outflow of approximately RMB3,254 million of the corresponding period last year, mainly due to the combined effect of capital contribution to joint ventures, the increase of purchase of fixed assets and the decrease in time deposits;
- (3) During the reporting period, net cash outflow generated from financing activities amounted to approximately RMB3,372 million, representing an increased outflow by approximately RMB2,463 million as compared with net cash outflow of approximately RMB909 million of the corresponding period last year, mainly due to the decrease in bond issuance in the reporting period.



As at 31 December 2015, cash and cash equivalent of the Group amounted to approximately RMB11,548 million, representing an increase of approximately RMB1,274 million as compared with approximately RMB10,274 million as at 31 December 2014.

6. Other

Income tax amounted to approximately RMB400 million, representing an increase of RMB269 million as compared with the corresponding period last year, mainly due to the increase in profit of subsidiaries in the period.

To sum up, the Group's net profit attributable to the equity holders of the Company for the reporting period was approximately RMB4,212 million, representing an increase of approximately 31.85% as compared with the corresponding period last year; earnings per share amounted to approximately RMB0.65, representing an increase of approximately RMB0.15 as compared with the corresponding period last year.

(2) ANALYSIS ON ASSETS AND LIABILITIES

1. Analysis table on balance sheet

Unit: 100 million Currency: RMB

Item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the end of the previous period	Balance at the end of the previous period over total assets (%)	Change (%)
Time deposits	40.87	6.08	74.22	11.88	-44.93
Trade and other payables	141.51	21.05	106.52	17.05	32.85
Income tax liabilities for current period	3.00	0.45	0.41	0.07	631.71

2. Analysis on change of items

- (1) Time deposits: mainly due to the reasonable arrangement of deposits structure in accordance with capital needs during the reporting period;
- (2) Trade and other payables: mainly due to the significant increase in production and sales volume resulting in higher payables for the purchase of raw materials, prepayments from the distributing outlets and payables to the distributing outlets, as well as the increase in construction costs for enlarging production capacity;
- (3) Income tax liabilities for current period: the increase is mainly due to the increase in profits of subsidiaries during the reporting period.



(3) ANALYSIS ON FINANCIAL POSITION

1. Financial indicators

As at 31 December 2015, the Group's current ratio was approximately 1.50 times, representing an increase from approximately 1.33 times as at 31 December 2014, and quick ratio was approximately 1.31 times, which represents a slight increase compared with that of approximately 1.15 times as at 31 December 2014. Such increase was mainly due to the decrease in current liabilities following the higher dividend distributed by joint ventures and the repayment of short term financial bonds of RMB5 billion upon maturity during the reporting period.

2. Financial resources and capital structure

As at 31 December 2015, the Group's current assets amounted to approximately RMB27.994 billion, current liabilities amounted to approximately RMB18.656 billion and current ratio was approximately 1.50 times. As at 31 December 2015, the Group's total borrowings amounted to RMB11.928 billion, mainly consisting of corporate bonds issued with nominal value of RMB6 billion, debenture issued by the Group with nominal value of RMB600 million, and loans from bank and financial institutions amounting to RMB5,378 billion, which resulted in a gearing ratio of approximately 23.20%. The above loans and bonds are payable upon maturity. The Group generally funds its business and operational capital needs with its own working capital. (Calculation of gearing ratio: $(\text{borrowings in non-current liabilities} + \text{borrowings in current liabilities}) / (\text{total equity} + \text{borrowings in non-current liabilities} + \text{borrowings in current liabilities})$).

3. Foreign exchange risk

As the Group mainly conducts its business in the PRC and the sales and purchases of the Group in the PRC are denominated in RMB, changes in foreign exchange did not have any material effect on the Group's operating results and cash flow during the reporting period.

4. Contingent liabilities

As at 31 December 2015, third-party guarantee committed by the Group amounted to RMB8,577,078, whereas that as at 31 December 2014 was RMB12,637,594; as at 31 December 2015, the financial guarantee given by the Company to its subsidiaries amounted to RMB0, as at 31 December 2014 was RMB0.



5. Charges on the Group's assets

As at 31 December 2015, certain bank borrowings were secured by (i) the land use rights with net carrying value of approximately RMB163,116,000; (ii) property, plant and equipment with net carrying value of RMB218,086,000; and (iii) inventory with net carrying value of RMB161,915,000.

Additionally, as at 31 December 2015, notes payables were secured by inventory with net carrying value of RMB271,290,000.

III. ANALYSIS OF AUTOMOBILE MANUFACTURING INDUSTRY OPERATION

1. Production capacity

Existing production capacity

Names of major factories	Designed production capacity	Production capacity during the reporting period	Production capacity utilisation rate (%)
Guangqi Honda (Huangpu + Zengcheng)	600,000 units	560,000 units	93.3
GAC Toyota	380,000 units	404,000 units	106.3
GAMC	200,000 units	182,000 units	91.0
GAC Mitsubishi	100,000 units	56,000 units	56.0
GAC Fiat-Chrysler	164,000 units	40,000 units	24.4
Honda (China)	60,000 units	12,000 units	20.0
GAC Gonow	90,000 units	10,000 units	11.1
GAC Zhong Xing (Yichang) Auto Co., Ltd	15,000 units	2,200 units	14.7
GAC Hino	10,000 units	2,200 units	22.0
GAC Bus	2,100 units	200 units	9.5

Note: Production capacity during the reporting period refers to the actual production capacity during the reporting period.



Production capacity in construction

Unit: '0,000 Currency: RMB

Names of the factories in construction	Planned investment amount	Investment amount during the reporting period	Total investment amount	Expected commencement date of production	Expected production capacity
GAC BYD new energy passenger vehicle project	84,983	23,918	34,734	June 2016	5,000 units
Guangqi Honda Zengcheng factory production capacity expansion project (increasing by 24,000 units/year)	308,187	42,109	171,931	Phase 1 (120,000 units) has commenced operation since October 2015; Phase 2 has not yet commenced construction.	240,000 units
GAC Toyota production capacity extension project	350,403	16,830	47,937	January 2018	220,000 units
Phase 3 of Factory 1 of GAMC 150,000 units production capacity construction project	260,511	69,753	70,009	June 2016	150,000 units
GAC Fiat-Chrysler Guangzhou sub-plant project	645,169	151,028	175,690	April 2016	160,000 units

Production capacity calculation standards

Calculated based on standard production capacity and two production shifts.



2. Sales volume of whole vehicles

By vehicle models

Vehicle types	Sales volume (units)			Production volume (units)		
	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period last year (%)	Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period last year (%)
Passenger vehicle	1,293,173	1,157,376	11.73	1,267,181	1,202,475	5.38
Sedans	804,295	827,372	-2.79	787,019	858,423	-8.32
MPV	58,138	60,602	-4.07	54,724	66,439	-17.63
SUV	428,531	265,834	61.20	423,897	274,295	54.54
Cross-over utility vehicle	2,209	3,568	-38.09	1,541	3,318	-53.56
Commercial vehicle	6,487	14,934	-56.56	6,724	16,063	-58.14
Passenger vehicle	279	783	-64.37	208	765	-72.81
Truck	1,666	3,008	-44.61	2,241	2,996	-25.20
Pickup	4,542	11,143	-59.24	4,275	12,302	-65.25
Total vehicles	1,299,660	1,172,310	10.86	1,273,905	1,218,538	4.54

During the reporting period, the production and sales of SUVs amounted to 423,897 units and 428,531 units respectively, representing an increase of 54.54% and 61.20% as compared to the corresponding period last year respectively, which was mainly due to the fact that GAMC, Guangqi Honda and GAC Fiat-Chrysler launched new SUV models, such as GS4, Highlander and JEEP Cherokee, all of which were well-received by consumers and maintained in hot sale, thus contributing a significant boost to the sales of the Group's SUV.

During the reporting period, the Group's production and sales of commercial vehicles such as passenger vehicles and pickups declined as compared to the corresponding period last year, which was mainly due to higher pressure from domestic and foreign economic downturn resulting in an obvious decline in the growth of automobile industry as compared to previous years, especially the continuous slump in the commercial vehicle market.

*By regions*

Vehicle types	Domestic sales (units)			Overseas sales (units)		
	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)
Passenger vehicle	1,278,186	1,130,531	13.06	14,987	26,845	-44.17
Commercial vehicle	3,394	7,726	-56.07	3,093	7,208	-57.09

Note: Including the sales volume of joint ventures and associated companies

3. New energy vehicle business

The Group is devoted to the development of new energy vehicle business and establishing the overall ability towards research and development, production, supply and sales. The Group endeavours to realise a business model for new energy vehicles consisting plug-in, pure electrification and hybrid vehicles covering each dominant sub-segment market ranging from sedans, SUV to MPV by 2020. The Group plans to extend the number of vehicle models to more than 10 for the purpose of developing the technological advantage of new energy vehicles and knock-out products in order to achieve more than 200,000 units of production and sales in 2020.

Production capacity of new energy vehicles

Name of major factories	Designed production capacity (units)	Production capacity during the reporting period (units)	Production capacity utilisation rate (%)
GAMC	6,000	3,000	50
GAC Gonow	20,000	527	3



Sales of new energy vehicles

Vehicle types	Sales volume (units)			Production volume (units)		
	Total number for the year	Total number for last year	Changes in sales volume compared with the corresponding period of last year (%)	Total number for the year	Total number for last year	Changes in production volume compared with the corresponding period of last year (%)
Passenger vehicle	1,430	77	1,757.14	1,496	158	846.84
Commercial vehicle	126	0	–	245	0	–

Income and subsidies for new energy vehicles

Unit: '0,000 Currency: RMB

Vehicle types	Income	Subsidy for new energy vehicle
New energy vehicle	16,319.90	15,612.20



IV. DISCUSSION AND ANALYSIS BY THE BOARD ON FUTURE DEVELOPMENT

(1) Industrial competition and development trend

The following are the characteristics of the future industrial competition and development trend:

1. **More intense competition:** Following the input of numerous new models and facelift models, the Group expects that market shares in each segment will be more or less the same as 2015. SUVs shall remain the hot sale with declining growth rate; sales of MPVs shall continue its growing momentum; sedans, cross-over utility vehicles and commercial vehicles shall keep recording negative growth.
2. **Shift in competition:** Macro economy is under transformation and market condition as well as corporate operation model is changing. Competition shifts from product competitiveness to “product + service + brand” competitiveness, from scale competitiveness to structural competitiveness and from industry value chain competitiveness to industry pattern competitiveness.
3. **Change in consumption trend:** Consumption in conventional vehicles will be affected by car sharing services. Therefore, there will be significant changes in automobile consumption structure, consumption trend and personalised mode of consumption.
4. **Stricter industrial regulation:** Stricter environmental protection regulations along the whole industry value chain, from production, logistics to marketing; more and more regions being subject to restrictions on vehicle purchasing and driving and the intensifying competition.
5. **Further supply-side reform:** The policy of levy half of purchase tax regarding small displacement vehicles and no purchase restriction on new energy vehicle will also stimulate consumption of vehicles, particularly new energy vehicles.
6. **Weak demand in the export market:** The global economy is weak and the downward trend in vehicle export is apparent.



(2) Development strategy of the Company

The Group, based on the conclusion and review of the development experience on the “Twelfth Five-year Plan”, prepared and published the “Thirteenth Five-year Plan”. During the period of the “Thirteenth Five-year Plan”, the Group will carry on the development principle of “internal coordination and innovation, open for external cooperation” to complete 1 objective, strengthen 5 segments, focus on 1 major subject and realise 3 breakthroughs in order to achieve its goals of production volume exceeding 3,000,000 units at the end of the “Thirteenth Five-year” with 80% production capacity utilisation rate and to become a modern automobile enterprise. Also, the Group will strengthen its five major segments (namely R&D, manufacturing, parts and components, commercial services and financial services); strive to develop self-developed brand so as to achieve forward-leaping development; and achieve breakthroughs in areas of automisation, internationalisation and internet connection.

In the future, the Group will continue development with focus on the “1513” strategy. Through acquiring complete core technology, the Group will develop competitive automobile products and research and develop vehicles with core technology in order to support the Group’s sustainable development with technological innovation. Meanwhile, the Group will consider whole vehicle segment as the core business pillar to drive co-development with other segments, develop overseas markets, develop new energy vehicle and realise the three-pillar whole vehicle layout. Taking product portfolio, corporate structure, R&D and production strength and supportive system as beginning-points, the Group intends to improve the overall comprehensive compatibility of its parts and components, consolidate the Group’s major business, which is whole vehicle manufacturing, further strengthen the Group’s leading position in automobile distribution and after-sale market, extend service industry chain and enhance competitive advantage in commercial business. In addition, the Group will establish a diversified financial service platform to build a capital engine focusing on diversified financial services. The Group will strengthen R&D, strive to develop self-developed brand, focus on whole vehicle manufacturing business, manage core parts and components, extend automobile service industry chain, enhance production and financing innovation, advance transformation from manufacturing to service, achieve breakthroughs in areas of automisation, internationalisation and internet connection and improve overall core competitiveness in order to lay a solid foundation for the Group to achieve its strategic objective.

(3) Operational plan

In 2016, the working guidelines of the Group are: maintain the development ideals of innovation, coordination, environmental protection, open and shared development; continue to deepen system reform, implement technological innovation, product innovation, business model innovation and entrepreneurship innovation to secure an excellent beginning in the first year of the Thirteenth Five-year; accelerate the development of new energy vehicle to take a step ahead for future development; speed up transformation and upgrade to improve the Group’s comprehensive competitiveness; steadily progress with an aim to improve quality and efficiency to earnestly ensure the achievement of the annual business plan.



In 2016, the Group plans to launch various new models and facelift models to strengthen the overall competitiveness of the products. GAMC, the Company's self-developed brand, plans to launch powered models for GS4 and GA6 (equipped with 1.5T engine), GA8, a high-end executive and commercial vehicle and GS8, a 7 seater SUV. In the later part of the year or the beginning of next year, GAMC will launch GM8, its first MPV. As for new energy vehicles, we plan to launch various new energy vehicles models including GA3S PHEV, GS4 EV and GS4 PHEV. Guangqi Honda plans to launch its first deluxe SUV, the first SUV made in China under the brand name of Acura and a new hybrid model of Accord. The new car model of GAC Toyota includes a EV car under the brand name of Leahead. GAC Mitsubishi plans to launch a new SUV model and GAC Fiat-Chrysler plans to launch a new SUV model for JEEP.

Material investments of the Group in the future are set out in "Production capacity in construction" of Section III "Analysis of automobile manufacturing industry operation" of this Chapter, and the expected sources of funding in the coming year are borrowings and internal sources.

It is expected that the growth of sales volume of vehicles for the whole year will be around 10% when compared with the corresponding period last year. The specific working measures are:

1. Reach targets fiercely, accomplish the objectives for 2016 using best endeavours;
2. Implement the plan for the "Thirteenth Five-year" to secure an excellent beginning;
3. Accelerate the development of new energy vehicles to take a step ahead for future development;
4. Strengthen the development of self-developed brand to improve its core competitiveness;
5. Strengthen joint venture and cooperation model to have a sound development in joint venture based on an open and sharing philosophy;
6. Try hard to achieve a turnaround result for loss-making companies to strengthen development momentum of the Group;
7. Accelerate the development of new business to support the sustainable development of the Group;
8. Deepen corporate reform to realise a better development;
9. Reinforce financial capital operation to create synergy in corporate development;
10. Continue the good grasp on doing business with integrity, safe production, comprehensive management and maintenance of stability and continue the work with reproduction planning.



(4) Potential risks

1. Risks of the industry

(1) Risk of fluctuation in macro economy

The overall automobile industry significantly depends on the level of development of the national economy, where changes in the economic growth rate would directly stimulate or suppress consumption in automobile. Moreover, due to globalisation of economy, the automobile industry will be affected by the international macro environment and circumstances to the same extent. In recent years, sustained growth in China's economic scale, steady growth in resident's disposable income, prompt economic policies promulgated by the PRC and relatively favourable international circumstances resulted in an overall growth trend in demand for China's automobile industry. However, with slower macroeconomic growth, the demand growth for China's automobile industry is currently gradually declining. In the future, automobile consumption demand will continue to be influenced by China's macroeconomic policies, industrial structural adjustments and international economic and political circumstances.

(2) Risks of rapid growth in China's vehicle production capacity

China's automobile industry showed an overall growth trend in the past 10 years. China has become the top in the world in terms of automobile sales of 13.64 million units since 2009, and annual sales in 2015 exceeded 24.5 million units, recording another global historic high, and became global #1 position for six consecutive years; with the opportunities in the market, a large number of automobile companies target at the domestic market by implementing or formulating output expansion plans, the competition between joint ventures and local companies, international brands and self-developed brands, among vehicles with similar emission volume and new and old models is relatively intense.

(3) Impact and risks of technological development of new energy vehicle products and technological research on conventional vehicle products

Under a shortage of energy and higher awareness of energy saving and environmental protection, the technological research and development of new energy vehicles are becoming an important concern as well as the direction of future automobile technological innovation of all automobile companies, whereas the consumption in conventional vehicles will be suppressed and hindered to a certain extent. In 2015, the sales of new energy vehicles grew almost fourfold. Although the development of new energy vehicles is currently included in the Group's "Thirteenth Five-year" development plan and the Company is currently committed to development, promotion and industrialisation of new energy vehicles, the technology of new energy vehicles and the ancillary systems are not yet complete, it is hard for new energy vehicles to completely replace conventional fuel vehicles in short term, and in the short term there is relatively large uncertainty in the future development prospects and direction of this technology.



2. Operational risks

(1) Risk of fluctuation in financial conditions and operating results of joint venture companies

The Group has established close cooperation relationship with international cooperation partners such as Honda, Toyota, Fiat, Mitsubishi and Hino. These joint venture companies set up and funded jointly with the Group have a relatively large impact on the operating results of the Company. The Company has continued to nurture independent R&D ability and to accumulate core techniques, and it has successfully developed the first self-developed brand passenger vehicle Trumpchi in September 2010. After years of development, GS4, a new SUV model, was launched in April 2015, and received positive feedback from the market, achieving a total sales volume of approximately 130,000 units. The Group has initially formed a new layout of coordinated development of three series, namely the Japanese series, European, American series and self-developed brand series. However, in view of the present situation, joint ventures companies such as Guangqi Honda and GAC Toyota, etc. still exert a relatively large impact on the operating results of the Group. If there are fluctuations in the financial conditions and operating results of the joint venture companies, the financial conditions and operating results of the Group may be affected negatively.

(2) Risk of fluctuation of prices of factors of production

The factors of production for vehicle manufacturing include labour, and different types of raw materials, including steel, aluminum, rubber, plastics and paints, thinners and other chemical products; and those of manufacturing automobile parts and components include metallic components, chemical components and electronic devices. In manufacturing passenger and commercial vehicles and products such as engines and parts and components, the Group needs to purchase a large amount of raw materials from upstream companies. If the price of bulk raw materials increases, the production costs of upstream companies will significantly increase. When the suppliers raise their prices, despite that the Group can offset the inflation of parts and components, through measures such as launching new products, resetting its product price, optimising work flow and reducing wear and tear, it may have a negative impact on the profit of the Group if the price of major raw materials increases abruptly to an exceedingly high level.

(3) Risks of continuous ability to launch popular products

The continuous ability to launch popular products directly affects product sales and operating results of the Group. The Company needs to continue to improve existing products and develop and introduce new products promptly based on market demand in order to consolidate its market position and gain market share in targeted sub-markets. In 2015, the Group continued to launch competitive new vehicle models like GS4, JEEP Cherokee, upgraded Highlander, 1.5L Vezele, leading to consistent growth in overall sales volume. If subsequently the Company fails to continue to develop and produce competitive products in the market, and fails to reach a certain market share within a reasonable time, and forms economies of scale, it will not be able to realise the business strategies of the Company, and will have a negative impact on the business, financial conditions and business results of the Company.



3. Risks of policies

(1) Risks of product recall

In recent years, China has been stricter to the automobile industry in product quality and quantity regulations and technical standards. The Ordinance for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理條例》) came into effect on 1 January 2013. The Ordinance amends and supplements the Regulations for the Administration of the Recall of Defective Automotive Products (《缺陷汽車產品召回管理規定》) and requires automobile manufacturers to provide repair services and recall. The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》) came into effect on 1 October 2013, which expressly states the liability of repair, exchange and return of household automotive products. According to the statistics released by the National Quality Supervisory and Inspection Bureau (國家質量監督檢驗檢疫總局), China recalled vehicles 133 times, 176 times and 226 times respectively in 2013, 2014 and 2015, which involved a total number of vehicles recalled amounted to 5.311 million units, 4.7863 million units and 5.5485 million units respectively. If the products of the Group are recalled, the sales and results of the Company may be negatively affected.

(2) Risks of increased corporate cost due to higher safety standards

Safety standards of the automobile industry mainly include those related to car collision safety. In recent years, China has been stricter on relevant safety regulations and technical standards of the automobile industry, and successively promulgated regulations including Side Impact Protection for Automotive Passengers (《汽車側面碰撞的乘員保護》) and Collision Safety Requirements for Fuel System of Passenger Car (《乘用車後碰撞燃油系統安全要求》).

If regulatory authorities promulgate stricter safety standards of the automobile industry and technical standards in the future, it may increase production cost and expenses of automobile manufacturers and thus affect the operating results of the Company.

(3) Risks of increased corporate cost due to stricter environmental and energy saving standards

Starting from 1 January 2017, the National Motor Vehicle Pollutant Discharge Standard Phase 5 (國家機動車污染物排放標準第五階段) upper limit, i.e. Guo V standard (國五標準), will be implemented nationwide, marking a new phase of the control of car pollutant discharge in China. Since 2015, some cities and regions have started the implementation of Guo V emission standard. New cars failing to meet the national emission standard will not be able to be listed on the new car list of the Ministry of Industrial Information in the future.

China may promulgate more stringent environmental and energy saving policies to fulfill its goal of energy saving and consumption and emission reduction. This will increase research and production cost of the Group and thus affect the operating results of the Company.



(4) *Risks of amendments to vehicle consumption policies and fiscal policies*

The long length of the industry chain of the automobile industry exerts an apparent impact on boosting the economy. It is a pillar industry in the national economy, while it is also an industry operating with a higher degree of market mechanism with adequately intense competition. Recently, China encouraged higher consumption of new energy vehicles, for example, the “Guided Opinion on the Speeding Up of Promotion and Application of New Energy Vehicles” (《關於加快新能源汽車推廣應用的指導意見》) released by the Secretariat of the State Council in July 2014 deployed greater pace of promotion and application of new energy vehicles to relieve the pressure of energy shortage and on the environment, and facilitate the transformation and upgrade of the automobile industry.

Yet, on the other hand, with increasing pressure from the urban transportation, some regions in China also promulgated policies to control the total number of vehicles, such policies may have a certain negative impact on the local automobile spending. In the future, the government may also carry out further adjustment to the automobile spending policy, which may have a relatively large impact upon the production and consumption of automobile market.

(5) *Risk of fuel price fluctuations*

In recent years, the price of crude oil in the world suffered great volatility, the factors affecting its price include the demand and supply relationship of crude oil, and include the financial attribute of crude oil. There are relatively more uncertainties in the fluctuations of crude oil price. The finished oil pricing mechanism of China continues to be reformed following the fluctuations in crude oil price. At present, the pricing of finished oil is not totally under market mechanism, if there are gaps between the international crude oil price and the price of the finished oil products in China, then the price of the finished oil products in China may be adjusted. If there are substantial fluctuations in the crude oil price in the whole world, or China changes the current pricing policy of finished oil products, this may lead to the corresponding fluctuations in sale price of the finished oil products in China, thus affecting the structure of automobile spending, which in turn will affect the sales of products.



I. PROPOSED PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVES

(I) Formulation, Implementation and Adjustments of Cash Dividend Policy

During the reporting period, the Group set a clear requirement for profit distribution policy in its articles of association according to relevant requirements of Listed Companies Regulatory Guidance No.3-Distribution of Listed Companies issued by CSRC, setting out the profit distributed by the Company in cash annually shall not be less than 10% of the distributable profit for that year. Meanwhile, the Dividend Distribution Plan for the Shareholders of Guangzhou Automobile Group Co., Ltd. (2015-2017) implemented by the Company in May 2015 further set out the “cash dividend ratio shall not be less than 10% of the realised and distributable profit that year”.

During the reporting period, the Group has strictly complied with regulations of the articles of associations and the dividend distribution plan for the shareholders (2015-2017) of Guangzhou Automobile Group Co., Ltd. During the reporting period, profit distribution for the year 2014 and profit distribution plan for the interim period 2015 were implemented and completed, among which, the standard and proportion of cash dividend were clear, and the related decision-making procedures and mechanisms were complete and in compliance with the regulations. Independent directors performed their duties diligently and expressed their independent opinions.

(II) Schemes or plans for profit distribution for ordinary shares and conversion of capital reserve to share capital in the last 3 years (including the reporting period)

Unit: '000 Currency: RMB

Dividend Year	Number of bonus shares issued for every 10 existing shares (share)	Dividends paid for every 10 shares (tax inclusive)	Number of shares transferred to share capital for every 10 existing shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2015	-	2.0	-	1,287,004	4,211,553	30.56
2014	-	1.6	-	1,029,603	3,194,160	32.23
2013	-	1.6	-	1,029,603	2,652,837	38.81



(III) Reserves available for distribution to shareholders

According to the articles of association of the Company, the distributable reserves of the Company are based on the profit after taxation determined pursuant to the Generally Accepted Accounting Principles of the PRC and Hong Kong Financial Reporting Standards (whichever is lower). As at 31 December 2015, the Company's reserves available for distribution to shareholders amounted to RMB9,938,750,000 (2014: RMB4,992,073,000).

II. PERFORMANCE OF UNDERTAKINGS

(I) The undertakings by the Company, shareholders, ultimate controllers, purchasers, directors, supervisors, senior management or other associates during the reporting period or subsisting within the reporting period

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	GAIG	It undertakes that, within 36 months from the listing and trading of 3,617,403,529 A shares held by it, it will not transfer or entrust others into management the shares of the Company in issue before this round of issue which were, directly or indirectly, held by it, nor repurchase such shares from the Company.	Up to 28 March 2015	Yes	Yes
Other commitments	Dividends	The Group	Provided that the profit and cash of the Company is sufficient for the continuous operation and long term development, the profit distributed in cash in each of the year between 2015 and 2017 shall be no less than 10% of the distributable profit realised in such year, whereas the cumulative profit distributed in cash for the three consecutive years shall be no less than 30% of the average distributable profits realised in such three years. articles of association: Profit distributed in cash in shall be no less than 10% of the distributable profit realised in such year.			



Chapter 6 Significant Events

Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
Other commitments	Non-Competition	GAIG	<p>(1) Directly or indirectly do or participate in (or assist in doing or participating in) any business or activities which compete or may compete with the principal business of the Company in any manner (including but not limited to investment, merger and acquisition, forming associates, joint venture, cooperation, partnership, trust, underwriting, operating lease, acquisition of equity or joint stock), whether solely or jointly with other parties, in the PRC or overseas; (2) support any person other than promoters of the Company or subsidiaries of the promoters to do or participate in any business which competes or may compete with the principal business of the Company in any manner in the PRC or overseas; (3) intervene in any business or activities which compete or may compete with the principal business of the Company by other means (whether directly or indirectly), provided that the above undertaking shall not be applicable where GAIG or its subsidiaries (other than the Company and its subsidiaries) acquire or hold for investment purpose not more than 5% interest in other company listed on an internationally recognised stock exchange whose principal business competes or may compete with the principal business of the Company; or where GAIG or its subsidiaries or investee company hold not more than 5% interest in a third party whose principal business competes or may compete with the principal business of the Company as a result of the debt restructuring of third parties; (4) if GAIG or its subsidiaries (other than the Company and its subsidiaries) come across any new business opportunity which competes or may compete with the principal business of the Company, it shall immediately inform the Company in writing, and shall use its best endeavours to procure such business opportunity be first offered to the Company or its subsidiaries on fair and reasonable terms and conditions. The Company shall, within 30 days from receiving the aforesaid notification, notify GAIG or its subsidiaries (other than the Company and its subsidiaries) in writing whether or not the Company or its subsidiaries intend to take up the aforesaid business opportunity. Upon receiving notification from the Company that it intends to take up such opportunity, GAIG or its subsidiaries shall refer such business opportunity to</p>	Long-term	No	Yes



Background of undertakings	Type of undertakings	Undertaker	Contents of undertakings	Time and period of undertaking	Is there a fulfillment time limit	Whether fulfilled strictly in time
			the Company or its subsidiaries; (5) if the Company or its subsidiaries decide not to take up such business opportunities for any reason, upon receiving notification from the Company of such intention or the Company fails to respond in writing to GAIG or its subsidiaries within the said 30-day period, GAIG or its subsidiaries (other than the Company and its subsidiaries) may operate such new business on its own; (6) in the future, when GAIG or its subsidiaries (other than the Company and its subsidiaries) operate such new business which competes or may compete with the principal business of the Company pursuant to paragraph (5) above, or due to adjustments in national policies or other force majeure or unexpected events, such that competition in the same business occurs or becomes inevitable, GAIG or its subsidiaries (other than the Company and its subsidiaries) shall offer an option to the Company or its subsidiaries, pursuant to which the Company or its subsidiaries shall have the right to acquire any equity, asset and other interest in the competing business from GAIG or its subsidiaries in accordance with statutory processes in one or multiple tranches, or the Company or its subsidiaries may elect to operate assets or businesses in the competing business by way of entrusted operation, operating lease or underwriting operation in accordance with statutory processes, provided that the relevant laws and regulations of the PRC and the listing rules of the relevant stock exchange then in force are complied with.			
Other commitments	Other	GAIG	It intends to increase its shareholding in the Company up to 5% of the total issued share capital from 8 July 2015 to 31 December 2015	8 July 2015	Yes	Yes
Other commitments	Other	GAIG	It undertakes not to reduce its shareholding in the Company from 8 July 2015 to 31 December 2015	8 July 2015	Yes	Yes

(II) Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if any profits forecast in relation to the Company's assets or projects, and the reporting period is within the profits forecast period

Nil



III. APPROPRIATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

N/A

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTANTS

Unit: 0,000 Currency: RMB

	Currently appointed
Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration of domestic accounting firm	83
Audit years of domestic accounting firm	7
Name of overseas accounting firm	PricewaterhouseCoopers
Remuneration of overseas accounting firm	305
Audit years of overseas accounting firm	5

	Name	Remuneration
Internal control auditor	BDO China Shu Lun Pan Certified Public Accountants LLP	37

Explanation on appointment and dismissal of accounting firms

After being considered and approved at the 57th meeting of the 3rd session of the Board and the 2014 annual general meeting of the Company, the Company reappointed BDO China Shu Lun Pan Certified Public Accountants LLP and PricewaterhouseCoopers as auditors of the Company for the year 2015.

Change of accounting firm during the auditing period

Nil

V. DESCRIPTION OF RISKS FROM SUSPENSION OF LISTING

Reasons for suspension of listing and measures taken by the Company to remove the suspension of listing

Nil



VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

N/A

VII. MATERIAL LITIGATIONS AND ARBITRATIONS

N/A

VIII. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ULTIMATE CONTROLLERS AND PURCHASERS AND RELEVANT RECTIFICATIONS

N/A

IX. DESCRIPTION OF INTEGRITY OF THE COMPANY AND ITS SHAREHOLDERS AND ACTUAL CONTROLLERS DURING THE REPORTING PERIOD

Nil

X. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVES OF THE COMPANY AND THEIR IMPACTS

H Share Appreciation Rights

Overview of Matters

The Group approved the “Scheme of H Share Appreciation Rights and the first grant scheme”. The targeted participants included the directors, senior management, key technical and management staff of the Group. As the grant condition with respect to the results was not met, the second session of H share appreciation rights expired.

The Group approved the “Scheme of H Share Appreciation Rights and the first grant scheme”. The targeted participants included the directors, senior management, key technical and management staff of the Group. As the grant condition with respect to the results was not met, the third session of H share appreciation rights expired.

Query Index

The “Announcement on Implementation Progress of First Grant Plan of H Share Appreciation Rights” was disclosed on the websites of SSE and the Stock Exchange on 3 March 2015 stating the retirement of the targets and the reasons for expiry of the second grant plant, and the total number of remaining unvested share appreciation rights amounts to 11,949,962 shares. (Announcement No.: Lin 2015-016).

The “Announcement on Implementation Progress of First Grant Plan of H Share Appreciation Rights” was disclosed on the websites of SSE and the Stock Exchange on 3 March 2016 stating as the the grant condition with respect to the results was not met, and the remaining unvested share appreciation rights of 11,949,962 shares expired. As a result, all H share appreciation rights first granted by the Company expired. (Announcement No.: Lin 2016-018).



A Share Option

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talented individuals, fully mobilise the enthusiasm of the directors, senior management and other core businesses, technical and management key personnel of the Company, and bond the interests of shareholders, the Company and individual operators together effectively, making all parties to attend to the long-term development of the Company, the A share option incentive scheme is formulated and was passed at the first extraordinary general meeting of 2014 held on 19 September 2014.

A share option represents the right to be granted to a participant by the listed company to acquire certain number of shares of the Company at a pre-determined price and conditions in a particular period of time. The source of the underlying shares shall be the ordinary A shares to be issued by the Company to the participants.

As at 19 September 2014, the exercise price of the A share option incentive scheme is RMB7.6. The closing price of the A shares of the Company immediately prior to the vesting date of the A share option incentive scheme is RMB8.37 per share.



The participants are directors, senior management and other core businesses, technical and management key personnel of the Company who are under employment at the time of the implementation of the A share option incentive scheme. The allocation of A share option incentive scheme granted to participants is set out below:

Currency: RMB

Name	Position	Number of A share options held at the beginning of the reporting period (ten thousand)	Number of A share options to be granted	Exercisable shares during the reporting period	Shares of A share options to be exercised during the reporting period	Exercise price of A share options (Yuan)	Number of A share options held at the end of the reporting period (ten thousand)
Zhang Fangyou	Chairman	95.00	0	0	0	7.6	95.00
Zeng Qinghong	Vice chairman, general manager	90.00	0	0	0	7.6	90.00
Yuan Zhongrong	Vice chairman	81.00	0	0	0	7.6	81.00
Feng Xingya	Executive director	76.00	0	0	0	7.6	76.00
Lu Sa	Executive director, deputy general director, secretary of the Company and secretary of the Board	76.00	0	0	0	7.6	76.00
Wu Song	Executive director	74.00	0	0	0	7.6	74.00
Yao Yiming	Non-executive director	74.00	0	0	0	7.6	74.00
Chen Maoshan	Non-executive director	74.00	0	0	0	7.6	74.00
Senior, middle level and other core businesses, technical and management key personnel (total 612 people)	/	5,794.86	0	0	0	7.6	5,794.86
Total	/	6,434.86	0	0	0	/	6,434.86

Notes:

1. The actual gains of exercise under the A share option incentive scheme shall not exceed 40% of the total remuneration level (including gains of share option incentives) of participants in principle. All participants undertake that, if the price of shares is so high during the validity period that it causes the actual gains of share option incentives exceeding the aforesaid proportion, the excess portion shall belong to the Company.
2. The participants of the A share option incentive scheme do not take part in two or more share option incentive schemes of listed companies. Major shareholders or controllers who hold 5% or more of the shares or their spouse, immediate or close relatives do not take part in the scheme.
3. The aggregate number of share options to be granted to any of the above participants under the A share option incentive scheme and held throughout the validity period does not exceed 1% of the total share capital of the Company.

The whole A share option incentive scheme shall be effective for 10 years, and in principle, certain number of share options will be granted to Participants every two years. The scheme shall be effective for 5 years from the date of grant of the share options.



The vesting period represents the period from the grant of the share options to the exercise date of the share options. The vesting period under the A share option incentive scheme granted to participants is 24 months. If the conditions of exercise required by the scheme are fulfilled within the exercise date, participants shall exercise their share options in stages within the 36 months after expiry of 24-month period from the date of grant.

Relevant information regarding the A share option incentive scheme is set out in note 24 to the consolidated financial statement. The calculation of the value of share option is based on various assumptions of the parameters used in note 24 to the consolidated financial statement and there are limitations in the models adopted. Therefore, the calculated value of share option may be subjective and subject to uncertainties.

XI. MATERIAL CONNECTED TRANSACTIONS

1. Certain related party transactions as disclosed in note 42 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules. Such transactions between certain connected persons (as defined in the Listing Rules) and the Group which have been entered into and/or are ongoing during the year are shown below for which relevant disclosure, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

2. Transactions under the Listing Rules

(A) Transactions in relation to principal jointly controlled entities

At the time of listing of the Company, the Stock Exchange granted a conditional waiver from strict compliance with the requirements of Chapters 14 and 14A of the Listing Rules in respect of immaterial jointly controlled entities. The Company is required to review whether the immaterial jointly controlled entities met the conditions in the waiver on a yearly basis. For the 2015 financial year, the principal jointly controlled entities of the Company were GAC Toyota, Guangqi Honda and GAC-SOFINCO.

(B) Continuing connected transactions

For the year ended 31 December 2015, GAC Group and its associates (as defined in the Listing Rules) had entered into the following continuing connected transactions:

1. Provision of transport and logistic services in respect of vehicle products and vehicle parts and components
 - (a) For the year ended 31 December 2015, the Company, its subsidiaries and the principal jointly controlled entities (including GAC Toyota and Guangqi Honda) (collectively, the “Group”) separately provided transport and logistic services (“Logistic Services”) in respect of vehicle products and vehicle parts and components to the joint venture partners of the principal jointly controlled entities (including Toyota and Honda) and their associates (collectively, the “JV Partner Group”) according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.



On 21 December 2012:

- (i) Guangzhou Guangqi Commercial Logistics Co., Ltd. (“Guangqi Commercial”) (廣州廣汽商貿物流有限公司) and Guangqi Toyotsu Logistics Co., Ltd. (“Guangqi Toyotsu Logistics”) (廣汽豐通物流有限公司) (as the service provider) of the Group, entered into an agreement in writing (“Supplemental Agreement”) with GAC Toyota Logistics Co., Ltd. (“GAC Toyota Logistics”) (廣汽豐田物流有限公司) and Tong Fang Global (Tianjin) Logistics Co., Ltd. (“Tong Fang Global”) (同方環球(天津)物流有限公司) of the JV Partner Group, respectively, so as to continue the Logistic Services. The validity period for the Supplemental Agreement between Guangqi Commercial and GAC Toyota Logistics is from 1 January 2013 to 31 December 2013, which, unless otherwise agreed, will be extended to the term of not exceeding 3 years in total, and the validity period for the Supplemental Agreement between Guangqi Toyotsu Logistics and Tong Fang Global is from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.
- (ii) Guangzhou Automobile Hunan NYK Logistics Co. Ltd. (“GAC Hunan”) (湖南廣汽日郵物流有限公司) (as the service provider) of the Group and GAC Toyota Logistics of the JV Partner Group, entered into an agreement in writing (“New Agreement”), so as to proceed with the Logistic Services, with validity period from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Supplemental Agreement, the payment received by the service provider from the service recipient for the Logistic Services is paid according to the prices in the contract which are determined with reference to the prevailing prices of the same type of services in the market.

Pursuant to the New Agreement, both parties to the agreement have agreed that, they shall enter into individual agreement(s) in relation to the provision of the Logistic Services within the validity period of the New Agreement based on the terms, conditions and principles of the New Agreement. The terms of the individual agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the respective independent interests, and the transaction terms shall not be more favourable than the corresponding terms for the provision of the same type of services by the Group members to its independent third parties or less favourable than the corresponding terms for the receipt of the same type of services by the Group members from its independent third parties (as the case may be). The payment for the provision of the Logistic Services under the individual agreements shall be unanimously determined after thorough communication and discussion between the parties to the agreement with reference to the prevailing prices of the same type of services in the market. In case of any inconsistency between the terms of an individual agreement and the New Agreement, the terms of the New Agreement shall prevail. The term of the individual agreement shall not exceed the term of the New Agreement, otherwise a new agreement or a supplemental agreement should be entered into in accordance with the then applicable requirements of the Listing Rules.

For the year ended 31 December 2015, the total amount of the Logistic Services provided by the Group to the JV Partner Group was RMB251,836,519.

In relation to the transactions, the directors consider that the annual cap requirement under the Listing Rules shall not be imposed. The provisions of the Logistic Services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.



Any growth in demand for vehicle manufactured by the principal jointly controlled entities or the joint venture partners will necessarily result in increased transaction volumes for the Logistic Services. Such growth is outside the control of the Company and difficult to predict. If the unpredictable growth exceeds the annual caps imposed, the transport and logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders' approval under Chapter 14A of the Listing Rules are complied with.

The directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions. The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant jointly controlled entities and would not be in the interest of the Company or the relevant jointly controlled entities.

The aforesaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements and New Agreement were entered into. The Stock Exchange has approved the Company's application for renewal of the waivers, exempting the Company from compliance with the annual cap, announcement and annual reporting requirements under the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

- (b) For the year ended 31 December 2015, JV Partner Group provided transport and logistic services ("Logistic Services of JV Partner") in respect of vehicle products and vehicle parts and components to the Group according to the following pricing terms on a regular basis. The Company's principal jointly controlled entities purchase raw materials, parts and components from the relevant joint venture partners and also sell some of the products to the relevant joint venture partners. The relevant joint venture partners would provide transport and logistic services to complete the processes. Such service will continue during the term of the joint ventures.

On 21 December 2012:

- (i) Tong Fang Global and GAC Honda Logistics Co., Ltd. ("GAC Honda Logistics") (廣汽本田物流有限公司) (as the service provider) of the JV Partner Group, entered into an agreement in writing ("Supplemental Agreement of JV Partner") with GAC Toyota and Guangqi Honda of the Group, respectively, so as to continue the Logistic Services of JV Partner. The validity period for the Supplemental Agreement between Tong Fang Global and GAC Toyota is from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement, and the validity period for the Supplemental Agreement between GAC Honda Logistics and Guangqi Honda is from 1 January 2013 to 31 December 2013, which, unless otherwise agreed, will be extended to the term of not exceeding 3 years in total.



- (ii) GAC Toyota Logistics (as the service provider) of the JV Partner Group entered into an agreement in writing (“New Agreement of JV Partner”) with GAC Hunan and Guangzhou Changning Automobile Sales and Services Co., Ltd. (廣州長寧汽車銷售服務有限公司), so as to proceed with the Logistic Services of JV Partner, with validity period from 1 January 2013 to 31 December 2015. Upon the expiration of the validity period, renewal is subject to the mutual agreement of the parties of the agreement.

Pursuant to the Supplemental Agreement of JV Partner, the payment received by the service provider from the service recipient for the Logistic Services of JV Partner is paid according to the prices in the contract which are determined with reference to the prevailing prices of the same type of services in the market.

Pursuant to the New Agreement of JV Partner, both parties to the agreement have agreed that, they shall enter into individual agreement(s) in relation to the provision of the Logistic Services of JV Partner within the validity period of the New Agreement of JV Partner based on the terms, conditions and principles of the New Agreement of JV Partner. The terms of the individual agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the respective independent interests, and the transaction terms shall not be more favourable than the corresponding terms for the provision of the same type of services by the Group members to its independent third parties or less favourable than the corresponding terms for the receipt of the same type of services by the Group members from its independent third parties (as the case may be). The payment for the provision of the Logistic Services of JV Partner under the individual agreements shall be unanimously determined after thorough communication and discussion between the parties to the agreement with reference to the prevailing prices of the same type of services in the market. In case of any inconsistency between the terms of an individual agreement and the New Agreement, the terms of the New Agreement shall prevail. The term of the individual agreement shall not exceed the term of the New Agreement, otherwise a new agreement or a supplemental agreement should be entered into in accordance with the then applicable requirements of the Listing Rules.

For the year ended 31 December 2015, the total consideration paid by the Group in respect of the Logistic Services of JV Partner was RMB1,538,457,034.

In relation to the transactions, the directors consider that the annual cap requirement under the Listing Rules shall not be imposed. The provisions of the transport and logistic services are part and parcel of the cooperation arrangement with joint venture parties and their associates. They are an important part of the supply chain management of the vehicle manufacturing and sales business.

Any growth in demand for vehicle manufactured by the principal jointly controlled entities or the joint venture partners will necessarily result in increased transaction volumes for the transport and logistic services. Such growth is outside the control of the Company and difficult to predict. If the unpredictable growth exceeds the annual caps imposed, the transport and logistic services have to be stopped, which in turn will hold up the manufacturing activities and the delivery of vehicle products, until the requirements of announcement and/or shareholders’ approval under Chapter 14A of the Listing Rules are complied with.



The directors consider that the imposition of annual caps on such transaction is not in the interest of the Group. Therefore, the Company has applied to the Stock Exchange for and was granted a waiver from compliance with annual cap requirements relating to the above transactions for the duration of the terms of the respective transactions. The Company has also reached an agreement with the Stock Exchange that only disclosure of the annual aggregate dollar value of the transactions made each year would be made. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant jointly controlled entities and would not be in the interest of the Company or the relevant jointly controlled entities.

The aforesaid waivers granted by the Stock Exchange at the time of listing in relation to the transactions made expired when the Supplemental Agreements of JV Partner and New Agreement of JV Partner were entered into. The Stock Exchange has approved the Company's application for renewal of the waivers, exempting the Company from compliance with the annual cap, announcement and annual reporting requirements under the Listing Rules to the extent that only disclosure of the total annual consideration relating to the Transactions needs to be made.

2. Sale of vehicle products, parts and components, production equipment and vehicles related products (including its after-sales services)
 - (a) For the year ended 31 December 2015, the Group sold raw materials, parts and components and vehicles to the JV Partner Group according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.

The Group will take into account market prices of the relevant products and services offered by independent third parties in determining the price of the services to make sure that the price offered to the JV Partner Group are fair and reasonable and on normal commercial terms.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempted from written agreement and annual cap requirements as set out in the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between the contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant jointly controlled entities and would not be in the interest of the Company or the relevant jointly controlled entities.

- (b) For the year ended 31 December 2015, members of the JV Partner Group provided the sale of raw materials, parts and components and production equipment to the principal jointly controlled entities according to the following pricing terms on a regular basis. Such service will continue during the term of the joint ventures.



In relation to this type of transactions, where there are other local suppliers, members of the Group will obtain quotes for equivalent products or services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, the Group would go through a tender process before selecting the supplier for such alternatives. In such a tender process, JV Partner Group is treated no differently from any other third party supplier. Consequently, the purchase of auto parts by Group from the JV Partner Group would not be made if the Group could obtain better terms from any other suppliers. Over time, fewer vehicle products, parts and components will be sourced from the JV Partner Group as cheaper viable alternatives are found in the PRC. Such process of “localisation” is widely regarded as key means of cost reduction in the PRC automotive industry and is also the priority of the principal jointly controlled entities.

As a business reality, given the additional transportation and tax costs of purchasing vehicle products, parts and components and production equipment from a foreign supplier, it is neither in the Company’s nor the joint venture partners’ interest to purchase the vehicle products, parts and components and production equipment from the foreign joint venture partners if viable alternatives are available from local suppliers on more favourable terms.

In determining the price for the products and/or service, the Company will also consider the market price for equivalent products or services in order to make sure that the price will remain a reasonable and competitive one. However, unlike normal consumer products, some of the vehicle products, parts and components provided by the JV Partner Group are specific to the car models produced by the principal jointly controlled entities and there is no alternative but to source the vehicle products, parts and components from the JV Partner Group for the duration of the relevant principal JV and market prices for these vehicle parts are not readily available. The Company’s representatives will rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in determining the price. In order to ensure that the price is fair and reasonable, the Group will also obtain quotes for similar products or services, though not specific to the car models produced by the principal jointly controlled entities, as reference.

The Group will also determine the price by taking into account the profit margin that could be achieved by the Group to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better taking into account the international and PRC benchmark raw materials costs.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in the Listing Rules, and is only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant jointly controlled entities and would not be in the interest of the Company or the relevant jointly controlled entities.



3. Provision of technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software)

For the year ended 31 December 2015, the JV Partner Group provided technical support, research and development support and information enquiry (including production preparation support, local support, advisory services, and provisions of software) to the Group according to the following pricing terms on a regular basis. The Company's joint venture partners are the proprietors of the technology involved in the production of vehicle models manufactured by the principal jointly controlled entities and they are primarily responsible for the research and development of all new models. The provision of technical support by the joint venture partners is to ensure that the latest technology is applied in the manufacturing process of the principal jointly controlled entities and to ensure that the products remain competitive in the market. Such service will continue during the term of the joint ventures.

Generally, the pricing for technology licence and technical assistance between the principal jointly controlled entities and the joint venture partners and their associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model and such research and development costs should be spread evenly over the entire operations of the party providing the technology and the PRC automotive joint venture should only bear its fair share of such costs.

In accordance with normal industry practice, the terms (including the price) of the technology licenses and transactions relating to technical support are fixed with reference to the expected life cycle of vehicle models, which are generally between 5 and 10 years, and also with reference to the industry benchmark for similar technological assistance. The Company's representatives will also rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in order to determine the price and to make sure that the price remains a reasonable and competitive one. Also the Group (including the principal jointly controlled entities) will also determine the price by taking into account the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements as set out in the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transaction value between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant jointly controlled entities and would not be in the interest of the Company or the relevant jointly controlled entities.



4. Provision of the right to use intellectual property (in relation to production and sales of vehicles)

For the year ended 31 December 2015, the joint venture partners of the principal jointly controlled entities provided the use of intellectual property rights (in relation to production and sales of vehicles) to the principal jointly controlled entities according to the following pricing terms on a regular basis. The right to use intellectual property is key to the long term profitability and competitiveness of the principal jointly controlled entities and their products. The Company's Group entered into several technology licence agreements and trademark licence agreements with the Company's joint venture partners during the track record period in the past. Such agreements will continue during the term of the joint ventures.

The joint venture partners and its associates are primarily responsible for the research and development of the new vehicle models and it is therefore essential for the principal jointly controlled entities to enter into technology licence with its joint venture partners. The relevant intellectual property rights that are specific to the car models produced by the relevant principal jointly controlled entities and are thus fundamental to the production of the Group. Without them, the businesses of the principal jointly controlled entities could not have been established and cannot operate. The Group therefore has no alternative but to source the intellectual property rights from the joint venture partners for the duration of the principal jointly controlled entities. It is therefore standard practice in the PRC automotive industry for sino-foreign automotive manufacturing joint ventures to provide royalties to the proprietor of the relevant technology licence, technological know-how or intellectual property right, which is very often, the joint venture partners.

The purpose of sino-foreign automotive manufacturing joint ventures is that the PRC manufacturer will be able to benefit from the technological expertise and product portfolio of its foreign joint venture partner, whilst the foreign partner is able to participate in the domestic PRC market. The joint venture relationship is therefore founded on the foreign joint venture partner contributing its technological expertise to the jointly controlled entities and the PRC partner contributing its manufacturing capabilities and facilities, labor and local market and regulatory knowledge.

A key reason for the PRC Government's encouragement of sino-foreign automotive manufacturing joint ventures is to rapidly enhance technological and product standards in the PRC automotive industry.

Generally, the pricing principle for technology licence and technical assistance between the principal jointly controlled entities and the joint venture partners and their associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model and such research and development costs should be spread evenly over the entire operations of the party providing the technology and the PRC automotive joint venture should only bear its fair share of such costs.

In accordance with normal industry practice, the terms (including the price) of the technology licences and transactions relating to technical support are fixed with reference to the expected life cycle of vehicle models, which are generally between 5 and 10 years, and also with reference to the industry benchmark for similar technological assistance. The Company's representatives will also rely heavily on their knowledge of the industry standards and their prior experience gained from similar negotiations in order to determine the price and to make sure that the price remains a reasonable and competitive one. Also the Group (including the principal jointly controlled entities) will also determine the price taking into account of the profit margin that could be achieved by the Group and to ensure that the price will be set at a level that the Group will still be able to generate a profit margin that is within the industry standard or even better.



The Company also believes that the primary purpose of international automotive manufacturers in entering into joint ventures with the Company is the establishment of a strong presence in the PRC automotive industry, the gaining of market share for their brand of vehicles and long term investment returns from the principal jointly controlled entities, rather than any short term gains from technology licences, intellectual property rights and technical support services carried out on terms which may be prejudicial to the principal jointly controlled entities' long term profitability and competitiveness. Such short term gains would be eclipsed by the potential losses to the joint venture partners if the principal jointly controlled entities were to prove unsuccessful.

The Company has reached an agreement with the Stock Exchange that the transactions above are exempt from written agreement and annual cap requirements set out in the Listing Rules, and are only required to disclose the nature of relevant transactions made each year. This is because the disclosure of separate transactions between contracting parties would constitute disclosure of commercially sensitive information relating to the operations of the relevant jointly controlled entities and would not be in the interest of the Company or the relevant jointly controlled entities.

(C) *Control Mechanism*

In relation to the connected transactions between the Company and its subsidiaries on the one hand and the joint venture partners and their associates on the other hand as described above, negotiations will be conducted by the Company and/or the relevant subsidiary directly on an arm's length basis and the Company is able to control the negotiations between the subsidiaries and the joint venture partners and/or their associates. The joint venture partners and/or their associates will not be in a position to influence the Company and/or its subsidiaries to agree to terms which may not be in its and the Company's interest.

In relation to the connected transactions between the principal jointly controlled entities on the one hand and the joint venture partners and their associates on the other hand as described in paragraphs 2 to 4 above, it is provided under the respective joint venture agreements, articles of association and memoranda of the principal jointly controlled entities that negotiations between the principal jointly controlled entities and the joint venture partner and its associates should always be conducted directly by the relevant principal jointly controlled entities' senior management nominated by the Company on behalf of the Company or by representative of the Company as a joint venture partner and will thus be conducted on an arm's length basis. No joint venture partners or their associates is in a position to influence the principal jointly controlled entities to agree to terms which may not be in the principal jointly controlled entities' and therefore the Company's interest. The Company also confirms that negotiations of transactions between the principal jointly controlled entities and the relevant joint venture partners were all conducted by the relevant principal jointly controlled entities' senior management nominated by the Company.

Also, the principal jointly controlled entities have implemented internal control and reporting mechanisms which enable business developments and transactions that may be subject to applicable continuing obligations under Chapter 14A of the Listing Rules to be reported to their respective boards and/or designated persons enabling both the Company and its relevant joint venture partners, through representatives on the board of the relevant principal jointly controlled entities and/or designated persons to decide whether to consent to and approve the relevant transactions.

Further, there are also established procedures under the respective joint venture agreements, articles of association and memoranda of the principal jointly controlled entities that the entering into of any contract of material importance/material transaction with a joint venture partner and its associates shall either be approved by a majority of the directors present at the board meeting or be mutually agreed/signed off by the general manager and the vice general manager of the relevant principal jointly controlled entities (as the case may be). It is provided under the respective joint venture agreements, articles of association and memoranda of the principal jointly controlled entities that the Group and the joint venture partner will be entitled to nominate the general manager and vice general manager respectively in turn and when the general manager is nominated by the Group, the vice general manager will be nominated by the joint venture partner and vice versa.



(D) Confirmation by the Independent Non-executive Directors

The independent non-executive directors of the Company confirm that for the year ended 31 December 2015, the above continuing connected transactions entered into by the Company as one of the parties are:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

(E) Auditor's Letter

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. Auditor of the Company confirmed in such letter that for the year ended 31 December 2015, in respect of the above continuing connected transaction to which the Company is one of the parties:

- (1) nothing has come to their attention that those transactions have not been approved by the Board;
- (2) nothing has come to their attention that those transactions did not follow the pricing policy of the Company in all material respects if the transactions involved provision of goods or services by the Company;
- (3) nothing has come to their attention that those transactions were not carried out in accordance with the agreements of such transactions in all material aspects; and
- (4) nothing has come to their attention that those transactions exceeded respective annual caps (if any).

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.



XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trusts, contracts and lease arrangements

N/A

(II) Guarantee

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	External Guarantee of the Company (excluding those provided to subsidiaries)							Overdue amount	Whether counter guarantee is available	Whether guarantee is provided to related parties	Connected relationship
			Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed					
Guangzhou Automobile Group Autobus Co., Ltd	wholly-owned subsidiary	Foshan City Nan Hai Fo Guang Public Motor Company (佛山市南海佛廣公共汽車有限公司)	7,449,750.00	25 July 2014	19 September 2014	19 September 2019	Suretyship of joint and several liability	No	No	0	No	No	No
GAC Hino (Shenyang) Automobile Co., Ltd	wholly-owned subsidiary	Guangzhou Yang Cheng Zhi Lv Tourism and Transport Co., Ltd. (廣州羊城之旅旅遊運輸有限公司)	990,696.00	1 December 2014	1 December 2014	30 November 2016	Suretyship of joint and several liability	No	No	0	No	No	No
GAC Hino (Shenyang) Automobile Co., Ltd	wholly-owned subsidiary	Guangzhou Yang Cheng Zhi Lv Tourism and Transport Co., Ltd. (廣州羊城之旅旅遊運輸有限公司)	136,632.00	26 February 2014	26 February 2014	25 February 2016	Suretyship of joint and several liability	No	No	0	No	No	No
Guangzhou Automobile Group Business Co., Ltd	wholly-owned subsidiary	Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司)	4,220,000.00	26 March 2015	26 March 2015	26 March 2018	Suretyship of joint and several liability	No	No	0	No	Yes	Associates
Guangzhou Automobile Group Business Co., Ltd	wholly-owned subsidiary	Guangzhou United Exchange Park Business Investment Co., Ltd. (廣州聯合交易園區經營投資有限公司)	81,490,000.00	26 March 2015	26 March 2015	26 March 2018	Suretyship of joint and several liability	No	No	0	No	Yes	Associates
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)												0.00	
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												94,287,078.00	
Guarantee provided to subsidiaries of the Company and its subsidiaries													
Total guarantee provided to subsidiaries of the Company during the reporting period												0	
Total balance of guarantee provided to subsidiaries of the Company as at the end of the reporting period(B)												0	



External Guarantee of the Company (excluding those provided to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	The guarantee is fully performed	Overdue	Overdue amount	Whether counter guarantee is available	Whether guarantee is provided to related parties	Connected relationship
Total guarantee of the Company (including those provided to subsidiaries)													
Total guarantee (A+B)											94,287,078.00		
Proportion of total guarantee in the net assets of the Company (%)											0.24		



(III) Entrusted cash assets management

1. Entrusted wealth management

N/A

2. Entrusted loans

Unit: Yuan Currency: RMB

Name of the borrower	Amount of Entrusted Loan	Term of the loan	Interest rate	Use of loan	Overdue or not	Connected transaction or not	Renewed or not	Involved in a litigation or not	Connected relationship
Changsha GACC-Johnson Controls Interiors Systems Co., Ltd	28,800,000	11 December 2015 to 10 June 2016	4.35%	Operation capital	No	Yes	No	No	Joint venture
Hangzhou IVECO Automobile Transmission Technology Co.,Ltd.	25,500,000	3 July 2015 to 1 July 2016	4.59%	Operation capital	No	Yes	No	No	Joint venture
Changsha Cosma Automotive System Co., Ltd.	58,800,000	25 December 2015 to 24 December 2016	4.35%	Operation capital	No	Yes	No	No	Joint venture
GAC-SOFINCO Automobile Finance Co.,Ltd	500,000,000	16 June 2015 to 15 June 2016	5.05%	Operation capital	No	Yes	No	No	Joint venture
Guangzhou Port Nansha Automotive Terminal Co., Ltd.	10,000,000	31 July 2015 to 31 July 2016	4.85%	Operation capital	No	Yes	No	No	Associates
Guangzhou Port Nansha Automotive Terminal Co., Ltd.	10,000,000	21 September 2015 to 21 September 2016	4.60%	Operation capital	No	Yes	No	No	Associates
Guangzhou Port Nansha Automotive Terminal Co., Ltd.	15,000,000	20 October 2015 to 20 October 2016	4.60%	Operation capital	No	Yes	No	No	Associates
Guangzhou Port Nansha Automotive Terminal Co., Ltd.	20,000,000	18 December 2015 to 18 December 2016	4.35%	Operation capital	No	Yes	No	No	Associates



Details of the entrusted loans:

During the reporting period, the entrusted loans provided to the associates and joint venture by the Company amounted to approximately RMB668.1 million, mainly for providing liquidity to the invested entities on the basis of shareholdings.

(IV) Other material contracts

On 23 December 2015, the Company entered into a Strategic Cooperation Framework Agreement with Uber China, which agreed to commence strategic cooperation between the Company and/or its invested entities and Uber China in various aspects, including equity investment, vehicle sales, repair and maintenance, second-hand vehicles, automobile financing, insurance and lease. For details, please refer to the announcement published on the website of SSE on 23 December 2015.

XIII. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Fulfillment of Social Responsibility

With the goal of developing into a trustworthy public company, the Group always strives to build a green enterprise, advocate green culture, integrate highly efficient energy saving concept, build a green supply chain, develop green office, realise sustainable development and actively perform social responsibility.

(II) Description of environmental protection regulations in relation to listed companies and its subsidiaries of heavy pollution industries as required by the state environmental protection department

Nil



XIV. INFORMATION ON CONVERTIBLE CORPORATE BONDS

(I) Issuance of convertible bonds

According to the approval given under License No.3131 [2015] of the CSRC, the Company made a public issuance of RMB4,105.58 million A share convertible bonds of the Company on 22 January 2016, which has been listed on the SSE on 4 February 2016.

(II) Holders and guarantors of convertible bonds during the reporting period

Nil

(III) Conversion of convertible bonds during the reporting period

Nil

(IV) Accumulated number of shares converted from convertible bonds during the reporting period

Nil

(V) Previous adjustments to conversion price

Nil

(VI) Information on the Company's liability and credit changes as well as the cash arrangement for the future annual debt repayment

Nil

(VII) Other information of convertible bonds

Nil



XV. OTHER

(I) MAJOR AWARDS

Subject	Awards won by the Group and its major investees	Organiser/theme
The Company	TOP10 Employer in PRC Automobile Industry for the Year 2015	ChinaHR.com
	The Most Competitive Headquarters in Guangzhou for the Year 2015	Guangzhou Headquarters Economy Association
Guangqi Honda	China Automobile Industry Overall Standings for the Year 2015-Enterprise of the Year	China Mainstream Media Auto Union
	Guangdong Annual Economic Ranking-Enterprise of the Year	Guangdong Television, Yangcheng Evening News
	China (Tianjin) Annual Automobile Industry Overall Standings for the Year 2015-Enterprise of the Year	Tianjin Daily
	Economic Observer 10 Best Manufacturing Quality for the Year 2015-Outstanding Contribution Award	Economic Observer
	2015 The Most Influential Brand	People.cn
	National Business Daily Chinese Enterprises Green Development Forum and the 6th Chinese Enterprises Environment Protection Qingxin Prize and Energy Saving and Environmental Protection Innovation Enterprise for the Year	National Business Daily Chinese Enterprises Green Development Forum
	China Low-Carbon Model	Economic Observer
	The Most Esteemed Enterprise	Economic Observer
	Star of Transportation – Star of Technology Innovation	China Business Journal
	GAC Toyota	Chinese Corporate Social Responsibility Outstanding Enterprise Award
China Low-Carbon Model for five consecutive years		Economic Observer
2015 Social Welfare Contribution of China Automobile Enterprise Jinyi Award for five consecutive years		Nanfang Metropolis Daily
China CSR Outstanding Company Award for five consecutive years		China Business News
China Corporate Responsibility Excellence Award for three consecutive years		China Philanthropy Times
GAC Mitsubishi	Annual Outstanding Enterprise Award for four consecutive year	Xinhuanet.com
	Annual Social Welfare Special Contribution Award	Hunan TV station
	Best Marketing Example of the Year	Television General Comment List for China Automobile
	The Most Influential Activity Award of the Year Marketing Event Award	China SUV Weekly China Mainstream Media Auto Union Xiaoxiang Morning Herald, Rednet



Chapter 6 Significant Events

Subject	Awards won by the Group and its major investees	Organiser/theme
GAMC	Guangdong Province Best Workplace Medal	Federation of Trade Unions of Guangdong Province
	Innovation For The Future	Yahoo Finance
	Top 100 Entrepreneurial Spirit	China Culture Administration Association
	The Most Beautiful Enterprise Story	China Culture Administration Association
	The Fastest Growing Chinese Automaker	Bloomberg
	Model Enterprise of Sole Creditable Enterprise in Automobile Industry	China Corporate Image Promotion Event Committee

(II) Car Models and Other Awards

Name	Award	Awarded by
GAMC GS4	GS4 was awarded New Stylish SUV of the Year	The new Cultural Newspaper
GAMC GS4	GS4 was awarded Popular Car Model in China Market	Information Times
GAMC GS4	GS4 was awarded China SUV Brand of the Year	NetEase
GAMC GS4	GS4 was awarded 2015 Self-developed Brand Car Model of the Year	Yiche.com/Autoreport.cn
GAMC GS4	GS4 was awarded 2015 SUV Prominent Award	Nanfang Metropolis Daily
GAMC GS4	GS4 was awarded Self-developed SUV	China Business News
GAMC GS4	GS4 Annual Best-selling SUV	12 Gang • Chezaocha
GAMC GS4	GS4 was awarded 2015 China Brand SUV Elite Vehicle	21st Century Business Herald
GAMC GS4	GS4 was awarded Quality SUV of the Year	China Auto News
GAMC GS4	GS4 was awarded Excellent Self-developed Brand Car Model	Jingrongjiewang
GAMC GS4	GS4 was awarded SUV Self-developed SUV of the Year	Mainstream Media Union
GAMC GS4	China Popular City Car Model	Information Times
GAMC GS4	2015 Self-developed Brand Car Model Award of the Year	Yiche.com/Autoreport.cn
GAMC GS4	2015 Zhejiang Fashionable SUV of the Year	Zhejiang TV Station
GAMC GA6	GA6 was awarded 2015 Safe Car of the Year	CNCAP/AUTO WORLD
GAMC GA5 PHEV	GA5 PHEV was awarded 2015 Best Business Vehicle of the Year	New Energy Car Journal
Guangqi Honda City	2015 China General Rank of Automobile (Hangzhou) – Middle-end Vehicle of the Year	China Mainstream Media Union
Guangqi Honda City	Sport Vehicle of the Year	China Auto News
Guangqi Honda City	2015 Compact Sedan of the Year	Ifeng.com
Guangqi Honda City	2016 Sina the Best High Price-performance Ratio Vehicle Model	Sina
Guangqi Honda City	2015-2016 Sohu Vehicle Annual Award-Small-sized Car of the Year	Sohu
Guangqi Honda City	Joint Venture Compact Car	Auto.qq.com



Name	Award	Awarded by
Guangqi Honda Vezel	Popular SUV of the Year	NetEase Annual Car Award
Guangqi Honda Vezel	2015 Car of the Year – Compact SUV	China Automobile Strong Media Union
Guangqi Honda City	2015 Yangcheng Car Ranking List – Fashionable Car Model of the Year	Yangcheng Evening News
Guangqi Honda Vezel	2015 SUV of the Year	Nanfang Metropolis Daily
Guangqi Honda Odyssey	2nd Large MPV	J.D.Power New Car Quality Research
Guangqi Honda Vezel	2nd Compact SUV	J.D.Power New Car Quality Research
Guangqi Honda City	1st Middle-sized Basic Sedan	J.D.Power China Vehicle Reliability Research
Guangqi Honda Accord	2015 China Mass Production Vehicle Competition – 2015 Performance Car Model and CPC Special Contribution Award	China Automotive Technology & Research Center, General Administration of Sport
Guangqi Honda City, Fit	1st Small-sized Vehicle	Autohome New Car Quality Research Center
Guangqi Honda Vezel	2nd Small-sized SUV	Autohome New Car Quality Research Center
Guangqi Honda Odyssey	Excellent Quality MPV Award	Car Quality Research Center
Guangqi Honda Accord	Consumer Comprehensive Satisfaction Assessment – Best Middle-sized Vehicle Award	Overall Satisfaction Research Center of China Automotive Technology & Research Center
Guangqi Honda Crider	Consumer Comprehensive Satisfaction Assessment – Best Compact Car Model Award	Overall Satisfaction Research Center of China Automotive Technology & Research Center
GAC Toyota Camry	2015 The Most Anticipated New Car Award	Sohu
GAC Toyota Yaris L	Small-sized Vehicle of the Year	Sina Auto
GAC Toyota Levin HEV	2016 The Most Anticipated New Car Award	Eastmoney Billboard Election
GAC Toyota Levin HEV	Innovative Car Model of the Year	AutoWeek
GAC Toyota Brand New Highlander	Car of the Year	Nanfang Metropolis Daily
GAC Toyota Brand New Highlander	7-seater SUV of the Year	Beijing News
GAC Toyota Brand New Highlander	Joint Venture SUV of the Year	Auto.qq.com
GAC Toyota Brand New Highlander	Brand New Highlander-The Most Popular New Car of the Year	Guangzhou Daily
GAC Toyota Levin	The Best Air Quality Car Model of the Year	Carnews.com
GAC Toyota Brand New Highlander	Middle-sized SUV of the Year-Highlander	Ifeng.com
GAC Toyota Brand New Highlander	Middle-sized SUV of the Year – Car Model Award	NetEase Auto
GAC Mitsubishi New ASX	City SUV of the Year	Television General Comment List for China Automobile
GAC Mitsubishi New ASX	High Price-performance Ratio SUV	QianJiang Evening News
GAC Mitsubishi Pajero	Best Business SUV of the Year	China SUV Weekly
GAC Mitsubishi Pajero	Best SUV of the Year	Jiangsu News Broadcast
GAC Mitsubishi Pajero	Best Performance SUV	New Media Union, Amaiche, My Che Gu Lu New Media Matrix



Chapter 7 Report of the Directors

The Board is pleased to submit the report of the directors together with the audited consolidated financial statements for the year ended 31 December 2015.

DIRECTORS AND SUPERVISORS

The details of the directors and supervisors of the Company for the year are set out in the paragraph titled “CHANGES IN SHAREHOLDING AND REMUNERATION” under Chapter 10, “Profiles of Directors, Supervisors, Senior Management and Employees” of this report.

Such section forms part of this report of the directors.

PRINCIPAL ACTIVITIES

Information of the principal activities of the Company for the year is set out in Chapter 4, “Summary of Business” of this report.

Such section forms part of this report of the directors.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged appropriate directors, supervisors and senior management liability insurance cover for its directors, supervisors and senior management.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.



BUSINESS REVIEW

1. Business performance, principal risks and uncertainties and future development

The discussion on the business performance, principal risks and uncertainties and future development of the Group, as well as the analysis of financial key performance indicators of the Group are set out in Chapter 5, “Management Discussion and Analysis” of this report.

Such sections form part of this report of the directors.

2. Significant events subsequent to the reporting period

Significant events of the Group subsequent to the reporting period are set out in note 44 to the consolidated financial statements.

Such sections form part of this report of the directors.

3. Environmental policies and performance

As a domestic, large-scale, automobile group with a strong sense of social responsibility, the Group established plans for the development of new energy vehicles pursuant to the requirements of national policy. In respect of passenger vehicles, commercial vehicles and public transport, the Group had set up open platforms for operation, established green industrial chains, accelerated the development of new energy business, supported the policy of “Made in China 2025” and was at the forefront of transformation and progress.

In addition, in 2015, the Group adhered to ideals of environmental protection and – with the goals of energy conservation, consumption reduction, pollution reduction and boosting efficiency – the Group developed energy saving and environmentally friendly vehicle models; pushed for the construction of smart, intensive and environmentally friendly factories; was involved in the formulation of industrial standards of energy conservation and emission reduction; and established itself as an “environmentally friendly” enterprise and a pioneer of environmental protection.

The Group actively promoted green culture; integrated the concept of high efficiency and energy saving development; established a green supply chain, launched green office, promoted environmental protection campaigns and education and implemented sustainable development.

4. Laws and regulations that have a significant impact on the Company

The Company strictly complies with domestic and overseas laws and regulations and industry standards such as the Listing Rules, the SFO, Company Law and the Securities Act.



5. Key relationships

Information regarding the Company's key relationships with its employees, customers and suppliers is set out in the paragraph titled "EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR INVESTEE COMPANIES" under Chapter 10, "Profiles of Directors, Supervisors, Senior Management and Employees" and in the paragraphs titled "Sale to major customers" and "Major suppliers" under Chapter 5, "Management Discussion and Analysis" of this report.

INTERESTS OF DIRECTORS AND SUPERVISORS

During the period and at the end of the Company's financial year, there were no arrangements whose objects are, or one of whose objects is, to enable directors and supervisors of the Company to acquire benefits in shares in, or debentures of, the Company or any other body corporate.

DONATION

Details of charitable and other donations made by the Group during the year are set out in the paragraph titled "Performing social responsibilities and being a model corporate citizen" under Chapter 5, "Management Discussion and Analysis" of this report.

ISSUE OF SHARES

The Company did not issue any shares during the year.

ISSUE OF DEBENTURES, BONDS AND OTHER DEBT SECURITIES

On 19 January 2015, the Company issued the 2012 Corporate Bonds of Guangzhou Automobile Group Co., Ltd. (Second Batch). The reason for such issue was to increase the general working capital of the Company. The total principal of the corporate bonds was RMB2,000,000,000, which were issued at par of RMB100 each, bearing interest rate of 4.70% with a maturity of 5 years. Other information related to such issue is set out in Chapter 12, "Corporate Bonds" of this report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year. For the information of the equity-linked agreements entered into by the Company in prior financial years, please refer to the paragraph titled "SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVES OF THE COMPANY AND THEIR IMPACTS" under Chapter 6, "Significant Events" of this report.



DIVIDENDS

During the year, an interim dividend of RMB0.08 per share (2014: RMB0.08) (tax inclusive) was distributed, totalling approximately RMB514,802,000 (2014:RMB514,802,000).

The Board recommends to distribute final dividend of RMB 0.12 per share (2014: RMB0.08) (tax inclusive) for the year ended 31 December 2015, totalling approximately RMB772,202,000 (2014: RMB514,802,000).

REASONS FOR RESIGNATION

During the year, no director or supervisor of the Company resigned or refused to stand for re-election and that the Company has received a notice in writing from the director or supervisor specifying that the resignation or refusal is due to reasons relating to the affairs of the Company (whether or not other reasons are specified).

DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements or contracts of significance in relation to the Group's business of which the Company and its subsidiaries or the Company's parent or its subsidiaries was a party and in which a director or a supervisor and a connected entity of a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

By order of the Board
Guangzhou Automobile Group Co., Ltd.
Zhang Fangyou
Chairman

Guangzhou, the PRC, 25 March 2016



Chapter 8 Report of the Supervisory Committee

During the reporting period, the supervisory committee conducted its work with the spirit of holding itself accountable to all shareholders, duly performed its various duties and obligations, all members of the supervisory committee participated in the discussion in respect of the major operation decisions of the Company, and supervised the financial conditions of the Company, the operation compliance and performance of directors and senior management according to law, through attending supervisory meetings, general meetings and Board meetings, in accordance with the Company Law, the Securities Law, the Listing Rules and the SSE listing rules and other laws and regulations and the requirements of the articles of association of the Company, and the internal control of the Company and standardised operation were promoted.

Supervisory committee was of the view that during the reporting period, the standardised operation of the Company was strictly in compliance with relevant laws and regulations such as the Listing Rules and internal control systems such as the articles of association of the Company, while the directors and senior management of the Company performed their duties diligently and were in compliance with the PRC laws and regulations, the articles of association of the Company and system, and effectively safeguarded the interests of the Company and shareholders. The work of supervisory committee during the year is reported as follows:

(I) THE BASIC COMPOSITION OF THE SUPERVISORY COMMITTEE

On 25 June 2015, the Company considered the resolution on the election of a new session of the Board at 2014 annual general meeting, at which Gao Fusheng, Wu Chunlin and Su Zhanpeng were elected as supervisors representing the Shareholders of the fourth session of supervisory committee of the Company. The three shareholder representative supervisors and two staff representative supervisors, namely Ye Shanhu and Wang Lu, who were elected at the staff representative meeting of the Company, comprise the fourth session of supervisory committee of the Company. The term of office of the fourth session of supervisory committee of the Company is three years commencing from 25 June 2015 to 24 June 2018.

(II) BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2015

Supervisory committee was of the view that the Board duly performed its operation in strict compliance with the requirements under the laws and regulations including the Company Law, the articles of association of the Company, the Listing Rules and the SSE listing rules during the reporting period. By actively grasping the market opportunities, coping with transformation of the overall economic environment and overcoming the unfavorable situation that the industry growth is slowing, with joint efforts of all staffs, the Group recorded excellent performance in its growth rate representing approximately 6 percentage points higher than the industrial average growth rate, and the rapid growth in overall operation business was realised with excellent achievement in each financial indicator.

During the reporting period, the major business decision making procedures of the Company were legitimate and effective. The directors and senior management of the Company duly performed their duties seriously, proactively and normatively conducted their work in accordance with the national laws, regulations, the articles of association of the Company and resolutions of the general meeting and the Board. The supervisory committee had not found any acts of directors and senior management being in breach of laws and regulations and the articles of association of the Company or against the interests of the Company and the shareholders.



(III) MEETINGS CONVENED OF SUPERVISORY COMMITTEE

During the reporting period, the supervisory committee of the Company convened six supervisory meetings with the details as follows:

1. The 17th meeting of the 3rd session of the supervisory committee was held on 25 March 2015, the following resolutions were considered and approved:
 - (1) Resolution in respect of annual report and summary of 2014;
 - (2) Resolution in respect of supervisory committee report of 2014;
 - (3) Resolution in respect of the financial report of 2014;
 - (4) Resolution in respect of profit distribution plan of 2014;
 - (5) Resolution in respect of internal control and self-assessment report of 2014;
 - (6) Resolution in respect of internal control audited report of 2014;
 - (7) Resolution in respect of appointment of auditing institution for the year 2015;
 - (8) Resolution in respect of appointment of internal control auditing institution for the year 2015.
2. The 18th meeting of the 3rd session of the supervisory committee was held on 27 April 2015, at which the resolution in respect of the first quarterly report of 2015 was considered and approved.
3. The 19th meeting of the 3rd session of the supervisory committee was held on 8 May 2015, at which the resolution on the election of a new session of the supervisory committee was considered and approved.
4. The 1st meeting of the 4th session of the supervisory committee was held on 25 June 2015, at which the resolution on the election of chairman of the fourth session of the supervisory committee was considered and approved.



5. The 2nd meeting of the 4th session of the supervisory committee was held on 28 August 2015, at which the following resolutions were considered and approved.
 - (1) Resolution in respect of interim report of 2015;
 - (2) Resolution in respect of profit distribution plan for the interim period 2015.
6. The 3rd meeting of the 4th session of the supervisory committee was held on 30 October 2015, at which the resolution in respect of the third quarterly report of 2015 was considered and approved.

Save as the meetings above, the supervisory committee also supervised the convening, holding, considering, voting procedures and poll results of general meetings and Board meetings through attending general meetings and being present in Board meetings. The supervisory committee has made recommendations and supervised on the legitimacy and compliance of national laws, regulations, the articles of association of the Company and resolutions of the Board meetings and interests of the shareholders in respect of the regular reports, profit distribution, connected transactions and internal control.

(IV) COMMENCING REGULATORY ASSESSMENT ON INVESTMENT PROJECT

During the reporting period, to further enhance the supervising responsibility of the supervisory committee and facilitate the regulatory management of the Company, leading by the supervisory committee, the Company commenced assessment on the “Project Decision Procedure and Executive Management Regulations” to further understand the regulated operation of investment projects in respect of decision-making and execution through on-site inspection, random information check and interview, to provide recommendation to the management of the Company so as to set up a better system for managing the Company’s projects.

(V) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY

1. Operation of the Company in accordance with law

During the reporting period, the various work of the Board and senior management of the Company were in compliance with the relevant requirements of the Company Law, the Securities Law, the Listing Rules of the Stock Exchange and SSE and the articles of association of the Company and Rules of Procedures of the three Committees and the relevant provisions of various internal control systems, decision making process is legitimate and effective. Directors and senior management of the Company performed in a diligent and responsible manner and the resolutions of the general meetings and the Board meetings were implemented faithfully. No acts were in breach of laws and regulations and the articles of association of the Company or against the interests of the Company. Meanwhile, the Company has timely performed its disclosure obligations which were in strict compliance with the requirement of the Listing Rules of the Stock Exchange and SSE.



2. Internal control and risk management

Pursuant to the requirements of the Basic Principles for Internal Control of Enterprise, the Company consistently carried out its self assessment on comprehensive risk management and internal control. Based on the works in previous year, the Company expanded its self assessment on comprehensive risk management and internal control to 2 new investee companies. By carrying out analysis of risk identification and assessment, perfecting comprehensive risk management system, the Company through self assessment on internal control has tested and finalised the rectification measures for the effectiveness of design and operation of its internal control, which further improved the internal control management system.

Supervisory committee reviewed the “self-evaluation report on internal control of the Company for 2015” prepared by the Board and the establishment and implementation of internal control policies of the Company, and approved the “self-evaluation report on internal control for 2015” prepared by the Board.

3. Financial conditions of the Company

The supervisory committee examined the financial conditions of the Company seriously and carefully and reviewed the 2014 annual financial report and the first quarterly report, interim report and the third quarterly report of 2015 during the reporting period, and considered the profit distribution plan implanted by the Company during the reporting period. The supervisory committee considered that the financial report of the Company gave a full, true and objective view of the operation results and financial conditions of the Company, persons participating in the preparation and examination of the annual report were not found to have acted in breach of the rules of confidentiality, while the financial report with unqualified opinions issued by the auditing firm was objective and fair.

4. Connected transactions

The supervisory committee reviewed and audited the report of connected transactions of the year. The supervisory committee considered that the Company had strictly abided by the relevant provisions of the A shares and H shares listing rules and the articles of association. The supervisory committee also considered that the procedures of the transactions were legal and price was fair and was not aware of any circumstances which were prejudicial to the interests of the Company and the medium-sized and minority shareholders.

(VI) WORKING PLAN

In 2016, by adapting to the new normal of economic development and enterprise development, the supervisory committee will proactively perform its supervision responsibilities under the laws and the articles of association. With the basis of corporate governance and focusing on financial supervision and risk prevention, the supervisory committee will continue to pay attention to and promote construction of its internal control and comprehensive risk system, strengthen the implementation of supervision functions, carry out regulatory assessment, implement strictly the rules of procedures of the supervisory committee, organise and convene work meetings of the supervisory committee on a regular basis, attend the general meeting of shareholders and meetings of the Board of the Company according to law and be informed of and supervise the legality of the major issues and each procedure related to decision-making of the Company in order to safeguard the legitimate interests of shareholders, staff members and the Company and contribute to the achievement of the operation objectives of the Company.



I. STATEMENT OF CHANGES IN ORDINARY SHARE CAPITAL

(I) Statement of changes in ordinary shares

1. Statement of changes in ordinary shares

During the reporting period, there was no change to the total number of ordinary shares and ordinary share capital structure of the Company.

2. Explanation on changes in ordinary shares

Nil

3. Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period (if any)

Nil

4. Other disclosure deemed necessary by the Company or required by securities regulatory authorities

Nil

(II) Changes in shares subject to trading moratorium

Unit: Shares

Shareholder name	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Increase in shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Moratorium reason	Date of shares released from trading moratorium
GAIG	3,617,403,529	3,617,403,529	0	0	Moratorium undertaking by promoter upon initial listing	29 March 2015
Total	3,617,403,529	3,617,403,529	0	0	/	/



II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities as at the end of the reporting period

Unit: Share Currency: RMB

Class of shares and their derivative securities stock	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares traded with listing approval	Expiration date of trading
Convertible bonds, separably-traded convertible bond, type of corporate bonds						
A Share convertible bonds	22 January 2016	100	41,055,800	4 February 2016	41,055,800	21 January 2022
2012 Bonds of Guangzhou Automobile Group Co., Ltd. (Second Batch)	19 January 2015	4.70%	2,000,000,000	4 March 2015	2,000,000,000	19 January 2020



III. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders

Total number of shareholders as at the end of the reporting period: A Share: 15,790, H Share: 291
 Total number of shareholders as at the end of the month prior to the disclosure of the annual results report (February 2016): A Share: 14,470, H Share: 289

(II) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period

Unit: Share

Name of shareholder (full name)	Shareholding of top ten shareholders				Pledged or frozen		Nature of shareholder
	Increase/ decrease during the reporting period	Number of shares held at end of the period	Shareholding ratio (%)	Number of shareholdings subject to trading moratorium	Status		
Guangzhou Automobile Industry Group Co., Ltd. (Note 1)	128,266,000	3,912,671,384	60.80	0	Nil		State-owned legal person
HKSCC Nominees Limited (Note 2)	-	2,208,122,326	34.31	0	Unknown		Other
Wanxiang Group Corporation (萬向集團公司)	-1,696,400	155,300,423	2.41	0	Unknown		Domestic non-state-owned legal person
CFM – China Zheshang Bank Co., Ltd. – CFM star of Pujiang asset management plan	-	76,108,992	1.18	0	Unknown		Other
Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.2 asset management plan	-	34,008,871	0.53	0	Unknown		Other



Shareholding of top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at end of the period	Shareholding ratio (%)	Number of shareholdings subject to trading moratorium	Pledged or frozen		Nature of shareholder
					Status		
Galaxy Capital – China Zhesang Bank Co., Ltd. – Galaxy Capital pride dragon no.3 asset management plan	–	33,311,977	0.52	0	Unknown		Other
Galaxy Capital – China Zhesang Bank Co., Ltd. – Galaxy Capital pride dragon no.1 asset management plan	–	28,984,161	0.45	0	Unknown		Other
Galaxy Capital – China Zhesang Bank Co., Ltd. – Galaxy Capital pride dragon no.68 asset management plan	–	26,656,746	0.41	0	Unknown		Other
China National Machinery Industry Corporation Limited	–	25,164,404	0.39	0	Unknown		State-owned legal person
Wang Yun	–	10,250,302	0.16	0	Unknown		Domestic natural person



Particulars of shareholdings of the top ten holders of tradable shares not subject to trading moratorium

Name of shareholder (full name)	Number of tradable shares not subject to trading moratorium	Class of shares and number	
		Class of share	Number
Guangzhou Automobile Industry Group Co., Ltd.	3,912,671,384	A, H shares	3,912,671,384
HKSCC Nominees Limited	2,208,122,326	H shares	2,208,122,326
Wanxiang Group Corporation	155,300,423	RMB ordinary shares	155,300,423
CFM – China Zheshang Bank Co., Ltd. – CFM star of Pujiang asset management plan	76,108,992	RMB ordinary shares	76,108,992
Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.2 asset management plan	34,008,871	RMB ordinary shares	34,008,871
Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.3 asset management plan	33,311,977	RMB ordinary shares	33,311,977
Galaxy Capital – China Zheshang Bank Co., Ltd. – Galaxy Capital pride dragon no.1 asset management plan	28,984,161	RMB ordinary shares	28,984,161
Galaxy Capital – China Zheshang Bank Co., Ltd. Ltd. – Galaxy Capital pride dragon no.68 asset management plan	26,656,746	RMB ordinary shares	26,656,746
China National Machinery Industry Corporation Limited	25,164,404	RMB ordinary shares	25,164,404
Wang Yun	10,250,302	RMB ordinary shares	10,250,302
Connected relationship or concerted party relationship among the above shareholders	GAIG, the largest shareholder of the Company, is not connected with any of the above shareholders, nor is it a party acting in concert with any of them, and it is not known to the Company whether other shareholders are connected with each other or whether they are parties acting in concert.		

Note 1: GAIG holds 3,705,129,384 A shares of the Company in total representing approximately 87.76% of the A share capital of the Company. At the same time, it increased its shareholdings by 128,266,000 H shares of the Company through GAIG and its subsidiaries during the reporting period, upon which GAIG and its wholly owned subsidiary in Hong Kong, GAC (HK), holds 207,542,000 H shares of the Company in total, representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG are 3,912,671,384 shares in total, representing approximately 60.80% of the total share capital of the Company.

Note 2: H shares held by HKSCC NOMINEES LIMITED, i.e. 香港中央結算(代理人)有限公司, were held on behalf of a number of clients.

(III) Strategic investor or ordinary legal person becoming top 10 shareholders after placing of new shares

Nil



IV. STATUS OF CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(I) Controlling Shareholder

1. Legal person

Name	Guangzhou Automobile Industry Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Fangyou
Date of establishment	18 October 2000
Principal business	Investment in the research and development, manufacturing and marketing of automobile, motorcycle and components, automobile service trade and other relevant industries; Investment in automobile finance and other financial sectors; Investment in self-owned land development projects and related real estate projects and property management;
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Nil
Other matters	Nil

2. Special explanation that the Company does not have any controlling shareholder

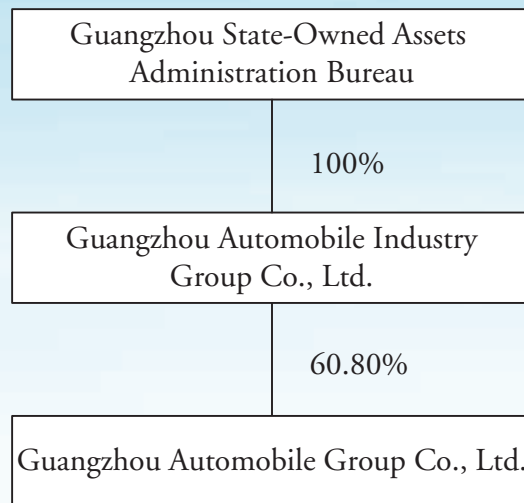
Nil

3. Details of the index and the date of changes of the controlling shareholder during the reporting period

Nil



4. Chart showing the property rights and controlling relationship between the Company and the controlling controllers



(II) Ultimate Controller

1. Legal Person

Name	Guangzhou Automobile Industry Group Co., Ltd.
Responsible person of the institution or legal representative	Zhang Fangyou
Date of establishment	18 October 2000
Principal business	Investment in the research and development, manufacturing and marketing of automobile, motorcycle and components, automobile service trade and other relevant industries; Investment in automobile finance and other financial sectors; Investment in self-owned land development projects and related real estate projects and property management;
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Nil
Other matters	Nil



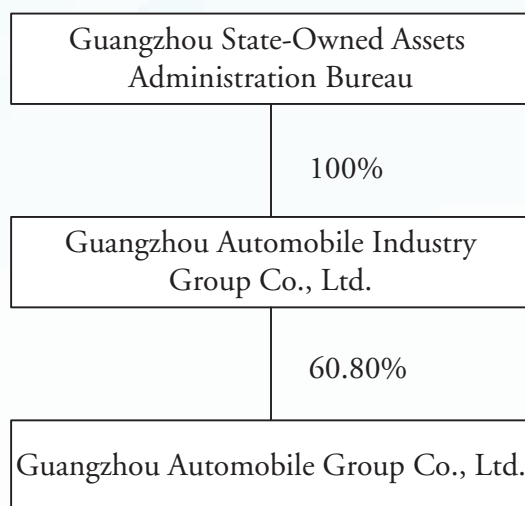
2. *Special explanation that the Company does not have any ultimate controller*

Nil

3. *Details of the index and the date of changes of the ultimate controller during the reporting period*

Nil

4. *Chart showing the property rights and controlling relationship between the Company and the ultimate controllers*



5. *The ultimate controller controlled the Company through a trust or other asset management company*

Nil

(III) Other information of the controlling shareholder and the ultimate controller

Nil



V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% SHARES OF THE COMPANY

As at the end of reporting period, there was no other corporate shareholders holding more than 10% shares of the Company.

VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

N/A

VII. INTERESTS REQUIRED TO BE DISCLOSED UNDER THE SECURITIES AND FUTURES ORDINANCE OF HONG KONG

As at 31 December 2015, the names of the persons (other than directors and supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are set out below:

Name	Class of Shares	Capacity	Number of shares held (Note 1)	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
GAIG (note 2)	A Shares	Beneficial owner	3,679,503,529 (L)	87.16	60.30
	H Shares	Interest of a controlled corporation	201,112,000 (L)	9.09	
Templeton Asset Management Limited	H Shares	Investment manager	420,133,782 (L)	18.98	6.53
BlackRock, Inc.	H Shares	Interest of a controlled corporation	163,407,380 (L)	7.38	2.54
			340,000 (S)	0.02	0.005



Notes:

1. (L) – Long Position, (S) – Short Position, (P) – Lending Pool
2. The number of shares reflects the total number of A shares of the Company held by GAIG on 31 December 2015, which was 3,705,129,384 shares in total, representing approximately 87.76% of the A share capital of the Company. At the same time, it holds 207,542,000 H shares through its wholly owned subsidiary in Hong Kong, GAC (HK), and “Southbound Transaction”, representing approximately 9.38% of the H share capital of the Company. The total number of A and H shares of the Company held by GAIG are 3,912,671,384 shares in total, representing approximately 60.80% of the total share capital of the Company.

VIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company during the year.

IX. PRE-EMPTIVE RIGHTS AND PUBLIC FLOAT

There is no provision for pre-emptive rights of the shareholders in the articles of association of the Company and the relevant laws, and they are not entitled to ask the Company to issue shares to them pre-emptively in proportion to their shareholding.

Based on the information publicly available and within the knowledge of the directors, as at the latest practicable date prior to the issue of this annual report, the Company has met the minimum requirement on public float under the Listing Rules.



I. CHANGES IN SHAREHOLDING AND REMUNERATION

(1) Particulars about changes in the shareholding and remuneration of incumbent and resigned directors, supervisors and senior management during the reporting period

Name	Position	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year (Note 2)	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration obtained payable by the Company during the reporting period (RMB '0,000) (before tax)	Remuneration from related parties of the Company
Zhang Fangyou (note 1)	Chairman and Party Secretary	Male	59	25 June 2015	24 June 2018	0	0	0	-	0	No
Zeng Qinghong	Vice Chairman and General Manager	Male	55	25 June 2015	24 June 2018	0	0	0	-	118.50	No
Yuan Zhongrong	Vice Chairman	Male	58	25 June 2015	24 June 2018	0	0	0	-	0	No
Fu Yuwu	Independent Director	Male	71	25 June 2015	24 June 2018	0	0	0	-	15	No
Lan Hallin	Independent Director	Male	57	25 June 2015	24 June 2018	0	0	0	-	15	No
Li Fangjin	Independent Director	Male	55	25 June 2015	24 June 2018	0	0	0	-	15	No
Leung Lincheong	Independent Director	Male	62	25 June 2015	24 June 2018	0	0	0	-	15	No
Wang Susheng	Independent Director	Male	47	25 June 2015	24 June 2018	0	0	0	-	15	No
Yao Yiming	Director and Deputy Party Secretary	Male	58	25 June 2015	24 June 2018	536,597	536,597	0	-	102.85	No
Feng Xingya	Director and Deputy General Manager	Male	49	25 June 2015	24 June 2018	0	0	0	-	101.88	No
Lu Sa	Director, Deputy General Manager, Company Secretary and Secretary of the Board	Female	51	25 June 2015	24 June 2018	0	20,000	20,000	Increase in shareholding	101.05	No
Chen Maoshan	Director, chairman of the labor union	Male	51	25 June 2015	24 June 2018	9,481	79,481	70,000	Increase in shareholding	81.87	No
Wu Song	Director	Male	52	25 June 2015	24 June 2018	0	0	0	-	134.15	No
Li Pingyi	Director	Male	48	25 June 2015	24 June 2018	0	0	0	-	0	No
Ding Hongxiang	Director	Male	50	25 June 2015	24 June 2018	0	0	0	-	0	No
Liu Huilian	Director	Male	61	21 June 2012	5 February 2015	0	0	0	-	160.92	No
Wei Xiaoqin	Director	Male	61	21 June 2012	5 February 2015	0	0	0	-	159.11	No
Gao Pusheng	Chairman of the supervisory committee	Female	58	25 June 2015	24 June 2018	87	87	0	-	0	No



Name	Position	Gender	Age	Commencement date of term	Expiry date of term	Number of shares held at the beginning of the year (Note 2)	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reason for the increase/decrease	Total remuneration obtained payable by the Company	
										during the reporting period (RMB '0,000) (before tax)	Remuneration from related parties of the Company
Wu Chunlin	Supervisor	Male	42	25 June 2015	24 June 2018	0	0	0	-	0	No
Su Zhanpeng	Supervisor	Male	31	25 June 2015	24 June 2018	0	0	0	-	0	No
Ye Shanhu	Supervisor	Male	37	6 February 2015	24 June 2018	0	0	0	-	105.27	No
Wang Lu	Supervisor	Female	47	6 February 2015	24 June 2018	0	0	0	-	83.70	No
Huang Zhiyong	Supervisor	Male	51	21 June 2012	25 June 2015	0	0	0	-	0	No
He Yuan	Supervisor	Female	54	21 June 2012	25 June 2015	0	0	0	-	0	No
Lai Boyi	Supervisor	Male	50	7 June 2013	6 February 2015	0	0	0	-	17.65	No
He Jinpei	Supervisor	Male	52	21 June 2012	6 February 2015	0	0	0	-	16.62	No
Zhang Qingsong	Deputy General Manager	Male	57	25 June 2015	24 June 2018	0	0	0	-	98.19	No
Li Shao	Deputy General Manager	Male	52	25 June 2015	24 June 2018	0	0	0	-	101.09	No
Wang Dan	Deputy General Manager	Female	45	25 June 2015	24 June 2018	0	0	0	-	100.63	No
Jiang Ping	Deputy General Manager	Male	60	25 June 2015	24 June 2018	0	0	0	-	102.36	No
Qu Yongjian	Deputy General Manager	Male	56	25 June 2015	24 June 2018	0	0	0	-	103.41	No
Total	/	/	/	/	/	546,165	636,165	90,000	/	1,764.25	/

Notes:

- Pursuant to the “Operating Performance Appraisal and Remuneration Management Measures of Legal Representatives of Enterprises Governed by State-owned Assets and Administration Commission of Guangzhou Municipal Government” (廣州市國資委監管企業負責人經營業績考核和薪酬管理辦法), the State-owned Assets and Administration Commission of Guangzhou Municipal Government assesses legal representatives according to the audited enterprise financial report and audited statistics.

Since the 2015 annual audited report of GAIG has not been completed, the remuneration of 2015 payable to the Chairman of the Board, Zhang Fangyou, the Vice-Chairman of the Board, Yuan Zhongrong and Gao Fusheng, the chairman of the supervisory committee is subject to confirmation.



2. Director, Wei Xiaoqin and Director, Liu Huilian, retired in February 2015. The remuneration disclosed above represents the remaining remuneration payable after 2014 assessment.
3. Directors, supervisors and senior management of the Company do not hold any A shares of the Company. The shares held by the staff above are H shares of the Company.
4. The interests or short positions are the interests or short positions of the directors, supervisors and senior management of the Company in the shares, relevant shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as at 31 December 2015, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) of the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Main work experiences
Zhang Fangyou	Chairman and party secretary of the Company. He joined the Company in 1997, served as the chairman of GAIG since 2000 and has been the chairman of the Company since June 2005. Currently, Mr. Zhang is the chairman and party secretary of GAIG and the chairman of Denway Motors, China Lounge Investments, GAC (HK), and Guangqi Honda. He is also an independent director of Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司). He is also a member of the 6th, 8th, 9th and 10th Guangzhou Municipal Party Committee, the representative of the 8th, 10th, and 11th Party Congress of Guangdong Province and Deputy to the 11th and 12th People’s Congress of Guangdong Province. He served such positions as director of GAC Changfeng from 2009 to June 2013, Chairman of GAC Mitsubishi from September 2012 to June 2013, Prior to this, he acted as secretary of Guangdong Zengcheng Town (City) Government, deputy secretary-general of Guangzhou Municipal Government and an office director of Automotive Industry Office of Guangzhou Municipal Government. Mr. Zhang graduated from South China Normal University with a college diploma in political theory in December 1987, Party School of the Central Committee of C.P.C. with a graduate degree in January 1997 and Zhongshan University with a master’s degree in business administration in December 2006.
Zeng Qinghong	Vice chairman, general manager, supervisor of Executive Committee of the Company. He first joined the Company in 1997. He has served the deputy chairman and general manager of the Company since June 2005. Currently, Mr. Zeng is the vice-chairman and general manager of GAIG, chairman of GAC Toyota, and deputy chairman of Denway Motors, China Lounge Investments, GAC (HK) and GAC Toyota Engine, Prior to this, he acted as a chairman of GAMC from August 2008 to June 2013, chairman of GAC Gonow from January 2011 to June 2013 and chairman of GAC Fiat Chrysler from 2010 to June 2013. Prior to this, he held positions as chairman of GAC Commercial, GAC Component and GAC Hino, director and deputy executive general manager of Guangqi Honda and deputy general manager of GAIG. Mr. Zeng was elected as the sixth chairman of the 5th Automobile Industry Association of Guangdong Province (廣東省汽車工業協會) in December 2010 and is a delegate of the 10th and 11th National People’s Congress, and a member of the 11th Guangdong Provincial Committee of Political Consultative Conference, and the vice chairman of Guangzhou Association For Science & Technology. Mr. Zeng graduated from South China University of Technology with a Ph.D. in management science and engineering in 2009.



Name	Main work experiences
Yuan Zhongrong	<p>Vice-chairman and vice-chairman of Executive Committee of the Company. He joined the Company in 1997 and serves as a director of the Company since 2005. He served as the deputy general manager of the Company from 2005 to November 2014. Currently, Mr. Yuan is a director and deputy general manager of GAIG, chairman of GAMC, Urtrust Insurance and GAC Gonow. He acted as a chairman of GAC Toyota and deputy chairman of GAC Toyota Engine from August 2008 to June 2013, chairman of GAC Hino and a director of GAMC, deputy chairman of Tong Fang Global and Shanghai Hino from 2008 to June 2013. Prior to this, he worked at the engineering manufacture unit of Dongfeng Motor Corporation (東風汽車公司), held positions as deputy head and head of the engineering unit of Dongfeng Motor Corporation (東風汽車公司), head of engineering unit of Automobile Industry Office of Guangzhou Municipal Government, deputy general manager of Guangzhou Sedan Co., Ltd. (廣州轎車有限公司), deputy manager of Guangqi Honda and director and deputy executive general manager of GAC Toyota and chairman of Guang Ai. Mr. Yuan graduated from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Science and Technology College (華中工學院)) in July 1982 with a bachelor's degree in mechanical manufacture and from Asia International Open University (Macau) with a master's degree in business administration in September 2001. He is also a professor level senior engineer.</p>
Fu Yuwu	<p>Independent director of the Company, member of the Strategy Committee of the Board, president of Society of Automotive Engineers of China (中國汽車工程學會), the chairman of China Automobile Talents Society (中國汽車人才研究會) and the vice-chairman of China Association of Automobile Manufacturers (中國汽車工業協會). From 1970 to 1999, Mr. Fu served the Harbin Transmission Factory of FAW Group as an executive vice director and chief engineer, and worked at the Harbin Automotive Industry Corporation as vice president and president. Since 1999, he has been working in the Society of Automotive Engineers of China. He currently is an independent director of Geely Automobile Holdings Limited (stock code on the Stock Exchange: 00175) and Beijing Automotive Group Co., Ltd (stock code on the Stock Exchange: 01958). In 1969, he obtained a bachelor's degree from Beijing Institute of Machinery and became a senior engineer of professional level.</p>
Lan Hailin	<p>Independent director of the Company, member of the Strategy Committee of the Board, professor and PhD supervisor of the School of Business Administration of South China University of Technology and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. From 1997 to 2007, he was the Associate Dean and Dean of the School of Business Administration of South China University of Technology. He currently serves as an independent director of Zhongshan Vatti Gas Appliance Stock Co., Ltd. (SZSE stock code: 002035), Guangdong Sky Dragon Printing Ink Group Co., Ltd. (SZSE stock code: 300063) and Guangdong Xin Gao Electrical Appliances Holdings Co., Ltd (SZSE stock code: 002705). Previously, he was an independent director of Keda Industrial Co., Ltd. (SSE stock code: 600499). He obtained a master's degree in business administration from the School of Business Administration of GANNON University in the U.S. and a doctoral degree in Industrial Economics from Jinan University in 1990 and 2004, respectively.</p>



Name	Main work experiences
Li Fangjin	<p>Independent director of the Company, chairman of the Remuneration and Assessment Committee of the Board, a member of Audit Committee and a member of Nomination Committee. He has been the vice-chairman and general manager of Guangzhou Finance Holding Group Co., Ltd. since July 2013. He is also chairman of Wanlian Securities Co., Ltd., Guangzhou Finance Holdings Capital Management Co., Ltd., Guangzhou Jinkong Huadu Finance Investment Co., Ltd. (廣州金控花都金融投資有限公司), Guangzhou Ligen Finance Leasing Co., Ltd., Ligen Small Credit Refinancing Co., Ltd., Guangzhou Jinkong Fund Management Co., Ltd. (廣州金控基金管理有限公司) and vice-chairman of Bank of Guangzhou. He was chairman of Guangzhou Guangyong State-Owned Assets Management Co., Ltd. and Guangzhou Equity Trading Centre. From 1997 to 2004, he held various positions including head of the international division of the China Securities Regulatory Commission Guangdong Bureau and director of the first institutional regulatory division of the Guangzhou City Securities Administration Office of the China Securities Regulatory Commission. He obtained a master degree in economics.</p>
Leung Lincheong	<p>Independent director of the Company, chairman of the Audit Committee of the Board, member of the Remuneration and Assessment Committee of the Board and managing director of Union Registrars Limited. He was an independent director of Casablanca Group Limited (stock code on the Stock Exchange: 02223), the chief legal officer of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chief legal officer and company secretary of Shanghai Industrial Holdings Limited (stock code on the Stock Exchange: 0363). He obtained a master's degree in business administration from Brunel University and a master's degree in Laws from University of London in 1995 and 2006, respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Chartered Institute of Management Accountants, The Institute of Chartered Secretaries and The Hong Kong Institute of Chartered Secretaries, and The Hong Kong Independent Non-Executive Director Association.</p>
Wang Susheng	<p>Independent director of the Company, chairman of the Nomination Committee of the Board, member of the Audit Committee of the Board, the professor of Harbin Institute of Technology Shenzhen Graduate School and vice-chairman of Shenzhen Overseas Chinese Association (深圳僑聯). From 1993 to 2001, he served as a project manager in Junan Securities Co., Ltd., manager of special region securities department and general manager of Yingda Securities (英大證券). From 2001 to 2002, he was the general manager of Zhongrui Fund Company (中瑞基金公司). Since 2004, he has worked in the Harbin Institute of Technology Shenzhen Graduate School, and served as an independent director in Shenzhen Pellet Technology Co., Ltd. (SZSE stock code: 002577) and Shenzhen Terca Technology Co., Ltd. (SZSE stock code: 002213). He obtained a master's degree in Economics from Renmin University of China and a doctoral degree in Law from Peking University in 1994 and 2000, respectively. He also obtained a master's degree in business administration from Chicago University in 2004. He is qualified as a solicitor, certified public accountant and chartered financial analyst.</p>



Name	Main work experiences
Yao Yiming	Deputy party secretary of the Company. Mr. Yao has been a non-executive director of the Company since 25 March 2015, and he acted as deputy general manager of the Company from July 2008 to February 2015 and deputy director of the Executive Committee of the Company from June 2013 to February 2015. He is also the chairman of GAC Component, and a director of China Lounge Investments and Guangqi Honda. Mr. Yao joined the Company in 1996, and has acted as a director and general manager of GAC Commercial, a director and executive deputy general manager of Guangqi Honda. Mr. Yao graduated from Xinghai Conservatory of Music in management in July 1988 and Wuhan University with a master's degree in information technology in December 1997.
Feng Xingya	Executive director, standing deputy general manager of the Company and deputy director of the executive committee. He is also chairman of GAC Fiat Chrysler, Guang Ai and director of GAC Mitsubishi and GAC Toyota. Mr. Feng joined the Group in 2004, he has held positions as a deputy head of Sales Department, deputy general manager, executive deputy general manager and a director of GAC Toyota. He has been the deputy general manager of the Company since 2008. Since 25 March 2015, he has been an executive director of the Company. Mr. Feng served as a deputy general manager in Zhengzhou Nissan Automobile Company Limited from June 1998 to December 2004. Mr. Feng graduated from Xi'an Jiaotong University with a bachelor's degree in engineering in July 1988 and a master's degree in business administration in April 2001.
Lu Sa	Executive director, deputy general manager, a company secretary and secretary of the Board, deputy director of the Executive Committee of the Company. She joined the Company in March 2000 as secretary to the chairman, and has served as the secretary to the Board and office director of the Board since June 2005 and became an executive director and secretary to the Board in August 2008. Currently, Ms. Lu is also a chairman of GAC Toyota, GAC Changfeng, GAC Commercial and GAC Capital, and a director of China Lounge Investments and Denway Motors. She acted as a director of Guangqi Honda from October 2009 to June 2013, and acted as a director of GAC(HK) from May 2011 to May 2012. Prior to this, she held the positions as office secretary and translator of the board of Guangzhou Peugeot Automobile Company (廣州標緻汽車公司) and secretary to the executive deputy general manager. Ms. Lu graduated from the Central South University Xiangya School of Medicine with a bachelor's degree in medical English in July 1990 and the School of Business of Zhongshan University with an executive master's degree in business administration in December 2005.



Name	Main work experiences
Chen Maoshan	Non-executive director, chairman of the labor union of the Company. Mr. Chen acted as deputy general manager of the Company from June 2012 to 3 June 2013, and has been a deputy director of the Executive Committee of the Company since March 2015. Prior to this, Mr. Chen acted as the head of general affair department of Guangzhou Honda Automobile Co., Ltd., deputy general manager of Honda (China), deputy general manager of Guangzhou Motorcycle Group Co., Ltd. and managing director and standing deputy general manager of Wuyang-Honda. Mr. Chen graduated from mechanical engineering department of Dalian University of Technology in mechanical manufacture in 1986, with a bachelor's degree in engineering. In 2003, he graduated from Murdoch University in Australia with a master's degree in business administration.
Wu Song	Executive director and deputy director of the Executive Committee of the Company. Mr. Wu acted as deputy general manager of the Company from 2007 to June 2013. He has been a director of the Company since 25 March 2015. He is currently also the director, general manager of GAMC and a director of GAC Fiat-Chrysler. and GAC Gonow. Mr. Wu joined the Company in October 2003 and has held positions as deputy managing director of Guangzhou Wuyang-Honda Co., Ltd., director of GAC Toyota and director and deputy general manager of GAC Toyota Engine. Mr. Wu previously acted as director and general manager of Yegang Group Co., Ltd. Mr. Wu obtained a bachelor's degree in mechanical engineering from Engineering Institute of Central China (renamed as Huazhong University of Science and Technology) in July 1984. He graduated from graduate course of industrial engineering in Xi'an Jiaotong University in industrial engineering in 1989. He is a senior economist.
Li Pingyi	Non-executive director of the Company. He is currently a director and general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司), chairman of Shangqi Wanxiang New Energy Bus Co., Ltd. (上汽萬向新能源客車有限公司), chairman of Zhejiang Wanxiang Power Batteries Co., Ltd (浙江萬向億能動力電池有限公司), chairman of Jiangsu Senwei Precision Forging Co., Ltd (江蘇森威精鍛有限公司) and executive director of Jilin New Rucker Parts Co., Ltd. (吉林新立德部件有限公司). Prior to this, he served as general manager of Wangxiang Group Enterprise Development Corporation (萬向集團企業發展總公司), general manager of Land Division of Wanxiang Group, general manager of Wanxiang Lide Co., Ltd. (萬向納德股份有限公司), deputy manager of Development Division of Wanxiang Group Corporation Ltd. (萬向集團公司), deputy general manager of Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司) and an executive director of Wanxiang Electric Vehicle Co., Ltd. (萬向電動汽車有限公司). Mr. Li graduated from Jilin Industry University with a bachelor's degree in agricultural machinery engineering in December 1988 and obtained a master degree in business management from Zhejiang University in July 2002.
Ding Hongxiang	Non-executive director of the Company and deputy general manager of China National Machinery Industry Corporation Limited (中國機械工業集團有限公司), chairman of Sinomach Automobile Co., Ltd (國機汽車股份有限公司) (SSE stock code: 600335) and vice president of China Association of Automobile Manufacturers (中國汽車工業協會), a member of the Standing Committee of and chief member and secretary general in Economic Sector of the Chinese Youth Association and vice secretary general of the State Enterprise Youth Federation. He was chairman of China Imported Automobile Trading Co., Ltd. (中國進口汽車貿易有限公司). Mr. Ding graduated from Huazhong University of Science and Technology in 1982, and graduated from Western Economics (master postgraduate) of Huazhong Institute of Technology in 1989.



Name	Main work experiences
Gao Fusheng	Chairman of the supervisory committee of the Company, chief accountant of GAIG and general manager of GAC (HK). She first joined the Company in March 1998. Prior to this, she served as head of the financial and auditing department of the Company and deputy general manager and financial controller of Denway Motors and external director of Guangzhou Light Industry & Trade Group Co., Ltd. She was independent director of Guangzhou Radio Group Co., Ltd. Ms. Gao graduated from Murdoch University, Australia with a master's degree in Business Administration in March 2001, and is a senior accountant.
Wu Chunlin	Supervisor of the Company, general manager of Guangzhou Jinbang Hydraulic Die Forging Technology Co., Ltd. (廣州金邦液態模鍛技術有限公司). He was previously the head of Planning and Development Department, the head of Asset Management Department, the deputy head and senior staff of Corporate Planning Department in Guangzhou Iron & Steel Enterprises Group Co., Ltd. Mr. Wu graduated from the Business School of Central South University with a master's degree in 2003.
Su Zhanpeng	Supervisor of the Company from 25 June 2015 to 31 March 2016, the vice president and general manager (Guangzhou District) of Guangzhou Chimelong Group Co., Ltd. He was previously the assistant to general manager of Chimelong Water Park, the assistant to operational director of Sea World Orlando Florida, and the assistant general manager of Zhuhai Chimelong from July 2010 to November 2014. Mr. Su graduated from Massey University in New Zealand with a Bachelor of Business Studies in 2009.
Ye Shanhu	Staff representative supervisor, deputy secretary of the disciplinary committee and head of the department of discipline inspection and supervision of the Company. He is also the chairman of the supervisory committee of GAC Commercial, supervisor of GAC Mitsubishi, and supervisor of GAC Changfeng and the chairman of the supervisory committee of GAC ZX (Yichang) Auto Co., Ltd (廣汽中興(宜昌)汽車有限公司). He joined the Group in 2002 and had been a staff at the legal affairs department and the corporate affairs department, and had been the deputy head and head of the legal affairs department. From February 2009 to November 2010, he was a director of Guangzhou Yue Long Bus Co., Ltd. (廣州粵隆客車有限公司) and from May 2009 to September 2014, he was the supervisor of GAC Commercial. Mr. Ye graduated from Sun Yat-sen University in July 2002 with a bachelor of law degree, and obtained a graduate diploma and a master's degree in law in June 2008 and a doctoral degree in economics in June 2015.



Name	Main work experiences
Wang Lu	Staff representative supervisor, deputy chairwoman of the labour union, head of the female workers committee and chairwoman of the headquarters of the labour union of the Company. With a bachelor degree, she joined the Group in 1992 and had been a member of the public relations division of the general manager's office of Guangzhou Peugeot Automobile Company (廣州標緻汽車有限公司) and Guangzhou Sedan Co. Ltd. (廣州轎車有限公司) and an officer of the labour union, a member and the chairman of the branch of the labour union, a party branch member and secretary and the head of the female workers union of Guangzhou Honda Automobile Co. Ltd. From July 2005 to September 2012, she was the deputy head of the office of the labour union of the Company.
Zhang Qingsong	Deputy general manager and deputy director of the Executive Committee of the Company. From 1998 to 2012, he held positions as the deputy director, director and director of disciplinary office of the administrative office of the Commission for Economy and Trade of Guangzhou, Chairman of Committee of Guangzhou Municipal State-owned Assets Management Committee stationed in GAIG (廣州市國有資產管理委員會派駐廣汽工業集團), Guangzhou Iron & Steel Enterprises Group Co., Ltd. and Guangzhou Pearl River Piano Group Co., Ltd. (廣州珠江鋼琴集團股份有限公司). He has been deputy general manager of GAIG from May 2012 to June 2013. He has a master's degree in Business Administration.
Li Shao	Deputy general manager and deputy director of Executive Committee of the Company. He is also chairman of Wuyang-Honda and GAC Zhongxing (Yichang) Automobile Co., Ltd., and a director of Guangqi Honda and GAC Changfeng. He joined the Company in June 1997 and became the deputy general manager of the Company in 2007. Prior to this, Mr. Li had served as head of investment department and foreign economics, office director, assistant of general manager and deputy general manager of Guangzhou Automobile Group Ltd. (廣州汽車集團有限公司), party secretary and director of GAC Bus, assistant of general manager and deputy general manager of GAIG, director of GAC Toyota, a director and an executive deputy general manager of GAC Hino and a director of Shanghai Hino, chairman of GAC Component. Mr. Li graduated from South China University of Technology and obtained a bachelor's degree of Engineering in metal material and heat treatment in July 1985 and he also obtained a master's degree of business administration from the Open University of Hong Kong in December 2002.
Wang Dan	Chief financial officer, deputy general manager and deputy director of Executive Committee of the Company. She is also chairman of GAC-SOFINCO. Ms. Wang joined the Company in March 1999, and has been the Company's chief financial officer and financial controller since 2005. Prior to this, Ms. Wang served in the financial audit department of Guangzhou Junda Automobile Enterprise Group (廣州駿達汽車企業集團) and was the deputy head of the financial audit division of the Group. Ms. Wang graduated from the Sun Yat-Sen University with a bachelor's degree in July 1992 and the School of Management of Zhongshan University with a senior executive master's degree in business administration in December 2005. She is a senior accountant and non-practiced registered accountant.



Name	Main work experiences
Jiang Ping	Retired in March 2016. He was the Deputy general manager and deputy director of Executive Committee of the Company, the chairman of GAC Hino, GAC Bus, GAC BYD and vice chairman of Shanghai Hino Engine. He has been the deputy general manager of the Company since April 2007. Prior to this, Mr. Jiang served as general manager of Guangzhou Peugeot Automobile Sales Company (廣州標緻銷售公司), chairman of GAC Commercial, vice chairman and general manager of GAC Component and deputy general manager of Guangqi Honda and executive deputy general manager of GAC Fiat Chrysler. Mr. Jiang graduated from Hunan University with a bachelor's degree in engineering in July 1982 and a master's degree in engineering in December 1985.
Qu Yongjian	Deputy general manager and deputy director of Executive Committee of the Company. He joined the Company in June 1998 and has been the deputy general manager of the Company since 2010. He is also a director of GAC Toyota, the representative of the Fourteenth People's Congress of Guangzhou, a member of the Ninth Conghua City Committee of the Chinese People's Political Consultative Conference. Prior to this, Mr. Qu served as the deputy general manager of the sales division of Guangzhou Honda, director and general manager of GAC Components, deputy general manager of GAIG, director and executive deputy general manager of GAC Hino, director of GAC Hino (Shenyang) Automobile Co., Ltd. and director of Shanghai Hino. He obtained a master's degree in Business Administration and a qualified economist.
Chen Henjun	Deputy General Manager of the Company since 16 March 2016. He is the vice-chairman of executive committee of the Company. Also, he is the chairman of GAC Hino, GAC BYD, GAC Hino (Shenyang) Automobile Co., Ltd, Shanghai Hino and GAC Bus. Prior to this, Mr. Chen served as a director, a member of CPC Committee and executive deputy general manager of GAC Hino and a director of GAC Hino (Shenyang) Automobile Co., Ltd and Shanghai Hino. He graduated from School of Business Administration of South China University of Technology in 1989, majoring in Industrial Management, with a graduate diploma and a master's degree in Business Administration.

(2) **Share options granted to the directors, supervisors and senior management during the reporting period**

N/A



II. TERMS OF OFFICE OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Term of office in shareholders' units

Name of staff	Name of shareholders' unit	Position held in shareholders' unit	Commencement date of term	Expiry date of term
Zhang Fangyou	GAIG	Chairman	May 2007	
Zhang Fangyou	GAC (HK)	Chairman	June 2000	
Zeng Qinghong	GAIG	Deputy Chairman	May 2007	
Zeng Qinghong	GAIG	General Manager	July 2013	
Zeng Qinghong	GAC (HK)	Deputy Chairman	July 2008	
Yuan Zhongrong	GAIG	Director	May 2007	
Yuan Zhongrong	GAIG	Standing Deputy General Manager	December 2014	
Ding Hongxiang	China National Machinery Industry Corporation Limited	Deputy President	January 2012	
Ding Hongxiang	Sinomach Automobile Co., Ltd.	Chairman	25 October 2011	
Li Pingyi	Wanxiang Qianchao Co., Ltd. (萬向錢潮股份有限公司)	General Manager	26 August 2013	
Li Pingyi	Wanxiang Electronic Automobiles Co., Ltd (萬向電動汽車有限公司)	Executive Director	March 2010	
Li Pingyi	Zhejiang Power Battery Co., Ltd.	Chairman	March 2011	
Li Pingyi	Jiangsu Senwei Precision Forging Co., Ltd	Chairman	April 2006	
Li Pingyi	Jilin New Rucker Parts Co., Ltd	Executive Director	December 2008	
Gao Fusheng	GAIG	Chief Accountant	May 2007	
Gao Fusheng	GAC (HK)	Director, General Manager	May 2012	
Wu Chunlin	Guangzhou Iron & Steel Enterprises Group (廣州鋼鐵企業集團有限公司)	Head of Planning and Development Department	October 2014	October 2015
Su Zhanpeng	Chime-Long Group Co., Ltd (長隆集團有限公司)	Vice President and General Manager Guangzhou District	December 2014	
Explanation	If an expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.			



(II) Term of office in other units

Name of staff	Name of other unit	Position held in other unit	Commencement date	
			of term	Expiry date of term
Zhang Fangyou	Guangzhou Department Store Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司)	Independent Director	April 2007	
Zeng Qinghong	Automobile Industry Association of Guangdong Province (廣東省汽車工業協會)	Chairman	December 2010	
Ding Hongxiang	China Automobile Dealers Association (中國汽車流通協會)	Vice President	December 2005	
Ding Hongxiang	Chinese Youth Association	Member of Standing Committee	August 2010	
Ding Hongxiang	Enterprise Youth Federation	Vice-chairman	March 2012	
Gao Fusheng	Guangzhou Light Industry & Trade Group Co., Ltd.	External Director	June 2014	August 2015
Fu Yuwu	Geely Automobile Holdings Limited	Independent Director	January 2012	
Fu Yuwu	Society of Automotive Engineers of China	President	December 1999	December 2017
Fu Yuwu	China Association of Automobile Manufacturers	Vice-Chairman	April 2008	April 2016
Fu Yuwu	China Automobile Talents Society	Chairman	November 2010	
Fu Yuwu	BAIC Motor Corporation Limited	Independent Director	December 2014	
Lan Hailin	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	Independent Director	26 January 2015	
Lan Hailin	Zhongshan Vatti Gas Appliance Stock Co., Ltd.	Independent Director	7 May 2013	6 May 2016
Lan Hailin	Guangdong Sky Dragon Printing Ink Group Co., Ltd.	Independent Director	30 July 2013	29 July 2016
Lan Hailin	Guangdong Keda Clean Energy Co., Ltd.	Independent Director	20 August 2012	19 August 2015
Wang Susheng	Shenzhen Pellet Technology Co., Ltd.	Independent Director	28 March 2010	14 April 2016
Wang Susheng	Shenzhen Terca Technology Co., Ltd.	Independent Director	30 November 2010	
Leung Lincheong	Union Registrars Limited	Managing Director	1 May 2014	
Li Fangjin	Guangzhou Financial Holding Group Co., Ltd.	Vice-Chairman and General Manager	July 2013	
Li Fangjin	Wanlian Securities Co., Ltd.	Chairman	September 2005	
Li Fangjin	Bank of Guangzhou	Vice-Chairman	May 2006	
Li Fangjin	Guangzhou Equity Trading Centre	Chairman	August 2012	
Li Fangjin	Guangzhou Ligen Finance Leasing Co., Ltd.	Chairman	June 2013	
Explanation	If an expiry date of term is not stated, the appointment of the staff will continue and there is no fixed expiry date of term.			



III. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of the directors, supervisors and senior management

The Remuneration and Assessment Committee of the Board conducted the evaluation of the remuneration of the senior management of the Company and formulated the incentive program; which shall be implemented after the approval of the Board. The allowance for independent directors is implemented after the approval of the Board and the general meeting. The remuneration of other directors and supervisors is determined in accordance with the related pay system of the Company.

Basis for determination of the remuneration of the directors, supervisors and senior management

The remuneration of independent directors is issued in accordance with the approved plan in the general meeting; the remuneration of other directors and supervisors are determined by both the formulated pay system of the Company and the yearly assessment results. The remuneration of senior management is determined in accordance with the assessment program, combined with the annual results of the Company and their individual performance.

IV. INTERESTS OF DIRECTORS OR SUPERVISORS IN CONTRACTS

None of the directors or supervisors has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Apart from service contracts in relation to the Company's business, there are no transactions, arrangements or contracts of significance subsisting during or at the end of the financial year in which a director or a supervisor of the Company or an entity connected with a director or supervisor of the Company is or was materially interested, either directly or indirectly.



V. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Way of Change	Reason for change
Yao Yiming	Director	Election	New appointment
Feng Xingya	Director	Election	New appointment
Chen Maoshan	Director	Election	New appointment
Wu Song	Director	Election	New appointment
Wei Xiaoqin	Director	Resigned	Retired
Liu Huilian	Director	Resigned	Retired
Huang Zhiyong	Supervisor	Resigned	Resigned upon change of session
He Yuan	Supervisor	Resigned	Resigned upon change of session
Wu Chunlin	Supervisor	Election	Election upon change of session
Su Zhanpeng	Supervisor	Election	Election upon change of session
Ye Shanhu	Supervisor	Election	New appointment
Wang Lu	Supervisor	Election	New appointment

Yao Yiming, Feng Xingya, Chen Maoshan and Wu Song were newly appointed as directors of the Company on 25 March 2015. Ye Shanhu and Wang Lu were newly appointed as staff representative supervisors of the Company on 6 February 2015. The elections upon the change of session of the Board and the supervisory committee were held on 25 June 2015. Save for the directors and supervisors resigned or newly appointed above, directors of the 3rd session of the Board and supervisors of the 3rd session of the supervisory committee and senior management of the Company continue to act as the directors of the 4th session of the Board and supervisors of the supervisory committee and senior management.

VI. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

N/A



VII. EMPLOYEE INFORMATION OF THE COMPANY AND MAJOR INVESTEE COMPANIES

(1) Employees

Number of existing employees of the Company	222
Number of existing employees of major investee companies (Note)	66,983
Total number of existing employees (Note)	67,205
Number of employees resigned or retired the pension of which the Company and major investee companies had to be responsible for	1,445

Specialty composition

Categories of profession	Number of specialty composition
Production	38,621
Sales	1,798
Technical	12,036
Finance	1,389
Administration	5,261
Finance and Insurance	374
Other	7,726
Total	67,205

Education Level

Category	Number (persons)
Doctor	49
Master	2,122
Undergraduate (including double major)	14,769
College graduate	10,388
Secondary or below	39,877
Total	67,205

Note: Including the employees of major joint ventures and associates of the Group



(2) Remuneration Policy

Based on its overall development plan, the Group took further steps to establish and improve various human resource management systems, strengthened macro management of remuneration, and attached importance to maintaining the market competitiveness of its remuneration system. By studying and analyzing market remuneration data, CPI growth rate and industry benchmark, it reviews its remuneration system on a yearly basis and popularise a salary negotiation mechanism, so as to ensure that the remuneration system plays an incentive role in retaining talents.

It advocated the implementation of performance-linked remuneration policy and continuously improved the performance evaluation mechanism, individual performance evaluation measures, and employee promotion system, and formulated remuneration policies that provide incentives and impose restrictions.

It attached great importance to the establishment and improvement of employee benefits system, made timely and full-amount contributions to pension insurance, medical insurance, workrelated injury insurance, unemployment insurance, maternity insurance, housing provident funds and other statutory benefit schemes, abided by the regulations on work time, breaks and leaves; certain investees of the Group have established benefits systems including supplementary medical insurance, supplementary pension insurance (or enterprise annuity).

The Group will further improve the Company's remuneration system in terms of incentive and retaining talents. Timely and full contributions to pension insurance, medical insurance, injury insurance, unemployment insurance, maternity insurance, housing fund and other statutory benefits schemes are made. Qualified enterprises are encouraged to further enhance the flexibility and protection on staff benefit system.

(3) Training Program

The Group attaches importance to the knowledge management and improvement of quality and skills of its employees. The Group actively updates the knowledge of its staff, provide courses and training opportunities to improve their skills according to the strategic objective and annual focus, coupled with the individual development needs of staff by way of cooperating with external and internal specialists. During the reporting period, the number of staff trained of the Group for the year was 414,600, among which the number of management staff and professional technical staff trained was 145,300, representing 35% and production staff trained was 269,300, representing 65%.

(4) Labour Outsourcing

Total working hours of labour outsourcing	13,008,000
Total remuneration paid for labour outsourcing	RMB430,145,235



I. CORPORATE GOVERNANCE

The Group is in strict compliance with relevant corporate governance requirements of Company Law, Securities Law, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on the SSE, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Code on Corporate Governance set out in its appendix. The Group has formulated a series of internal control management policies such as Inside Information Management System and has relatively perfect governance structure.

During the reporting period, in order to cope with the sustainable development of the Company, 16 management systems including the articles of association, Terms of Reference of Audit Committee of the Board of Directors, Articles of the Decision-making System on “Three Important Matters and One Big Concern” were amended combining with the regulatory requirements and actual situation of the Company were newly formulated, which further improved the governance structure the Company. During the reporting period, there was no deviation between the Company’s corporate governance and the requirements as specified in the Company Law and by CSRC. The Company has strictly complied with the regulations and made registration and warning about insider information in a timely and accurate manner.

The Company’s structure of corporate governance comprises the general meeting, the Board and special committees, the supervisory committee, the management and the employees, each of which plays an important role in the corporate governance of the Company. The specific information is described below:

(1) Shareholders and General Meeting

The general meeting is the authoritative body of the Company and has legal power to decide on significant matters of the Company. The Company carries out policies of open and honest communication and fair disclosures. The Company has ability to ensure all shareholders, especially minority shareholders to enjoy equal status and rights. Pursuant to Article 67 of the articles of association of the Company, if shareholders individually and jointly holding not less than 10% of the Company’s issued shares with voting rights request in writing to hold an extraordinary general meeting, the Board shall hold an extraordinary general meeting within two months after receipt of the written request.

Pursuant to Article 69 of the articles of association of the Company, shareholders individually and jointly holding over 3% of the shares of the Company are entitled to propose extraordinary motions to the Company and submit them in writing to the convener ten days before the convening of the general meeting. The convener of the general meeting shall issue supplementary notice of the general meeting to announce the content of the extraordinary motions within two days after receiving the proposed motions. The Company formulates efficient channels of communication with shareholders. All shareholders have the right to be informed or participate in significant events of the Company; shareholders may raise enquiries and express their view to the Board in writing (Contact address: The office of the Board of GAC Group at Room 2202, GAC Center, No. 23 Xingguo Road, Zhujiang New Town, Tianhe District, Guangzhou (Postal code: 510623), Telephone: 020-83150281, Fax: 020-83150319, ir@gagc.com.cn).



The Company has formulated the rules of procedures of the general meeting, called and convened general meetings in strict compliance with regulatory requirements of listed companies so as to ensure that shareholders are able to fully exercise their rights; notice of the general meetings are dispatched 45 days prior to the date of such general meeting. The notice of the general meeting containing an agenda, resolutions proposed and a voting form are announced in a timely manner and/or sent to all H shareholders whose shares are registered in the register of members by post in accordance with the requirements. All Shareholders are encouraged to attend the general meetings. All registered shareholders are entitled to attend the general meeting. H shareholders who are unable to attend the general meeting can appoint their proxies or the chairman of the general meeting as their proxies to attend the general meeting on their behalves (the proxy form shall be completed and returned to the Company or the Company's H share registrar). All directors, supervisors and members of management of the Company are also requested to try their best to attend the general meetings; results of resolutions or poll results of the general meeting shall be timely announced in such manner as required by the Listing Rules. Lawyer attended each general meeting and issued legal opinion.

The controlling shareholders and ultimate controller of the Company conscientiously fulfill their obligation in good faith. There was no act that interferes with the decisions and operations of the Company directly or indirectly, bypassing the general meeting, nor was there damage of the interest of the Company and other shareholders. The connected transactions of the Company were fair and reasonable, the pricing of which has been adequately disclosed and no conduct of damaging interests of the Company was found.

During the reporting period, the Company convened 1 annual general meeting and 2 extraordinary general meetings, 2 class meetings for holders of A and H shares, each procedure of which was in compliance with the requirements of the Company Law and its articles of association.

(2) Directors and the Board

1. *Directors and Composition of the Board*

Directors are elected or rotated at the general meeting. During the reporting period, since the term of service of the third session of the Board expired, as considered and passed at the 2014 annual general meeting, all directors for the fourth session of the Board were elected.

Currently, the Board consists of 15 directors, including 6 executive directors, being Zhang Fangyou (the Chairman), Zeng Qinghong, Yuan Zhongrong, Feng Xingya, Lu Sa and Wu Song, 4 non-executive directors, being Yao Yiming, Chen Maoshan, Li Pingyi and Ding Hongxiang and 5 independent directors, being Fu Yuwu, Lan Hailan, Li Fangjin, Leung Lincheng and Wang Susheng. The members of the Board have different professional background and have extensive expertise and experience in different aspects. The composition of the Board is in compliance with the relevant laws and regulations and the requirements of the articles of association of the Company and the diversity requirements of Board members.



All directors have attended the meetings with an earnest and responsible attitude. They are familiar with the relevant laws and regulations and understand their rights, responsibilities and obligations as a director. The directors believed that, the Company has sufficient resources to continue its business in the foreseeable future and there are no material uncertainties which may have great impact on the Company's ability to operate as a going concern.

During the reporting period, the Company convened 22 Board meetings. The convening, holding and resolution procedures of the Board meetings have complied with the Company Law, the articles of association of the Company and Rules of Procedures of the Board.

2. *Powers of the Board*

The Board is accountable to the general meeting and exercises the following powers:

- (1) To convene general meetings and report its work at the general meeting;
- (2) To implement the resolutions of the general meetings;
- (3) To decide on the business plans and investment plans of the Company;
- (4) To formulate the mid-term and long-term development plans of the Company;
- (5) To formulate annual financial budgets and final accounts of the Company;
- (6) To formulate the profit distribution plans and plans on making up losses of the Company;
- (7) To formulate proposals for increase or reduction of the registered capital of the Company and issue and listing of bonds or other securities of the Company;
- (8) To formulate plans for major acquisitions, purchase of shares of the Company or plans for merger, division, dissolution or alteration of corporate form of the Company;
- (9) To determine external investments, purchases and sales of assets, pledge of assets, external guarantees, loans, entrusted asset management, disposal of assets and connected transactions of the Company, save the matters that are required to be resolved at the general meeting pursuant to the law, regulations, the articles of association of the Company and other regulatory documents;
- (10) To determine the establishment of the Company's internal management structure and manpower deployment;
- (11) To appoint or remove the general manager and the secretary to the Board based on the nomination by the chairman of the Board; to appoint or remove the deputy general manager, chief financial officer and other senior management of the Company based on the nomination by the general manager and to determine their remunerations and rewards and penalties;
- (12) To formulate the basic management system of the Company;



- (13) To formulate proposals for amendment to the articles of association;
- (14) To formulate the information disclosure system of the Company and to manage information disclosure of the Company;
- (15) To propose the appointment or removal of the Company's auditors at the general meeting;
- (16) To receive the work report and inspect the work of the general manager of the Company;
- (17) To formulate share incentive schemes;
- (18) To review and resolve other matters required to be decided by the Board pursuant to the laws, administrative regulations, departmental rules, the requirements of the place where the Company's shares are listed and the articles of association.

The exercise of power by the Board on the aforesaid matters or any transactions or arrangements of the Company shall be proposed for consideration and approval at the general meeting should the listing rules of the place where the shares of the Company are listed so require.

3. *Responsibilities of directors*

The directors acknowledge their responsibility for the preparation of annual financial statements and true and fair presentation of the Company's business results and financial conditions.

4. *Corporate Governance Functions*

The Board of the Company has adopted the terms of reference for directors to perform its corporate governance functions, which include the formulation and review of the Company's corporate governance policy and practices and any proposals will be made to the Board, review and overseeing the training and continuous professional development of the directors and senior management, review and overseeing the Company's policy and practices on compliance of law and regulations, review and overseeing the Code of Conduct and Compliance Manual for employees and directors, and review the Company's observance of the Code of Corporate Governance and disclosures made in the Corporate Governance Report.

For the year 2015, the Board has performed the above corporate governance functions.



5. Professional Training

During the reporting period, the directors of the Company actively participated in the relevant trainings of corporate governance, directors' responsibilities and operations management. The secretary to the Board of the Company and company secretaries, Lu Sa and Leung Chong Shun, have complied with the relevant professional training requirement of Rule 3.29 of the Listing Rules. All directors have also provided their relevant training records during the reporting period with details as follows:

Directors	Zhang Fangyou	Zeng Qinghong	Yuan Zhongrong	Fu Yuwu	Lan Hailin	Li Fangjin	Leung Linchong	Wang Susheng	Yao Yiming	Feng Xingya	Lu Sa	Chen Maoshan	Wu Song	Li Pingyi	Ding Hongxiang
Training participated	BC	BC	ABC	BC	BC	BC	BC	BC	ABC	ABC	ABC	BC	BC	BC	BC

Notes:

- A: Trainings on corporate governance of listed companies, directors' duties and the relevant trainings organised by stock exchange or securities regulatory authorities;
- B: Special training, seminars and conferences on aspects of economics, finance and corporate management;
- C: Reading materials related to corporate governance, directors' duties and regulations of internal risk management; and attending seminars, forums and conferences, etc.

All directors of the Company may timely access the relevant laws, regulations and other information relating to their continuing obligations through the secretary and the office of the Board. The Company ensures that all directors keep abreast of business development of the Company, the competitive and regulatory environment, as well as the development of the industry environment through provision of materials and conferences, which help directors understand their responsibilities and make right decision and conduct effective supervision. The Company has adopted the Model Code as the Code of Conduct for Securities Transactions by Directors. There is no financial, business, family or other material or related relationship existing among the directors.

After the Company's making specific enquiries with all directors, all directors have confirmed that they have fully complied with the rules as required by the Model Code throughout the year of 2015.

6. Independence of Directors

The numbers of independent non-executive directors represented one-third of the total number of members of the Board. The Company's independent non-executive directors have knowledge of the rights and obligations of the directors and independent directors of the listed companies.

In accordance with Rule 3.13 of the Listing Rules, the Company has received the annual confirmation of independence from each of the independent non-executive directors. The Company considers that they are independent.

During the reporting period, the independent non-executive directors have discharged their duties with good faith, integrity and diligence according to the requirements of relevant laws and regulations. The independent non-executive directors participated in the discussion and decision on the material issues of the Board and Board committees and gave their views on the compliance and operation of the Company based on their industry expertise and experience. They have duly reviewed and expressed their independent views on the equality and fairness of connected transactions. They have performed their duties independently and are independent from the controlling shareholders or other units and individuals who have interests in the Company.



The Company has reported to the independent non-executive directors the production and operation situation of the Company and the progress of significant events, submitted the annual reports and audit work schedule in compliance with the relevant requirements of China Securities Regulatory Commission and the SSE concerning annual reports. Independent non-executive directors have communicated with the Company's auditors in respect of the related issues of the audit process.

During the reporting period, the independent non-executive directors did not hold dissenting views regarding resolutions of the Board and other resolutions not considered by the Board.

7. *Special Committees of the Board*

The Board has set up Strategy Committee, Audit Committee, Remuneration and Assessment Committee and Nomination Committee. Compositions of each of the committees of the Board are as follows:

- (1) Strategy Committee comprises 6 directors, namely Zhang Fangyou, Zeng Qinghong, Yuan Zhongrong, Feng Xingya, Fu Yuwu, Lan Hailin, of which, Fu Yuwu and Lan Hailin are independent directors and Zhang Fangyou is the chairman of the committee. The committee is mainly responsible for conducting research and making recommendations on the long-term development strategy and major investment decision of the Company. Three meetings of Strategy Committee were held and all members attended the meetings during the year. Each committee member gave their opinions in respect of audited matters.
- (2) Audit Committee consists of 3 independent directors, namely Leung Lincheong, Li Fangjing and Wang Susheng, of which, Leung Lincheong is the chairman of the committee. Their primary duties are to supervise and review the annual audit work and internal audit system of the Company, the financial information and disclosure of the Company. During the year, five meetings of the Audit Committee were held and all members attended the meetings. The Audit Committee mainly reviewed the regular report and results, profit distribution and appointment of auditing institution and also reviewed the internal control system.
- (3) Remuneration and Assessment Committee consists of 3 directors, namely Li Fangjin, Leung Lincheong and Li Pingyi, two of whom, Li Fangjin and Leung Lincheong are independent directors and Li Fangjin is the chairman of the committee. Their primary duties are to formulate and review the remuneration policies and packages of directors and senior management of the Company. During the year, two meetings of the Remuneration and Assessment Committee were held in total and all members attended the meetings. The Remuneration and Assessment Committee appraised the performance of senior management, reviewed salary and appraisal planning of senior management and staff, and also reviewed the remuneration packages of the directors and senior management.
- (4) Nomination Committee consists of 3 directors, namely Wang Susheng, Li Fangjin and Ding Hongxiang, and two of them, Wang Susheng and Li Fangjin are independent directors and Wang Susheng is the chairman of the committee. Their duties are to make recommendations regarding the candidates of senior management, the selection standards and procedures as well as being responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge.

During the year, two meetings of the Nomination Committee were held in total and all members attended the meetings, at which the matters with respect to the appointment and dismissal of senior management were considered and reviewed and recommendations were provided.



When determining the composition of the members of the Board, the Company will consider the diversification of the members of the Board from a multitude of facets, including (but not limited to) gender, age, education background, race, professional experience, technical skills, knowledge and duration of service. All appointments to the Board are made on a meritocratic basis and when considering the selection of candidates, the benefits of the diversification of the members of the Board will be fully taken into account using objective conditions. The Nomination Committee of the Company is responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge, which include the in-depth understanding in the automotive industry, engineering and mechanical manufacturing ability, enterprise management experience, and the professional qualifications in the fields of law and accounting. Each director has years of experience in his respective professional fields. Whatever backgrounds or experiences the directors have, they all possess talent, capability and have as their common goal to promote the industry in order to bring sustainable growth for the Company.

(3) Supervisors and supervisory committee

The supervisory committee strictly performed its supervisory function under requirements of relevant laws and regulations and the articles of association. Since the term of service of the third session of the supervisory committee expired, as considered and passed at the 2014 annual general meeting, all supervisors for the fourth session of the supervisory committee were elected.

At present, the supervisory committee comprises 5 supervisors, namely Gao Fusheng, Wu Chunlin, Su Zhanpeng, Ye Shanhu and Wang Lu, among which Gao Fusheng is chairman of the supervisory committee, Ye Shanhu and Wang Lu are supervisors representing staff and workers.

Constitution of such committee was in compliance with requirements of laws and regulations and the articles of association.

During the reporting period, the supervisory committee convened 6 meetings, the convening, holding and procedures of which are in line with relevant requirements under the articles of association and the procedures of supervisory committee. All supervisors attended the meetings and performed their duties conscientiously.

(4) The Management

The appointment, dismissal of and rewards and punishment for the senior management of the Company are in strict compliance with the provisions of relevant laws, regulations and articles of association. The Company has clearly defined the roles and division of work between the Board and the management as well as the respective responsibilities of the chairman of the Board and the general manager in its articles of association, ensuring the independence of the Board in decision-making and the independence of the management in managing the daily operations. The management personnel of the Company exercise their daily operation rights under the authorisation of the Board.

The management of the Company exercises the following powers under authorisation of the Board:

- (1) to be responsible for the Company's production, operation and management, to organise resources to carry out the Board's resolutions, and to report to the Board;
- (2) to organise the implementation of the Company's annual business plan and investment plan;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to formulate the Company's basic management system;



- (5) to formulate the specific rules and regulations of the Company;
- (6) to propose the appointment or dismissal of the Company's deputy general manager(s) and chief financial officer;
- (7) to decide on the appointment or dismissal of management personnel and staff other than those required to be appointed or dismissed by the Board;
- (8) to propose the convening of extraordinary board meeting; and
- (9) to exercise other powers conferred by the articles of association of the Company and the Board.

(5) Company Secretary

The company secretaries of the Company are Ms. Lu Sa, senior management of the Company, and Mr. Leung Chong Shun, a practicing solicitor in Hong Kong and external service provider. The primary contact person of the Company is Ms. Lu Sa. The company secretaries have received relevant professional training which fulfilled the requirements of Rule 3.29 of the Listing Rules.

(6) Appointment and Remuneration of External Auditor

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The auditor's remuneration is disclosed in note 30 to the consolidated financial statements.

(7) Investor Relations

The Company attaches importance to the effective communication with shareholders and investors. It actively promoted investor relations and communication through conferences, press conferences, briefings and inspection of the Company.

(8) Amendments to the articles of association

Amendments to the articles of association were proposed and approved at (i) the 2014 annual general meeting of the Company held on 25 June 2015; and (ii) the second extraordinary general meeting of the Company held on 18 September 2015 (for details, please refer to the circulars of the Company in relation to the 2014 annual general meeting and the second extraordinary general meeting of 2015).



II. GENERAL MEETINGS

Session of the meeting	Convening date	Enquiry index of the designated website for the publication of the proposals	Date of disclosure of the publication of the proposals
1st extraordinary general meeting in 2015, 1st class meetings for holders of A and H shares in 2015	25 March 2015	Websites of SSE and Stock Exchange	25 March 2015
2014 annual general meeting	25 June 2015	Websites of SSE and Stock Exchange	25 June 2015
2nd extraordinary general meeting in 2015, 2nd class meetings for holders of A and H shares in 2015	18 September 2015	Websites of SSE and Stock Exchange	18 September 2015

Convening of the general meetings of the Company were in strict compliance with the requirements of the articles of association and rules of procedures of the general meeting. The proposal and voting procedures were in compliance with the relevant requirements of laws and regulations. General meetings held during this reporting period were all witnessed by solicitors and legal opinions were released and all motions proposed at the general meetings were passed. The Company disclosed the general meeting's resolutions in a timely, complete and accurate manner after the general meeting.



III. DIRECTORS' PERFORMANCE OF THEIR DUTIES

(1) Directors' Attendance in Board Meetings and General Meetings

Name of directors	Independent director or not	Mandatory attendance in Board meetings during the year	Board meeting(s)				General meeting(s)	
			Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absent in person for two consecutive times or not	Attendance in general meetings
Zhang Fangyou	No	22	22	18	0	0	No	3
Zeng Qinghong	No	22	22	18	0	0	No	2
Yuan Zhongrong	No	22	21	18	1	0	No	1
Fu Yuwu	Yes	22	22	19	0	0	No	1
Lan Hailin	Yes	22	22	19	0	0	No	2
Li Fangjin	Yes	22	21	19	1	0	No	1
Leung Lincheong	Yes	22	22	18	0	0	No	3
Wang Susheng	Yes	22	22	19	0	0	No	2
Yao Yiming	No	17	17	14	0	0	No	3
Feng Xingya	No	17	17	14	3	0	No	3
Lu Sa	No	22	22	18	0	0	No	3
Chen Maoshan	No	17	17	14	0	0	No	3
Wu Song	No	17	17	14	0	0	No	2
Liu Huilian (resigned on 5 February 2015)	No	1	1	1	0	0	No	0
Wei Xiaoqin (resigned on 5 February 2015)	No	1	1	1	0	0	No	0
Li Pingyi	No	22	22	21	0	0	No	1
Ding Hongxiang	No	22	21	19	1	0	No	1

Explanation on absent in person for two consecutive times

Nil

Number of Board meetings held during the year	22
Of which: Number of physical meetings	4
Number of meetings held via communication	18
Number of meetings held by way of combination of both	3

(2) Independent Directors' Objections to Relevant Matters of the Company

Nil



IV. MAJOR COMMENTS AND SUGGESTIONS PROPOSED BY THE COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS

Nil

V. EXPLANATION ON RISKS OF THE COMPANY DETECTED BY THE SUPERVISORY COMMITTEE

Nil

VI. STATEMENTS OF THE COMPANY ON INABILITY TO MAINTAIN THE INDEPENDENCE OR THE ABILITY OF INDEPENDENT OPERATIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDERS WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANISATION AND FINANCE

Nil

VII. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

During the reporting period, the Company made amendments to the Remuneration and Performance Management Scheme for Senior Management and set up medium and long-term incentive mechanism. During the reporting period, the implementation of the incentive mechanism was as follows: according to the progress of annual performance contract signed by senior management, the Remuneration and Assessment Committee of the Board performed appraisal for the senior management, and the resolution in respect of the appraisal program was considered and approved by the Board.

VIII. WHETHER TO DISCLOSE SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries. The said review covers all material controls, including financial, operational and compliance controls.

For full context of self-evaluation report on internal control, please refer to the relevant announcement published on the website of SSE (www.sse.com.cn) on 26 March 2016.

IX. INTERNAL CONTROL AND AUDIT REPORT

The Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP for independent audit of effectiveness of its internal control in 2015, which issued an opinion that “the internal control over financial report of the Company was in compliance with the Basic Principles for Internal Control of Enterprises and relevant requirements and was effective in all significant aspects as at 31 December 2015 (for full text of the audit report, please refer to the disclosure made on the website of the SSE (www.sse.com.cn) on 26 March 2016).



I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of Bond	Abbreviation	Code	Date of Issue	Due Date	Balances	Interest Rate	Trading Place
Corporate Bonds (Phase two) of Guangzhou Automobile Group Co., Ltd. in 2012 (Five years)	12GAC03	122352	2015-01-19	2020-01-19	2,000,000,000	4.70%	SSE
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (Ten years)	12GAC02	122243	2013-03-20	2023-03-20	3,000,000,000	5.09%	SSE
Corporate Bonds (Phase one) of Guangzhou Automobile Group Co., Ltd. in 2012 (Five years)	12GAC01	122242	2013-03-20	2018-03-20	1,000,000,000	4.89%	SSE

Other information of Corporate Bonds

- Investor eligibility arrangement: the issue of "12GAC01" adopted the combination of online offering to public investors and offline book building to institutional investors; the issue of "12GAC02" adopted offline placing to institutional investors; the issue of "12GAC03" adopted the combination of online offering to public investors and offline book building to institutional investors.
- Repayment of principal and interest: Interests of the corporate bonds shall be calculated per annum by adopting the simple interest method and compound interest shall not be calculated. Interests shall be paid once each year and the principal shall be repaid in one lump-sum upon maturity. Interests of the last period shall be paid together with the principal. Amount of interest arising from corporate bonds to be paid at the payment date to the investors is the product of the total face amount of the bonds of this tranche held by the investors till close-up of the interest registration date, and the corresponding annual nominal interest rate. Amount of capital and interest paid to the investors on the payment date includes the interest of the last period arising from the bonds, and the capital in the total face amount held by the investors till close-up of the interest registration date.



3. Interest Payment: During the reporting period, the interest of “12GAC01” and “12GAC02” was timely paid in accordance with the terms set out in the prospectus. The coupon rate of “12GAC01” is 4.89%; one board lot of “12GAC01” with par value of RMB1,000 was entitled to interest of RMB48.90 (tax inclusive). The coupon rate of “12GAC02” is 5.09%; one board lot of “12GAC02” with par value of RMB1,000 was entitled to interest of RMB50.90 (tax inclusive). The interest payment of “12GAC03” has not been due during the reporting period.

II. CONTACT PERSON OF CUSTODIAN OF THE CORPORATE BONDS AND ITS CONTACT METHODS AND THE CONTACT METHODS OF THE CREDIT RATING AGENCY

Bond Custodian	Name	China International Capital Corporation Limited
	Office Address	27th Floor and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Contact Person	Chang Daming, Wang Chao
	Contact Number	010-6505 1166

Credit Rating Agency	Name	United Credit Ratings Co., Ltd.
	Office Address	12th Floor, PICC Office Tower, 2 Jianguomenwai Avenue, Beijing

III. USE OF FUNDS RAISED FROM THE CORPORATE BONDS

The proceeds were fully utilised as supplementary liquidity of the Company in accordance with the use of proceeds as set out in the prospectus.

IV. INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

On 25 May 2015, United Credit Ratings Co., Ltd. provided continuing credit rating for the 2012 corporate bonds issued by the Company in 2013 and 2015, which kept the AAA long-term credit rating of the Company (as issuer) with stable outlook rating, and kept the AAA credit rating of “12GAC01”, “12GAC02” and “12GAC03”.

It is expected that two months after publishing of the Company’s annual report, United Credit Ratings Co., Ltd. will provide continuing credit rating for the Company and corporate bonds based on the situation during the reporting period. For the detailed information of the rating, please refer to the website of SSE (www.sse.com.cn).



V. MEETINGS OF HOLDERS OF CORPORATE BONDS

Nil

VI. PERFORMANCE OF THE CUSTODIAN OF THE CORPORATE BONDS

Within the period of existence of the corporate bonds, the bonds trustee manager conscientiously complied with the agreement to the Bonds Trustee Management Agreement (《債券受托管理協議》) and conducted a continuous follow-up to the Company's rating, management and use of proceeds raised from the bonds, and condition of capital repayment with interest of the Company. The bonds trustee manager also supervised the Company to perform the obligations set out in the prospectus and vigorously fulfilled its duty as a bonds trustee manager, and further protected legal rights of the bondholders.

Report of Trustee Management Affairs (受託管理事務報告) is scheduled to be disclosed by the trustee manager within 2 months after disclosure of the Company's annual report. For details, please see the website of SSE (www.sse.com.cn).

VII. COMPANY'S ASSETS AS AT END OF REPORTING PERIOD

For details, please refer to Chapter 13, Financial Statements

VIII. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Issuer	Debt Financing Instruments	Amount (RMB '00 million)	Term	Date of Issue	Due Date	Repayment status
GAC Group	07GACBONDS	6.00	10 years	2007-12-11	2017-12-11	Within the period of existence
GAC Group	14GACGCP001	10.00	365 days	2014-3-11	2015-3-13	Repaid
GAC Group	14GACGCP002	40.00	365 days	2014-9-10	2015-9-12	Repaid



IX. BANK CREDIT WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company totalled RMB32,357 million.

X. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS IN RESPECT OF THE BONDS DURING THE REPORTING PERIOD

During the reporting period, the Company strictly complied with and fulfilled the relevant commitments in the prospectus and there was no material adverse effect on the bond holders.

XI. IMPACT OF MAJOR EVENTS TO OPERATING STATUS AND SOLVENCY OF THE COMPANY

During the reporting period, there was no major event causing impact to the solvency or bond price of the Company.



羅兵咸永道

To the shareholders of Guangzhou Automobile Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou Automobile Group Co., Ltd. (the "Company") and its subsidiaries set out on pages 121 to 235, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



Independent Auditor's Report

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2016

Consolidated Balance Sheet



	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000 (Restated)
ASSETS			
Non-current assets			
Land use rights	7	1,819,702	1,501,392
Property, plant and equipment	8	10,581,208	8,543,812
Investment properties	9	343,958	369,421
Intangible assets	10	4,826,902	4,045,539
Investments in joint ventures and associates	11	18,478,158	18,692,856
Deferred income tax assets	13	440,538	481,502
Available-for-sale financial assets	14	2,035,344	899,626
Held-to-maturity investments		79,854	79,639
Prepayments and long-term receivables	15	620,125	867,501
		<u>39,225,789</u>	<u>35,481,288</u>
Current assets			
Inventories	16	1,926,988	2,660,569
Trade and other receivables	17	8,726,885	5,516,162
Available-for-sale financial assets	14	245,482	227,950
Held-to-maturity investments		40,000	110,000
Financial assets at fair value through profit or loss	18	486,531	–
Time deposits	19	4,086,517	7,422,367
Restricted cash	20	837,094	674,180
Cash and cash equivalents	21	11,548,480	10,274,285
		<u>27,897,977</u>	<u>26,885,513</u>
Non-current assets held for sale	22	95,922	95,922
		<u>27,993,899</u>	<u>26,981,435</u>
Total assets		<u>67,219,688</u>	<u>62,462,723</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	23	6,435,019	6,435,019
Other reserves	25	11,321,467	10,919,625
Retained earnings	25	20,890,023	18,098,547
		<u>38,646,509</u>	<u>35,453,191</u>
Non-controlling interests		<u>844,811</u>	<u>795,956</u>
Total equity		<u>39,491,320</u>	<u>36,249,147</u>



Consolidated Balance Sheet

	<i>Note</i>	As at 31 December	
		2015 RMB'000	2014 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Trade and other payables	26	74,331	1,151
Borrowings	27	7,648,901	4,769,367
Deferred income tax liabilities	13	41,607	34,882
Provisions	28	230,813	186,256
Government grants	29	1,076,795	989,817
		<u>9,072,447</u>	<u>5,981,473</u>
Current liabilities			
Trade and other payables	26	14,076,709	10,650,588
Borrowings	27	4,278,721	9,540,517
Current income tax liabilities		300,491	40,998
		<u>18,655,921</u>	<u>20,232,103</u>
Total liabilities		<u>27,728,368</u>	<u>26,213,576</u>
Total equity and liabilities		<u>67,219,688</u>	<u>62,462,723</u>

The notes on pages 128 to 235 are an integral part of these financial statements.

The financial statements on pages 121 to 235 were approved by the Board of Directors on 25 March 2016 and were signed on its behalf:

Zhang Fangyou
Director

Lu Sa
Director

Consolidated Statement of Comprehensive Income



	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000 (Restated)
Revenue	6	29,418,223	22,383,424
Cost of sales	30	(25,974,620)	(19,831,167)
Gross profit		3,443,603	2,552,257
Selling and distribution costs	30	(1,866,537)	(1,841,370)
Administrative expenses	30	(2,037,088)	(1,882,183)
Interest income	34	411,556	317,678
Other gains – net	32	435,386	362,765
Operating profit/(loss)		386,920	(490,853)
Finance costs	33	(849,396)	(745,415)
Interest income	34	127,955	120,960
Share of profit of joint ventures and associates	11	4,720,117	4,181,213
Profit before income tax		4,385,596	3,065,905
Income tax expense	35	(400,067)	(130,587)
Profit for the year		3,985,529	2,935,318
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss – change in value of available-for-sale financial assets, net of tax	36	52,189	11,293
Total comprehensive income for the year		4,037,718	2,946,611
Profit/(loss) attributable to:			
Equity holders of the Company		4,211,553	3,194,160
Non-controlling interests		(226,024)	(258,842)
		3,985,529	2,935,318



Consolidated Statement of Comprehensive Income

	<i>Note</i>	Year ended 31 December	
		2015	2014
		RMB'000	RMB'000 (Restated)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		4,266,093	3,202,143
Non-controlling interests		(228,375)	(255,532)
		<u>4,037,718</u>	<u>2,946,611</u>
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
– basic	37	<u>0.65</u>	<u>0.50</u>
– diluted	37	<u>0.65</u>	<u>0.50</u>

The notes on pages 128 to 235 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity



	Attributable to equity holders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance as at 1 January 2014	6,435,019	10,562,909	16,313,263	33,311,191	805,005	34,116,196
Business combination between entities under common control (Note 41)	-	71,599	-	71,599	-	71,599
Balance as at 1 January 2014 (Restated)	6,435,019	10,634,508	16,313,263	33,382,790	805,005	34,187,795
Comprehensive income						
Profit/(loss) for the year	-	-	3,194,160	3,194,160	(258,842)	2,935,318
Other comprehensive income – Available-for-sale financial assets, net of tax	-	7,983	-	7,983	3,310	11,293
Total comprehensive income/(loss)	-	7,983	3,194,160	3,202,143	(255,532)	2,946,611
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	-	250,572	(250,572)	-	-	-
Dividend declared by the Company and its subsidiaries	-	-	(1,158,304)	(1,158,304)	(22,544)	(1,180,848)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	248,850	248,850
Employee share option scheme (Note 24)	-	14,220	-	14,220	-	14,220
Non-controlling interests arising on business combination (Note 32(a))	-	-	-	-	(12,217)	(12,217)
Changes in ownership interests in subsidiaries without change of control (Note 32(a))	-	(15,028)	-	(15,028)	9,528	(5,500)
Others	-	27,370	-	27,370	22,866	50,236
Total transactions with owners in their capacity as owners	-	277,134	(1,408,876)	(1,131,742)	246,483	(885,259)
Balance as at 31 December 2014 (Restated)	6,435,019	10,919,625	18,098,547	35,453,191	795,956	36,249,147
Balance as at 1 January 2015	6,435,019	10,919,625	18,098,547	35,453,191	795,956	36,249,147
Comprehensive income						
Profit/(loss) for the year	-	-	4,211,553	4,211,553	(226,024)	3,985,529
Other comprehensive income – Available-for-sale financial assets, net of tax	-	54,540	-	54,540	(2,351)	52,189
Total comprehensive income/(loss)	-	54,540	4,211,553	4,266,093	(228,375)	4,037,718
Transactions with owners in their capacity as owners						
Appropriation to statutory surplus reserve fund	-	390,473	(390,473)	-	-	-
Dividend declared by the Company and its subsidiaries	-	-	(1,029,604)	(1,029,604)	(38,724)	(1,068,328)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	254,300	254,300
Employee share option scheme (Note 24)	-	42,670	-	42,670	-	42,670
Non-controlling interests arising on business combination	-	-	-	-	41,881	41,881
Changes in ownership interests in subsidiaries without change of control	-	(11,862)	-	(11,862)	11,862	-
Consideration paid for business combination between entities under common control (Note 41)	-	(82,712)	-	(82,712)	-	(82,712)
Others	-	8,733	-	8,733	7,911	16,644
Total transactions with owners in their capacity as owners	-	347,302	(1,420,077)	(1,072,775)	277,230	(795,545)
Balance as at 31 December 2015	6,435,019	11,321,467	20,890,023	38,646,509	844,811	39,491,320

The notes on pages 128 to 235 are an integral part of these financial statements.



Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	39	4,157,661	650,013
Interest received		554,651	540,246
Interest paid		(730,332)	(757,220)
Income tax paid		(91,266)	(84,826)
Net cash generated from operating activities		3,890,714	348,213
Cash flows from investing activities			
Purchase of property, plant and equipment, land use rights and intangible assets		(4,321,948)	(3,512,684)
Proceeds from sales of property, plant and equipment and intangible assets		138,635	121,343
Acquisition of subsidiaries, net of cash acquired		334	25,241
Additional capital injection in joint ventures		(1,707,275)	(222,995)
Additional capital injection in associates		(192,998)	(6,690)
Acquisition and set-up of joint ventures		(83,470)	(58,800)
Acquisition and set-up of associates		(125,254)	–
Disposal of joint ventures and associates		31,846	53,046
Acquisition of available-for-sale financial assets, held-to-maturity investments and loans and receivables		(16,810,771)	(20,484,509)
Disposal of available-for-sale financial assets, held-to-maturity investments and loans and receivables		16,009,828	19,783,301
Granting of entrusted loans		(668,100)	(665,516)
Proceeds from repayment of entrusted loans		727,929	72,500
Receipt of government grants related to assets		230,084	120,764
Dividends received		4,153,693	4,246,999
Decrease/(increase) in time deposits		3,359,070	(2,777,424)
Decrease in restricted cash		–	51,413
Net cash generated from /(used in) investing activities		741,603	(3,254,011)

Consolidated Cash Flow Statement



	<i>Note</i>	Year ended 31 December	
		2015 RMB'000	2014 RMB'000 (Restated)
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		254,300	248,850
Payment of expenses relating to bond issuing		(6,403)	(13,787)
Distribution to shareholders of the Company and non-controlling shareholders of subsidiaries		(1,068,389)	(1,172,167)
Consideration paid for business combination between entities under common control		(82,712)	–
Proceeds from borrowings and bond issuing		9,790,443	12,813,604
Repayments of borrowings and bonds		(12,259,585)	(12,785,454)
Net cash used in financing activities		(3,372,346)	(908,954)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		10,274,285	14,090,757
Exchange gains/(losses) on cash and cash equivalents		14,224	(1,720)
Cash and cash equivalents at end of the year		11,548,480	10,274,285

The notes on pages 128 to 235 are an integral part of these financial statements



1. GENERAL INFORMATION

Guangzhou Automobile Group Company Limited (the “Company”) and its subsidiaries (the “Group”) are principally engaged in the manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive parts.

The registered address of the Company is 23/F, Chengyue Building, No. 448 – No. 458, Dong Feng Zhong Road, Yuexiu District, Guangzhou, Guangdong, the People’s Republic of China (the “PRC”).

The Company was established in June 1997 as a limited liability company in the PRC. In June 2005, the Company underwent a reorganisation and transformed itself into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserve as at 30 June 2004 into 3,499,665,555 shares at RMB 1 each. In 2009, the Company issued additional 435,091,902 shares at par value of RMB 1 each to its shareholders. After the capital injection and as at 31 December 2009, the Company’s total issued domestic shares were 3,934,757,457.

The Company privatised Denway Motors Limited (“Denway”), a subsidiary listed on the Hong Kong Stock Exchange (the “HKSE”) on 27 August 2010. Thereafter, Denway has become a wholly-owned subsidiary of the Company. The Company’s 2,213,300,218 newly issued shares for privatisation of Denway were then listed on the HKSE by way of introduction on 30 August 2010.

The Company previously held 29% interests in GAC Changfeng Motor Co., Ltd. (“GAC Changfeng”, which was listed on the Shanghai Stock Exchange (“SSE”). Subsequent to the approval by the Company’s shareholders and China Securities Regulatory Commission (“CSRC”), the Company paid cash and issued 286,962,422 ordinary shares denominated in RMB of the Company to acquire the remaining interests of GAC Changfeng. GAC Changfeng was then delisted from SSE and became a wholly-owned subsidiary of the Company. On 29 March 2012, the Company was listed on the SSE.

These financial statements are presented in thousands of Renminbi Yuan (“RMB”), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

- (a) The following new standards and amendments, revisions and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2015:

Standards/Interpretation	Subject of amendment	Effective for accounting periods beginning on or after
Amendment to HKAS 19	Defined benefit plans: contributions from employees or third parties to defined benefit plans	1 January 2015
Annual improvements 2012	Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.	1 January 2015
Annual improvements 2013	Amendments from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'.	1 January 2015

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- (b) The following new standards and amendments and revisions to standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted:

Standards	Subject of amendment	Effective for accounting periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The Group has already commenced an assessment of the impact of these new or revised standards and amendments to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

- (c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Business combination between entities under common control*

In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurred as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, deducting the accumulated impairment losses.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of joint ventures and associates' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

The Company adopts the cost method to measure the investment in associates, and recognises the investment income in statement of comprehensive income of separate financial statement when associates declared the dividends.

2.4 Joint ventures

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Company adopts the cost method to measure the investment in joint ventures, and recognises the investment income in statement of comprehensive income of separate financial statement when joint ventures declared the dividends.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains – net'.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(c) Group companies (continued)

- (ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Land use rights

Land use rights represent upfront payments made for the use of land and are amortised over the unexpired terms of the lease on a straight-line basis.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of leasehold improvements is calculated using the straight-line method to allocate their costs to their residual value over the shorter of their estimated useful lives and the remaining lease term. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives	Residual rate
– Buildings	20-50 years	0%-10%
– Machinery	5-15 years	0%-10%
– Vehicles	4-12 years	0%-10%
– Moulds	3-5 years	0%-10%
– Office and other equipment	3-20 years	0%-12%
– Leasehold improvements	2-20 years	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated statement of comprehensive income.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.10 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies of the Group, are classified as investment properties. The Group applies cost model for recognition of investment properties.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 to 50 years with residual value of 0% to 10%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangible assets

(a) *Goodwill*

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Patent and proprietary technology*

Purchased patents and proprietary technology are initially recorded at actual cost and are amortised on a straight-line basis over their useful lives of 5 to 10 years.

(c) *Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

(d) *Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project ranging from 5 to 10 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less cost of disposal. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less cost of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "time deposits", "restricted cash" and "cash and cash equivalents" in the balance sheet (Notes 2.18 and 2.19).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be tainted and reclassified as available for sale. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to maturity investments are subsequently carried at amortised cost using the effective interest method.

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of items classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within 'other gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of interest income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of 'other gains – net' when the Group's right to receive payments is established.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.16 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (continued)

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through profit or loss.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Employee benefits

(a) *Defined contribution employee retirement schemes*

The Group participates in the defined contribution employee retirement schemes regarding pension benefits required under existing PRC legislation. The defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.28 Share-based payment

(a) *Cash-settled share-based payment transactions*

Employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability incurred and are expensed over the vesting period. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the profit or loss.

(b) *Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Share-based payment (continued)

(b) *Equity-settled share-based payment transactions (continued)*

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of products*

The Group manufactures and sells a range of passenger vehicles, commercial vehicles, engines and auto parts to its dealers and end customers. Sales of products are recognised when the significant risks and rewards of ownership of the products have been passed to the buyers and the amount of revenue can be measured reliably.

The passenger vehicles are often sold with sales rebates. Sales are recorded based on the price specified in the sales contracts, net of the sales rebates which are calculated periodically.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Revenue recognition (continued)

(b) *Rendering of service*

Management fee and labour service income are recognised on accrual basis when service is rendered.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

(d) *Rental income*

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.30 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) *As a lessee*

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(b) *As a lessor*

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.32 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants are deducted in reporting the related expenses, when appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's finance department ("Group Finance") under policies approved by the senior management. Group Finance identifies and evaluates financial risks in close co-operation with the Group's operating units.



3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group's business mainly operates in the PRC with most of the transactions denominated and settled in RMB, except that certain receivables and payables, cash and cash equivalents, restricted cash and borrowings are mainly denominated in US dollar ("USD") and HK dollar ("HKD") which are exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit would have been approximately RMB 4,744,000 lower/higher (2014: RMB 13,099,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of USD-denominated trade and other receivables, cash and cash equivalents, restricted cash, trade and other payables and borrowings.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, post-tax profit would have been approximately RMB 392,000 lower/higher (2014: RMB 1,741,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of HKD-denominated trade and other receivables, cash and cash equivalents, restricted cash and trade and other payables.

(ii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets other than entrusted loans (included in other receivables), time deposits, restricted cash, and cash and cash equivalents. The maturity terms of these assets, together with the Group's current borrowings, are within 12 months so that there would not be significant interest rate risk for these financial assets and liabilities.

The Group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.



3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) *Cash flow and fair value interest rate risk (continued)*

As at 31 December 2015, the Group's borrowings at variable rates were denominated in RMB. If interest rates on bank borrowings had been 100 basis point higher/lower respectively with all other variables held constant, post-tax profit would have been RMB 13,851,000 (2014: RMB 12,481,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2015, approximately RMB 10,080,839,000 (2014: RMB 12,645,736,000) of the Group's borrowings bore interests at fixed rates. The fair value of the Group's borrowings are disclosed in Note 27.

The Group had not used any financial instrument to hedge its exposure to interest rate risk.

(b) *Credit risk*

The carrying amounts of time deposits, cash and cash equivalents, restricted cash, trade and other receivables, financial assets at fair value through profit or loss, available-for-sale investments in debt instruments and held-to-maturity investments included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial risk.

As at 31 December 2015 and 2014, most of the time deposits, restricted cash, and cash and cash equivalent are deposited in state-owned banks and other financial institutions without significant credit risks. Management does not expect any losses from non-performance by these state-owned banks and financial institutions.

The Group furnishes investment mandates to commercial banks, trust companies and asset management companies. These mandates require them to invest in financial products with high market credit rating, liquidity and stable return.

The Group generally requires dealers and customers to pay the full amounts in advance, either in cash or by bank acceptance notes with maturity within 6 months, which is accepted and settled by banks, prior to the delivery of the passenger vehicles. In addition to the requirement for advance payment from customers, the Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/review. Majority of trade receivables are with customers having an appropriate credit history.



3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Finance maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's time deposits (Note 19) and cash and cash equivalents (Note 21) on the basis of expected cash flow.

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2015				
Borrowings	4,904,859	1,329,091	4,578,222	3,458,100
Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants)	11,655,255	58,705	18,431	–

	Less than 1 year RMB'000 (Restated)	Between 1 and 2 years RMB'000 (Restated)	Between 2 and 5 years RMB'000 (Restated)	Over 5 years RMB'000 (Restated)
As at 31 December 2014				
Borrowings	10,148,668	317,048	2,307,800	3,646,753
Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants)	9,198,997	1,151	–	–



3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings, as shown in the consolidated balance sheet. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus total borrowings.

The gearing ratios as at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Total borrowings (<i>Note 27</i>)	11,927,622	14,309,884
Total equity	39,491,320	36,249,147
Total capital	51,418,942	50,559,031
Gearing ratio	23%	28%

3.3 Fair value estimation

The Group's financial instruments recognised in the balance sheet are mainly loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities carried at amortised cost. The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date, such as estimated discounted cash flows.



3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2015.

	Level 1 RMB'000 <i>Note (a)</i>	Level 2 RMB'000 <i>Note (b)</i>	Level 3 RMB'000 <i>Note (c)</i>	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Bond investments	80,476	–	–	80,476
– Fund investments	–	31,725	–	31,725
– Stocks	374,330	–	–	374,330
Available-for-sale financial assets				
– Bond investments	137,566	–	–	137,566
– Fund investments	21,623	447,986	–	469,609
– Financial products	–	–	207,080	207,080
– Stocks	184,658	–	554,400	739,058
Total assets	798,653	479,711	761,480	2,039,844



3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2014.

	Level 1 RMB'000 <i>Note (a)</i>	Level 2 RMB'000 <i>Note (b)</i>	Level 3 RMB'000 <i>Note (c)</i>	Total RMB'000
Assets				
Available-for-sale financial assets				
– Bond investments	101,374	–	–	101,374
– Fund investments	63,142	–	–	63,142
– Financial products	–	–	198,000	198,000
– Stocks	98,453	–	500,000	598,453
Total assets	262,969	–	698,000	960,969

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets included in level 1 held by the Group is the current bid price. Instruments included in level 1 comprise primarily bond investments, fund investments and stocks classified as available-for-sale financial assets and bond investments and stocks classified as financial assets at fair value through profit or loss.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.



3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.



3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Available-for-sale financial assets		Total RMB'000
	Stocks RMB'000	Financial products RMB'000	
Opening balance	500,000	198,000	698,000
Purchase	–	14,309,270	14,309,270
Gains for the period recognised in profit or loss	30,000	70,082	100,082
Gains for the period recognised in other comprehensive income	54,400	–	54,400
Disposal	(30,000)	(14,370,272)	(14,400,272)
Closing balance	554,400	207,080	761,480
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under “Other gains – net”	30,000	2,080	32,080
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year	–	–	–



3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3 (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

	Fair value at 31 December 2015 RMB'000	Valuation techniques(s)	Unobservable input	Range (weighted average)
Available-for-sale financial assets				
– Financial products	207,080	Discounted cash flow	Expected interest rate per annum	2.55%-4.90%
– Stocks (Note (i))	554,400	Discounted cash flow	Discounted rate Expected dividend yield	3.17%-3.50% 6%

- (i) The stocks in Level 3 represent the Group's investment in preference shares issued by a state-owned commercial bank.



3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instrument in level 3 (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Available-for-sale financial assets				Total RMB'000
	Stocks RMB'000	Financial products RMB'000	Fund investments RMB'000	Trust products RMB'000	
Opening balance	–	590,000	32,477	40,000	662,477
Additions	500,000	18,798,000	–	–	19,298,000
Settlements	–	(19,190,000)	(32,477)	(40,000)	(19,262,477)
Closing balance	500,000	198,000	–	–	698,000
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under “Other gains – net”	–	–	–	–	–
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year	–	–	–	–	–



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income taxes

The Group is subject to income taxes and land appreciation taxes (“LAT”) over land disposal transactions in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In addition, interpretation of taxation rules and requirements for whether group entities are able to enjoy an LAT exemption under the restructuring arrangement also give rise to uncertain tax positions. These estimates also include significant management judgments about the eventual outcome of the tax review based on the latest information available about the positions expected to be taken by tax authority. Accordingly, significant judgement is required in determining the amounts of current income tax, deferred income taxes and LAT. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of property, plant and equipment, intangible assets and land use rights

Property, plant and equipment, intangible assets and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, which is in accordance with the accounting policy stated in note 2.11. The recoverable amounts of cash-generated units have been determined based on fair value less cost of disposal estimated using the discounted cash flow method. These calculations require the use of estimates.

(d) Impairment of investments in joint ventures and associates

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint ventures and associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and associates and their carrying value. The recoverable amounts of the joint ventures and associates have been determined based on fair value less cost of disposal estimated using the discounted cash flow method. In arriving at fair value less cost of disposal, post-tax discount rates of 12.2% to 14% have been applied to the post-tax cash flows expressed in real terms. Fair value less cost of disposal was determined by estimating cash flows for a period of five years. The cash flow projections are based on financial budgets approved by management covering a five-year periods. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the fifth year, incorporating an annual real-term growth rate of 3%. These calculations require the use of estimates.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of investments in joint ventures and associates (continued)

No impairment charge arose in one joint venture (Note 11.1(c)) with significant goodwill identified on acquisition during the year 2012 after assessment. If the budgeted revenue used in the fair value less cost of disposal calculation for this joint venture had been 5% lower than management's estimates at 31 December 2015, the Group would not recognise any impairment of investment. If the estimated post-tax discount rate for the joint venture had been 0.5% higher than management's estimates, the Group would not recognise an impairment against investment. If the estimated gross profit margins for the joint venture had been 0.5% lower than management's estimates, the Group would not recognise an impairment against investment.

(e) Warranty provisions

Provisions for product warranties granted by the Group in respect of certain products are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

(f) Impairment of trade and other receivables

The management of the Group assesses whether the trade and other receivables should be impaired at each reporting date based on the accounting policies stated in Note 2.18. The assessment will be made considering the credibility and financial conditions of the customers, as well as the market situations. Even though the management of the Group has made the best estimate about the impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of customers' financial conditions and market situations.

(g) Impairment of inventory

The management of the Group assesses on the net realisable value of inventory at each reporting date based on the accounting policies stated in Note 2.17. The net realisable value is the estimated selling price in the current course of business, less applicable costs, variable selling expenses and tax charges. Even though the management of the Group has made the best estimate about the inventory impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of market situations.



5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As at 31 December 2015 particulars of principal subsidiaries, joint ventures and associates are as follows:

Name	Place of incorporation and operations	Legal status	Principal activities	Particulars of registered capital/ issued share capital	Interest held	
					Direct	Indirect
Subsidiaries						
Guangzhou Automobile Group Auto Bus Co., Ltd. ("GAC Bus") 廣州汽車集團客車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	US\$ 49,900,000	50%	50%
Guangzhou Automobile Group Motor Co., Ltd. ("GAC Motor") 廣州汽車集團乘用車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobiles	RMB 4,670,000,000	100%	–
Guangzhou Automobile Group Component Co., Ltd. ("GAC Component") 廣州汽車集團零部件有限公司	Mainland China	Limited liability company	Manufacture and sale of automotive parts	RMB 554,180,000	51%	49%
Guangzhou Automobile Group Business Co., Ltd. ("GAC Business") 廣州汽車集團商貿有限公司	Mainland China	Limited liability company	Trading of automobiles, automotive parts and steel	RMB 2,663,512,000	100%	–
GAC Gonow Co., Ltd. ("GAC Gonow") 廣汽吉奧汽車有限公司	Mainland China	Limited liability company	Manufacture and sale of automobile	RMB 1,260,000,000	51%	–
GAC Capital Co., Ltd. ("GAC Capital") 廣汽資本有限公司	Mainland China	Limited liability company	Investment and investment management	RMB 1,000,000,000	100%	–
Joint ventures						
Guangqi Honda Automobile Co., Ltd. ("Guangqi Honda") 廣汽本田汽車有限公司	Mainland China		Manufacture and sale of automobile and automotive parts	US\$ 283,290,000	50%	–
GAC Toyota Motor Co., Ltd. ("GAC Toyota") 廣汽豐田汽車有限公司	Mainland China		Manufacture and sale of automobile and automotive parts	US\$ 518,200,000	50%	–
GAC Hino Motors Co., Ltd. ("GAC Hino") 廣汽日野汽車有限公司	Mainland China		Manufacture and sale of automobile and automotive parts	RMB 1,720,000,000	50%	–



5. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

Name	Place of incorporation and operations	Principal activities	Particulars of registered capital/ issued share capital	Interest held	
				Direct	Indirect
Joint ventures					
GAC-SOFINCO Automobile Finance Co., Ltd. ("GAC Sofinco") 廣汽滙理汽車金融有限公司	Mainland China	Provision of automotive financing services	RMB 1,600,000,000	50%	–
GAC Fiat Chrysler Automobiles Co., Ltd. ("GAC Fiat Chrysler") 廣汽菲亞特克萊斯勒汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB 4,800,000,000	50%	–
Wuyang-Honda Motors (Guangzhou) Co., Ltd. ("Wuyang-Honda") 五羊-本田摩托(廣州)有限公司	Mainland China	Manufacture and sale of motorcycle and motorcycle parts	US\$ 49,000,000	50%	–
GAC Mitsubishi Motors Co., Ltd. ("GAC Mitsubishi") 廣汽三菱汽車有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	RMB 1,700,000,000	50%	–
Associates					
GAC Toyota Engine Co., Ltd. 廣汽豐田發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US\$ 352,820,000	30%	–
Honda Automobile (China) Co., Ltd. 本田汽車(中國)有限公司	Mainland China	Manufacture and sale of automobile and automotive parts	US\$ 82,000,000	25%	–
Shanghai Hino Engine Co., Ltd. 上海日野發動機有限公司	Mainland China	Manufacture and sale of automotive parts	US\$ 29,980,000	30%	–
Guangzhou TS Automotive Interior Systems Co., Ltd. 廣州提愛思汽車內飾系統有限公司	Mainland China	Manufacture and sale of automotive parts	US\$ 3,860,000	–	48%
Guangzhou Intex Automotive Interior Parts Co., Ltd. 廣州櫻泰汽車飾件有限公司	Mainland China	Manufacture and sale of automotive parts	US\$ 22,500,000	–	25%
Guangzhou Stanley Electric Company Limited 廣州斯坦雷電氣有限公司	Mainland China	Manufacture and sale of automotive parts	US\$ 44,700,000	–	30%
Guangzhou Denso Co., Ltd. 廣州電裝有限公司	Mainland China	Manufacture and sale of automotive parts	US\$ 23,022,409	–	40%



6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

For management purpose, the executive directors considered the nature of the Group's products and services and determined that the Group has two reportable operating segments as follows:

Vehicles and related operations segment – production and sale of a variety of passenger vehicles, commercial vehicles, automotive parts and related operations.

Others – mainly production and sale of motorcycles, automobile finance and insurance, and investing business.

Certain operating segments have been aggregated into one reportable segment as they have similar expected growth rates.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

During the year ended 31 December 2015, no revenue from transactions with a single external customer counted to 10% or more of the Group's total revenue.



6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2015 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total gross segment revenue	28,322,995	1,224,882	(129,654)		29,418,223
Inter-segment revenue	(37,751)	(91,903)	129,654		–
Revenue (from external customers)	28,285,244	1,132,979	–		29,418,223
Segment results	205,441	49,008	(33,893)		220,556
Unallocated income – Headquarters interest income				245,440	245,440
Unallocated costs – Headquarters expenditure				(79,076)	(79,076)
Operating profit					386,920
Finance costs	(331,514)	(22,202)	–	(495,680)	(849,396)
Interest income	51,737	2,642	–	73,576	127,955
Share of profit of joint ventures and associates	4,283,757	436,360	–	–	4,720,117
Profit before income tax					4,385,596
Income tax expense	(371,150)	(23,999)	–	(4,918)	(400,067)
Profit for the year					3,985,529
Other segment items					
Depreciation and amortisation	1,589,512	19,789	–	50,913	1,660,214
Provision/(reversal) for impairment loss of trade and other receivables	74,988	(80)	–	1	74,909
Impairment charges of inventories	91,107	–	–	–	91,107
Impairment charges of available-for-sale financial assets	–	12,732	–	–	12,732
Impairment charges of property, plant and equipment	30,168	–	–	–	30,168
Impairment charges of intangible assets	66,821	–	–	–	66,821



6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2015 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations RMB'000	Others RMB'000	Eliminations RMB'000	Unallocated RMB'000	Consolidated RMB'000
Total assets	48,087,334	8,614,956	(7,405,435)	17,922,833	67,219,688
Total assets include:					
Investments in joint ventures and associates	15,921,336	2,556,822	–	–	18,478,158
Total liabilities	19,149,256	6,243,336	(7,404,831)	9,740,607	27,728,368
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	2,372,111	277,421	–	–	2,649,532



6. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2014 and other segment items included in the consolidated statement of comprehensive income are as follows:

	Vehicles and related operations RMB'000 (Restated)	Others RMB'000 (Restated)	Eliminations RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Total gross segment revenue	21,590,966	857,275	(64,817)		22,383,424
Inter-segment revenue	(30,755)	(34,062)	64,817		–
Revenue (from external customers)	21,560,211	823,213	–		22,383,424
Segment results	(594,925)	(18,050)	(34,980)		(647,955)
Unallocated income – Headquarters interest income				296,421	296,421
Unallocated costs – Headquarters expenditure				(139,319)	(139,319)
Operating loss					(490,853)
Finance costs	(257,811)	(12,573)	–	(475,031)	(745,415)
Interest income	46,675	2,075	–	72,210	120,960
Share of profit of joint ventures and associates	3,966,251	214,962	–	–	4,181,213
Profit before income tax					3,065,905
Income tax (expense)/credit	(143,004)	20,403	–	(7,986)	(130,587)
Profit for the year					2,935,318
Other segment items					
Depreciation and amortisation	1,158,058	16,227	–	50,156	1,224,441
Provision for impairment loss of trade and other receivables	31,189	740	–	–	31,929
Impairment charges of inventories	44,945	–	–	–	44,945
Impairment charges of property, plant and equipment	28,005	–	–	–	28,005
Impairment charges of intangible assets	12,307	–	–	–	12,307



6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2014 and additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) for the year then ended are as follows:

	Vehicles and related operations RMB'000 (Restated)	Others RMB'000 (Restated)	Eliminations RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Total assets	40,328,101	4,523,232	(1,041,437)	18,652,827	62,462,723
Total assets include:					
Investments in joint ventures and associates	16,764,459	1,928,397	–	–	18,692,856
Total liabilities	14,112,491	1,488,739	(971,456)	11,583,802	26,213,576
Additions to non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments)	3,209,711	213,029	–	–	3,422,740

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Total segment assets	49,296,855	43,809,896
Unallocated assets:		
– Cash and bank balance and other assets of headquarters	17,922,833	18,652,827
Total assets	67,219,688	62,462,723



6. SEGMENT INFORMATION (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Total segment liabilities	17,987,761	14,629,774
Unallocated liabilities:		
– Borrowings and other liabilities of headquarters	9,740,607	11,583,802
Total liabilities	27,728,368	26,213,576

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Mainland China	29,402,583	22,380,717
Hong Kong	15,640	2,707
	29,418,223	22,383,424



6. SEGMENT INFORMATION (continued)

Non-current assets (other than deferred tax assets, available-for-sale financial assets and held-to-maturity investments) located by geographical location are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Mainland China	36,576,217	33,927,238
Hong Kong	93,836	93,283
	<u>36,670,053</u>	<u>34,020,521</u>

Analysis of revenue by category:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Sales of products	26,642,420	20,351,008
Rendering of services	2,378,846	1,759,695
Others	396,957	272,721
	<u>29,418,223</u>	<u>22,383,424</u>



7. LAND USE RIGHTS

Land use rights represent the Group's interests in land which are held on leases between 15 to 50 years. Movements of the land use rights for the year are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Beginning of the year		
Cost	1,660,163	1,277,710
Accumulated amortisation and impairment	(158,771)	(126,907)
Net book amount	<u>1,501,392</u>	<u>1,150,803</u>
For the year ended		
Opening net book amount	1,501,392	1,150,803
Additions	351,622	349,449
Acquisition of subsidiaries	58,936	144,577
Transferred to investment properties (<i>Note 9</i>)	–	(13,650)
Transferred to non-current assets held for sale (<i>Note 22</i>)	–	(95,922)
Disposal	(51,798)	–
Amortisation charge (<i>Note 30</i>)	(40,450)	(33,865)
Closing net book amount	<u>1,819,702</u>	<u>1,501,392</u>
End of the year		
Cost	2,004,398	1,660,163
Accumulated amortisation and impairment	(184,696)	(158,771)
Net book amount	<u>1,819,702</u>	<u>1,501,392</u>

- The amount of amortisation of the Group was primarily charged to cost of sales and administrative expenses in the consolidated statement of comprehensive income.
- As at 31 December 2015, certain bank borrowings (*Note 27(a)*) were secured by the Group's land use rights with the carrying value of approximately RMB 163,116,000 (2014: RMB 150,653,000).
- As at 31 December 2015, the Group is in the process of applying for the title certificates of certain of its land use rights with an aggregate carrying value of approximately RMB 247,854,000 (2014: RMB 333,570,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those land use rights.



8. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Moulds RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2014								
Opening net book amount	4,366,135	1,388,910	276,482	457,142	98,834	306,315	472,447	7,366,265
Business combination between entities under common control	25,159	-	7,847	-	114	-	-	33,120
Opening net book amount (Restated)	4,391,294	1,388,910	284,329	457,142	98,948	306,315	472,447	7,399,385
Additions	63,254	228,029	86,161	204,232	27,723	46,714	1,298,491	1,954,604
Acquisition of subsidiaries	98,988	36,368	6,121	12,636	589	-	-	154,702
Disposals	-	(3,808)	(23,313)	-	(636)	-	-	(27,757)
Transfer to investment properties (Note 9)	(219,501)	-	-	-	-	-	-	(219,501)
Transfers	734,571	692,774	1,411	23,908	3,656	(62,694)	(1,393,626)	-
Depreciation charge (Note 30)	(182,166)	(218,323)	(89,581)	(118,650)	(34,580)	(46,316)	-	(689,616)
Impairment charge	-	(23,722)	(340)	(3,943)	-	-	-	(28,005)
Closing net book amount	4,886,440	2,100,228	264,788	575,325	95,700	244,019	377,312	8,543,812
As at 31 December 2014								
Cost	5,417,228	2,900,518	523,535	872,392	240,363	395,967	377,312	10,727,315
Accumulated depreciation and impairment	(530,788)	(800,290)	(258,747)	(297,067)	(144,663)	(151,948)	-	(2,183,503)
Net book amount	4,886,440	2,100,228	264,788	575,325	95,700	244,019	377,312	8,543,812
Year ended 31 December 2015								
Opening net book amount	4,886,440	2,100,228	264,788	575,325	95,700	244,019	377,312	8,543,812
Additions	26,468	103,509	89,568	131,706	32,613	54,260	2,538,019	2,976,143
Adjustments to the estimated initial cost based on the final settlement amount	(29,761)	-	-	-	-	-	-	(29,761)
Acquisition of subsidiaries	-	83	-	-	170	-	35,861	36,114
Disposals	(11,261)	(11,331)	(32,982)	(4,153)	(1,076)	-	-	(60,803)
Transfer from investment properties (Note 9)	6,935	-	-	-	-	-	-	6,935
Transfer to investment properties (Note 9)	(111)	-	-	-	-	-	-	(111)
Transfers	155,430	364,700	997	40,212	1,531	(3,908)	(558,962)	-
Depreciation charge (Note 30)	(222,285)	(314,995)	(86,176)	(151,999)	(28,717)	(56,781)	-	(860,953)
Impairment charge	(9,913)	(13,995)	(208)	(2,296)	(36)	-	(3,720)	(30,168)
Closing net book amount	4,801,942	2,228,199	235,987	588,795	100,185	237,590	2,388,510	10,581,208
As at 31 December 2015								
Cost	5,558,269	3,341,322	500,055	988,065	268,211	446,319	2,392,230	13,494,471
Accumulated depreciation and impairment	(756,327)	(1,113,123)	(264,068)	(399,270)	(168,026)	(208,729)	(3,720)	(2,913,263)
Net book amount	4,801,942	2,228,199	235,987	588,795	100,185	237,590	2,388,510	10,581,208



8 PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) Depreciation expenses of the Group have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Cost of sales	654,387	528,032
Selling and distribution costs	15,165	17,523
Administrative expenses	191,401	144,061
	<u>860,953</u>	<u>689,616</u>

- (b) As at 31 December 2015, certain bank borrowings (Note 27(a)) were secured by the Group's property, plant and equipment with the carrying value of approximately RMB 218,086,000 (2014: RMB 207,125,000).
- (c) As at 31 December 2015, the Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying value of approximately RMB 771,981,000 (2014: RMB 2,243,159,000). The Directors consider that the Group is entitled to lawfully and validly occupy or use those properties.
- (d) During the year, the Group capitalised borrowing costs amounting to RMB 26,112,000 (2014: RMB 21,119,000) on qualifying assets (construction in progress). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.33% (2014: 6.12%).



9. INVESTMENT PROPERTIES

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Beginning of the year		
Cost	428,424	170,492
Accumulated depreciation	(59,003)	(27,018)
Net book amount	<u>369,421</u>	<u>143,474</u>
For the year ended		
Opening net book amount	369,421	143,474
Additions	–	1,525
Transfer from land use rights (<i>Note 7</i>)	–	13,650
Adjustments to the estimated initial cost based on the final settlement amount	(5,440)	–
Transfer from property, plant and equipment (<i>Note 8</i>)	111	219,501
Transfer to property, plant and equipment (<i>Note 8</i>)	(6,935)	–
Depreciation charge (<i>Note 30</i>)	(13,199)	(8,729)
Closing net book amount	<u>343,958</u>	<u>369,421</u>
End of the year		
Cost	414,497	428,424
Accumulated depreciation	(70,539)	(59,003)
Net book amount	<u>343,958</u>	<u>369,421</u>

(a) The Group's investment properties at their net book values are analysed as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Mainland China	327,513	353,104
Hong Kong	16,445	16,317
	<u>343,958</u>	<u>369,421</u>



10. INTANGIBLE ASSETS

	Patent, proprietary technology and franchise right RMB'000	Computer software RMB'000	Goodwill RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2014					
Opening net book amount	699,043	68,729	328,436	1,987,422	3,083,630
Business combination between entities under common control	48,239	–	–	–	48,239
Opening net book amount (Restated)	747,282	68,729	328,436	1,987,422	3,131,869
Additions	69,355	54,646	–	1,294,121	1,418,122
Acquisition of subsidiaries	347	3	–	–	350
Disposal	(264)	–	–	–	(264)
Amortisation charge (<i>Note 30</i>)	(73,071)	(19,434)	–	(399,726)	(492,231)
Impairment charge	(12,307)	–	–	–	(12,307)
Closing net book amount	731,342	103,944	328,436	2,881,817	4,045,539
As at 31 December 2014					
Cost	1,064,100	171,730	328,436	3,819,278	5,383,544
Accumulated amortisation and impairment	(332,758)	(67,786)	–	(937,461)	(1,338,005)
Net book amount	731,342	103,944	328,436	2,881,817	4,045,539
Year ended 31 December 2015					
Opening net book amount	731,342	103,944	328,436	2,881,817	4,045,539
Additions	159	34,878	–	1,560,269	1,595,306
Acquisition of subsidiaries	–	828	–	–	828
Disposal	–	(2,338)	–	–	(2,338)
Amortisation charge (<i>Note 30</i>)	(145,198)	(24,393)	–	(576,021)	(745,612)
Impairment charge	(66,821)	–	–	–	(66,821)
Closing net book amount	519,482	112,919	328,436	3,866,065	4,826,902
As at 31 December 2015					
Cost	1,064,259	204,260	328,436	5,379,547	6,976,502
Accumulated amortisation and impairment	(544,777)	(91,341)	–	(1,513,482)	(2,149,600)
Net book amount	519,482	112,919	328,436	3,866,065	4,826,902



10. INTANGIBLE ASSETS (continued)

- (a) Amortisation of the Group's intangible assets mainly charged to cost of sales and administrative expenses.
- (b) Goodwill arose from acquisition of businesses:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Business acquired by GAC Gonow (<i>Note (i)</i>)	201,337	201,337
Denway	90,299	90,299
Others	36,800	36,800
	<u>328,436</u>	<u>328,436</u>

Goodwill is allocated to the passenger vehicles and related operations and automotive parts segment, which is operated in Mainland China. Impairment testing is performed at each year end, and there was no material impairment for goodwill as at year end.

- (i) As at 31 December 2015, the recoverable amount of GAC Gonow has been assessed by reference to fair value less cost of disposal, in line with the policy in Note 2.11(a).
- (c) During the year, the Group capitalised borrowing costs amounting to RMB 53,748,000 (2014: RMB 41,689,000) on qualifying assets (development costs). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.33% (2014: 6.12%).



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Investments in joint ventures	12,966,481	13,424,452
Investments in associates	5,511,677	5,268,404
	<u>18,478,158</u>	<u>18,692,856</u>

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Share of profit of joint ventures (<i>Note (i)</i>)	3,595,926	3,133,565
Share of profit of associates (<i>Note (i)</i>)	1,043,312	968,109
Share of loss of a joint venture compensated by government grants	80,879	79,539
	<u>4,720,117</u>	<u>4,181,213</u>

(i) Unrealised profits or losses resulting from up stream and down stream transactions are eliminated.

11.1 Investments in Joint Ventures

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Investment in unlisted shares	<u>12,966,481</u>	<u>13,424,452</u>



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

- (a) Movements of investments in joint ventures are set out as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Beginning of the year	13,424,452	13,200,531
Additions (<i>Note (i)</i>)	1,793,553	280,513
Share of profits	3,579,723	3,130,271
Dividends declared	(5,777,200)	(3,132,961)
Disposals	(54,047)	(53,902)
End of the year	<u>12,966,481</u>	<u>13,424,452</u>

- (i) In 2015, the Company contributed additional capital of RMB 1,200,000,000, RMB 209,534,000 and RMB 88,200,000 to GAC Fiat Chrysler, GAC Toyota and Guangzhou BYD New Energy Bus Co., Ltd. (GAC BYD) respectively in proportion to its interest held.

In addition, in 2015, the Company entered into an agreement with FCA Partecipazioni S.p.A (“FCA”), Hangzhou Advance Gearbox Group Co., Ltd. (“HAG”) and Hangzhou Xiaoshan National Assets Management Co., Ltd. (“XETZ”) to acquire 16.665% equity interests of Hangzhou HAVECO Automobile Transmission Technology Co., Ltd (“Hangzhou HAVECO Transmission”) at a cost of RMB 131,419,000. Up to 31 December 2015, the share transfer has been completed. The Company held 50% equity interests in Hangzhou HAVECO Transmission as at 31 December 2015.



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

- (b) Set out below are the joint ventures of the Group as at 31 December 2015, which in the opinion of the directors, are material to the Group. The joint ventures as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of joint ventures	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Guangqi Honda	Mainland China	50	<i>Note 1</i>	Equity
GAC Toyota	Mainland China	50	<i>Note 1</i>	Equity
GAC Fiat Chrysler	Mainland China	50	<i>Note 1</i>	Equity
GAC Mitsubishi	Mainland China	50	<i>Note 1</i>	Equity
GAC Hino	Mainland China	50	<i>Note 1</i>	Equity
GAC Sofinco	Mainland China	50	<i>Note 1</i>	Equity
Wuyang-Honda	Mainland China	50	<i>Note 1</i>	Equity

Note 1: Guangqi Honda, GAC Toyota, GAC Fiat Chrysler, GAC Mitsubishi, GAC Hino are companies manufacturing and selling of automobiles and automotive parts, GAC Sofinco is a company providing automotive financing services, and Wuyang-Honda is a company manufacturing and selling of motorcycles and motorcycle parts. All of them are unlisted companies.

- (c) Summarised financial information for joint ventures

Set out below is the summary of combined financial information for all the joint ventures of the Group (excluding goodwill). As restricted by the confidentiality agreements entered into with other shareholders of certain joint ventures, the Group has not disclosed certain financial data of material joint ventures separately. The aggregate of the financial information of the seven material joint ventures identified by Directors cover over 90% of combined financial information of all the joint ventures of the Group listed below.

The below financial information of the joint ventures has been consistently measured based on the fair values of the identifiable assets acquired and the liabilities assumed at the date of acquisition.

The information below reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

(c) Summarised financial information for joint ventures (continued)

Summarised balance sheet

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Assets		
Non-current assets	29,435,534	26,490,675
Current assets		
– Cash and cash equivalents	23,542,801	15,521,723
– Other current assets	44,943,305	46,339,877
	68,486,106	61,861,600
Total assets	97,921,640	88,352,275
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	7,184,736	6,564,689
– Other non-current liabilities (including trade and other payables)	3,497,192	2,011,747
	10,681,928	8,576,436
Current liabilities		
– Financial liabilities (excluding trade and other payables)	16,749,389	15,976,893
– Other current liabilities (including trade and other payables)	50,518,592	42,636,068
	67,267,981	58,612,961
Total liabilities	77,949,909	67,189,397
Net assets	19,971,731	21,162,878
Less: Non-controlling interests	(17,225)	(17,593)
	19,954,506	21,145,285



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

(c) Summarised financial information for joint ventures (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue	147,460,779	140,472,444
Cost of sales	(124,446,423)	(118,596,075)
Other expenditures	(15,944,812)	(15,732,879)
Profit after tax	7,069,544	6,143,490
Add: losses shared by non-controlling interests	368	2,734
	7,069,912	6,146,224
Other comprehensive income	–	–
Total comprehensive income	7,069,912	6,146,224

Set out below are the assets, liabilities, revenue and dividends of the material joint ventures of the Group:

Name of joint ventures	Assets		Liabilities		Revenue		Dividends received	
	As at 31 December		As at 31 December		Year ended 31 December		Year ended 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Guangqi Honda	26,622,080	27,059,753	19,423,752	20,130,422	69,396,829	59,808,971	1,224,251	1,543,778
GAC Toyota	21,350,962	18,208,011	17,605,177	10,889,619	54,663,310	53,878,955	1,972,229	1,828,607
GAC Fiat Chrysler	11,376,665	7,217,416	9,497,180	6,710,946	4,822,198	6,814,164	–	–
GAC Mitsubishi	6,856,023	6,041,169	5,398,660	4,674,263	6,143,534	7,478,000	–	–
GAC Hino	1,505,390	1,576,808	1,267,837	1,302,168	671,617	1,121,197	–	–
GAC Sofinco	21,402,439	20,435,930	18,967,727	18,412,622	1,886,835	1,677,100	–	–
Wuyang-Honda	3,265,921	3,067,617	1,967,051	1,822,247	5,647,503	5,724,800	92,430	78,210
Total	92,379,480	83,606,704	74,127,384	63,942,287	143,231,826	136,503,187	3,288,910	3,450,595



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.1 Investments in Joint Ventures (continued)

(c) Summarised financial information for joint ventures (continued)

Reconciliation of share of the net assets to the carrying amount of the Group's interests in the material joint ventures:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Assets	92,379,480	83,606,704
Less: Liabilities	(74,127,384)	(63,942,287)
Non-controlling interests	(17,225)	(17,593)
Net assets excluding non-controlling interests	18,234,871	19,646,824
Percentage of ownership interest	50%	50%
Interests in material joint ventures	9,117,436	9,823,412
Goodwill	2,916,552	2,916,552
– GAC Mitsubishi	2,895,293	2,895,293
– Wuyang-Honda	21,259	21,259
Carrying amount of investments in material joint ventures	12,033,988	12,739,964



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.2 Investments in Associates

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Unlisted companies	5,511,677	5,268,404

(a) Movements of investments in associates are set out as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Beginning of the year	5,268,404	5,224,015
Additions (<i>Note (i)</i>)	320,890	14,481
Share of profits	1,040,777	966,161
Disposals	–	(151,295)
Dividends declared	(1,118,394)	(784,958)
End of the year	5,511,677	5,268,404

- (i) In 2015, the Company contributed additional capital of RMB 132,850,000, RMB 71,000,000 and RMB 28,772,000 to Guangzhou Telford equity investment fund Partnership Enterprises (“Telford”), Guangzhou Zhizao venture capital enterprise (Limited Partnership) and Guangzhou Guangqi Kimura Shinwa Store Co., Ltd. respectively in proportion to its interest held.

Although the Group owns more than half of the equity interests in Telford, it is not able to control the “Investment Decision-making Committee” of Telford by virtue of an agreement with other investors. Consequently, the Group only has significant influence on Telford and classified it as an associate.



11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

11.2 Investments in Associates (continued)

- (b) In the opinion of the board, there are no associates individually material to the Group. Set out below is the Group's share of associates' results:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Associates		
Profit from continuing operations	1,043,312	968,109
Other comprehensive income	–	–
Total comprehensive income	1,043,312	968,109

- (c) Particulars of the Group's principal associates are set out in Note 5.

12. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Loans and receivables		
– Trade and other receivables (excluding prepayments and VAT recoverable) (Note 17 and Note 15)	8,058,013	5,090,977
– Time deposits (Note 19)	4,086,517	7,422,367
– Restricted cash (Note 20)	837,094	674,180
– Cash and cash equivalents (Note 21)	11,548,480	10,274,285
Financial assets at fair value through profit or loss (Note 18)	486,531	–
Held-to-maturity investments	119,854	189,639
Available-for-sale financial assets (Note 14)	2,280,826	1,127,576
	27,417,315	24,779,024



12. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	As at 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Financial liabilities at amortised cost		
– Trade and other payables (excluding advances from customers, employee benefits payable, other taxes and government grants) (Note 26)	11,724,944	9,200,148
– Borrowings (Note 27)	11,927,622	14,309,884
Total	23,652,566	23,510,032

13. DEFERRED INCOME TAX

- (a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Deferred tax assets:		
– to be recovered after more than 12 months	140,298	228,042
– to be recovered within 12 months	300,240	253,460
	440,538	481,502
Deferred tax liabilities:		
– to be settled after more than 12 months	(41,172)	(33,561)
– to be settled within 12 months	(435)	(1,321)
	(41,607)	(34,882)
Deferred tax assets – net	398,931	446,620



13. DEFERRED INCOME TAX (continued)

(b) The net movements on the deferred income tax account are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Beginning of the year	446,620	508,340
Tax recognised in profit or loss (<i>Note 35</i>)	(49,307)	(31,077)
Acquisition of GAC Hino (Shenyang) Motor Co., Ltd. ("Shenyang Hino")	–	(26,782)
Acquisition of other subsidiaries	–	(1,443)
Tax charge relating to components of other comprehensive income	1,618	(2,418)
End of the year	398,931	446,620

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Impairment provision RMB'000	Amortisation of pre- operating expenses RMB'000	Accrued expenses and provisions RMB'000	Tax losses RMB'000	Revaluation of available- for-sale financial assets RMB'000	Total RMB'000
Year ended 31 December 2014						
Opening book amount (Restated)	21,787	4,278	306,216	196,858	540	529,679
Recognised in profit or loss	13,251	(1,135)	(12,931)	(47,163)	–	(47,978)
Tax charge relating to components of other comprehensive income	–	–	–	–	(199)	(199)
Closing book amount	35,038	3,143	293,285	149,695	341	481,502
Year ended 31 December 2015						
Opening book amount	35,038	3,143	293,285	149,695	341	481,502
Recognised in profit or loss	(356)	(2,692)	29,112	(66,687)	–	(40,623)
Tax charge relating to components of other comprehensive income	–	–	–	–	(341)	(341)
Closing book amount	34,682	451	322,397	83,008	–	440,538



13. DEFERRED INCOME TAX (continued)

- (c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows: (continued)

Deferred tax liabilities	Accrued bank interest income RMB'000	Accelerated taxation depreciation RMB'000	Revaluation of available- for-sale financial assets and financial assets at fair value through profit or loss RMB'000	Fair value gains arisen from business combination RMB'000	Share of profit of an associate RMB'000	Total RMB'000
Year ended 31 December 2014						
Opening book amount (Restated)	(18,273)	–	–	(3,066)	–	(21,339)
Acquisition of Shenyang Hino	–	–	–	(26,782)	–	(26,782)
Acquisition of other subsidiaries	–	–	–	(1,443)	–	(1,443)
Recognised in profit or loss	16,952	(552)	–	501	–	16,901
Tax charge relating to components of other comprehensive income	–	–	(2,219)	–	–	(2,219)
Closing book amount	<u>(1,321)</u>	<u>(552)</u>	<u>(2,219)</u>	<u>(30,790)</u>	<u>–</u>	<u>(34,882)</u>
Year ended 31 December 2015						
Opening book amount	(1,321)	(552)	(2,219)	(30,790)	–	(34,882)
Recognised in profit or loss	886	195	(140)	14,042	(23,667)	(8,684)
Tax charge relating to components of other comprehensive income	–	–	1,959	–	–	1,959
Closing book amount	<u>(435)</u>	<u>(357)</u>	<u>(400)</u>	<u>(16,748)</u>	<u>(23,667)</u>	<u>(41,607)</u>



13. DEFERRED INCOME TAX (continued)

- (d) In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2015, the Group did not recognise deferred tax assets in respect of losses amounting to RMB 6,455,395,000 (2014: RMB 5,590,547,000), as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses will expire between 2016 and 2020.

Expire year	Unused tax losses for which no deferred tax asset was recognised RMB'000
2016	180,012
2017	938,652
2018	1,787,628
2019	1,759,829
2020	1,789,274
	6,455,395

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Unlisted equity investment at cost (<i>Note (a)</i>)	727,513	166,607
Other investment at fair value		
– Listed (<i>Note (b)</i>)	969,988	705,093
– Unlisted (<i>Note (b)</i>)	583,325	255,876
	2,280,826	1,127,576
Less: non-current portion	(2,035,344)	(899,626)
Current portion	245,482	227,950



14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	1,627,920	1,127,576
USD	652,906	—
	<u>2,280,826</u>	<u>1,127,576</u>

- (a) Available-for-sale financial assets measured at cost are equity investment, where the Group does not have control, joint control or significant influence over the investee. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured.
- (b) Available-for-sale financial assets measured at fair value are bonds, funds, financial products and stocks in which the Group invested (Note 3.3). In 2015, the Group removed losses of RMB 1,362,000 from equity into the income statement. Losses in the amount of RMB 11,370,000 were due to impairments.
- (c) The maximum exposure to credit risk at the reporting date is the carrying value of available-for-sale debt.

15. PREPAYMENTS AND LONG-TERM RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Prepayments	528,122	602,866
Loans and other receivables	92,003	264,635
	<u>620,125</u>	<u>867,501</u>



16. INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials and consumables	763,045	638,436
Work-in-progress	71,409	149,875
Finished goods and merchandise	1,234,758	1,984,353
	<u>2,069,212</u>	<u>2,772,664</u>
Less: provision for impairment	(142,224)	(112,095)
	<u>1,926,988</u>	<u>2,660,569</u>

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB 21,753,178,000 (2014: RMB 16,665,375,000).

As at 31 December 2015, certain bank borrowings (Note 27(a)) and notes payable were secured by the Group's inventories with the carrying value of approximately RMB 161,915,000 and RMB 271,290,000 respectively (2014: RMB 373,645,000 and RMB 165,102,000 respectively).

17. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Trade receivables (Note (a))	892,778	1,209,923
Less: provision for impairment	(160,310)	(149,576)
Trade receivables – net	<u>732,468</u>	<u>1,060,347</u>
Notes receivable	1,097,627	290,059
Interest receivable	67,180	82,320
Consideration receivable for transfer of equity investment	185,446	174,949
Entrusted loans to related parties (Note (e) and Note 42(b))	668,100	705,516
Value added tax recoverable	325,087	379,140
Prepayments	435,788	310,680
Dividends receivable (Note 42(b))	4,000,842	1,259,157
Other receivables	1,214,347	1,253,994
	<u>8,726,885</u>	<u>5,516,162</u>



17. TRADE AND OTHER RECEIVABLES (continued)

- (a) Sales of passenger vehicles were normally made with advances from customers. Sales of other products were made on credit terms ranging from 2 to 170 days. As at 31 December 2015 and 2014, the ageing analysis of these trade receivables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Within 3 months	633,490	794,441
Between 3 months and 1 year	76,841	189,692
Between 1 and 2 years	20,436	62,050
Between 2 and 3 years	24,998	26,400
Over 3 years	137,013	137,340
	<u>892,778</u>	<u>1,209,923</u>

As at 31 December 2015, most of the trade receivables overdue by more than 1 year were impaired and provided for. The individually impaired receivables were mainly related to customers of the Group with long outstanding balances which arose prior to the conversion of the Company into a joint stock limited liability company.

- (b) As at 31 December 2015, trade receivables of RMB 3,284,000 (2014: RMB 2,102,000) were past due but not impaired because these trade receivables relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Within 1 year	<u>3,284</u>	<u>2,102</u>



17. TRADE AND OTHER RECEIVABLES (continued)

- (c) As at 31 December 2015, trade receivables of RMB 378,993,000 (2014: RMB 416,981,000) were impaired and provided for. The amount of the provision was RMB 160,310,000 (2014: RMB 149,576,000). The individually impaired receivables were mainly related to customers with unexpected difficult economic situations. It was assessed that only a portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Within 1 year	196,546	191,191
Between 1 and 2 years	20,436	62,050
Between 2 and 3 years	24,998	26,400
Over 3 years	137,013	137,340
	378,993	416,981

Movements of the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Beginning of the year	149,576	142,431
Impairment loss for trade receivables	10,734	7,340
Receivables written off	–	(195)
End of the year	160,310	149,576

The addition and release of provision for impaired receivables have been included in “selling and distribution costs” in the consolidated statement of comprehensive income (Note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.



17. TRADE AND OTHER RECEIVABLES (continued)

(d) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
RMB	8,720,346	5,459,483
USD	646	52,224
HKD	5,893	4,455
	<u>8,726,885</u>	<u>5,516,162</u>

(e) The entrusted loans are mainly lent to related parties through financial institutions, which will be due in 2016. The effective interest rate as at 31 December 2015 is 5.02% (2014: 6.29%).

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Listed bond investments	80,476	—
Fund investments		
– Listed	20,015	—
– Unlisted	11,710	—
Listed stocks	374,330	—
	<u>486,531</u>	<u>—</u>

19. TIME DEPOSITS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Denominated in:		
– RMB	<u>4,086,517</u>	<u>7,422,367</u>

The initial term of time deposits was over three months.



20. RESTRICTED CASH

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deposits for letters of credit and bank notes	344,698	258,308
Security and other deposits	192,396	270,872
Capital guarantee deposits for a subsidiary operating insurance business	300,000	145,000
	<u>837,094</u>	<u>674,180</u>

The carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	689,576	464,420
HKD	1,426	489
USD	146,092	209,271
	<u>837,094</u>	<u>674,180</u>

21. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Denominated in:		
– RMB	11,310,952	9,995,622
– HKD	43,072	94,766
– USD	192,956	133,608
– JPY	512	49,291
– Others	988	998
	<u>11,548,480</u>	<u>10,274,285</u>



21. CASH AND CASH EQUIVALENTS (continued)

- (a) As at 31 December 2015 and 2014, the Group's cash and cash equivalents, restricted cash (Note 20) and time deposits (Note 19) were deposited in financial institutions without significant credit risk. Detail ratings of these financial institutions, as published by Standard & Poor's, are set out as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
A+	8,208	184,169
A-	6,047,467	5,973,730
BBB	4,142,317	3,522,490
BBB-	5,046,726	7,606,139
Others and cash on hand	1,227,373	1,084,304
Total	16,472,091	18,370,832
Representing		
– Time deposits	4,086,517	7,422,367
– Restricted cash	837,094	674,180
– Cash and cash equivalents	11,548,480	10,274,285
	16,472,091	18,370,832

22. NON-CURRENT ASSETS HELD FOR SALE

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Land use rights (Note (a))	95,922	95,922

- (a) In 2014, the land use rights with a carrying value of RMB 95,922,000 has been presented as held for sale following the approval by the management to dispose the land use rights. As at 31 December 2015, the transfer of the title of land use rights was still in progress. Management expected to complete this transaction in 2016.



23. SHARE CAPITAL

	RMB ordinary shares of RMB 1 each		Foreign ordinary shares listed outside mainland China of RMB 1 each		Total	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
As at 1 January and 31 December 2015	4,221,719	4,221,719	2,213,300	2,213,300	6,435,019	6,435,019

24. SHARE-BASED PAYMENTS

(a) Cash-settled share-based payments – share appreciation rights

In the extraordinary shareholders' meeting held on 29 February 2012, the shareholders resolved to grant 35,850,000 Share Appreciation Rights ("SARs") to the Company's directors, senior management and key technical and managerial personnel ("Incentive Recipients"). Pursuant to the Scheme, each unit of SAR is notionally linked to one H Share and represents the rights conferred on the relevant Incentive Recipients to receive in cash stipulated earnings from the increase in market value of the relevant H share. However, no H Shares will actually be issued to any Incentive Recipients. The SARs will have an exercise period of five years from the date of grant. Upon the second, third and fourth anniversary of the grant date, each one third of the SARs will become exercisable.

As at 28 February 2014, the first batch SARs assessment date, 910,001 units of SARs have lapsed due to the retirement of certain Incentive Recipients. Meanwhile, as certain performance conditions were not achieved, 11,040,018 units of SARs were forfeited.

As at 28 February 2015, the second batch SARs assessment date, 2,826,670 units of SARs have lapsed due to the retirement of certain Incentive Recipients. Meanwhile, as certain performance conditions were not achieved, an accumulative total of 21,073,368 units of SARs were forfeited.

As at 31 December 2015, the fair value of the liability for SARs was determined to be zero as certain performance conditions relating to the last one third of the SARs are expected to be unsatisfied.

(b) Equity-settled share-based payment – A share options

According to the resolution of the extraordinary shareholders' meeting held on 19 September 2014, total 64,348,600 A Share Options ("SOs") were granted to 620 individuals, including directors, senior management and selected key employees (the "Recipients"). Each share option represents the right granted to the recipients to acquire one share of the Company at pre-determined exercise price and conditions in the validity period as set out in the A Share Option Incentive Scheme ("Share Option Scheme"). The grant date is 19 September 2014 ("Grant Date").



24. SHARE-BASED PAYMENTS (continued)

(b) Equity-settled share-based payment – A share options (continued)

The exercise price of SOs is determined at the higher of

- (1) the Company's stock closing price one trading day before the announcement of the Share Option Scheme; and
- (2) the Company's average stock closing price over 30 trading days before the announcement of the Share Option Scheme.

The exercise price will be adjusted when there is transfer from capital surplus to paid-in capital, distribution of dividends, share split, allotment of shares and share consolidation etc.

Each one third of the options granted to the recipients will become exercisable every year starting two years from the Grant Date, subject to the Group achieving the performance conditions as set out in the Share Option Scheme.

The options have a contractual option term of five years starting from the Grant Date. The Company has no legal or constructive obligation to purchase or settle the SOs in cash.

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was RMB 1.836 per option. This was calculated using the Black-Scholes share option pricing model.

The fair value of the Group's share option is determined by using valuation techniques. Changes in assumptions about the factors used in the valuation could affect reported fair value of the share option.

The significant inputs into the model are listed as follow:

Exercise price determined at the grant date	RMB 7.60
Expected option life (years)	4 years
Current share price	RMB 8.39
Estimated volatility of the share price	17.46%
Estimated dividend yields	1.25%
Annual risk-free interest rate during the option life	3.48%

The estimated volatility of share price is calculated based on the statistical analysis of historical volatility of Shanghai mainboard composite index for the period from 20 September 2010 to 19 September 2014.

Up to 31 December 2015, there were no movements in the number of SOs outstanding and their related exercise prices. In 2015, the total expense recognised in the consolidated statement of comprehensive income for share options granted to the recipients is RMB 42,670,000 (2014: RMB 14,220,000).



25. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Available-for-sale investments RMB'000	Employee share option scheme RMB'000	Statutory surplus reserve fund RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
						<i>Note (a)</i>			
As at 1 January 2014	17,503,791	(8,574,167)	2,006	1,152	-	1,630,127	10,562,909	16,313,263	26,876,172
Business combination between entities under common control (Note 41)	-	71,599	-	-	-	-	71,599	-	71,599
As at 1 January 2014 (Restated)	17,503,791	(8,502,568)	2,006	1,152	-	1,630,127	10,634,508	16,313,263	26,947,771
Profit for the year	-	-	-	-	-	-	-	3,194,160	3,194,160
Appropriation to statutory surplus reserve fund	-	-	-	-	-	250,572	250,572	(250,572)	-
Distributions	-	-	-	-	-	-	-	(1,158,304)	(1,158,304)
Change in value of available-for-sale financial assets	-	-	-	7,983	-	-	7,983	-	7,983
Employee share option scheme (Note 24)	-	-	-	-	14,220	-	14,220	-	14,220
Changes in ownership interests in subsidiaries without change of control (Note 32(a))	-	(15,028)	-	-	-	-	(15,028)	-	(15,028)
Others	-	24,508	2,862	-	-	-	27,370	-	27,370
As at 31 December 2014 (Restated)	17,503,791	(8,493,088)	4,868	9,135	14,220	1,880,699	10,919,625	18,098,547	29,018,172
As at 1 January 2015	17,503,791	(8,493,088)	4,868	9,135	14,220	1,880,699	10,919,625	18,098,547	29,018,172
Profit for the year	-	-	-	-	-	-	-	4,211,553	4,211,553
Appropriation to statutory surplus reserve fund	-	-	-	-	-	390,473	390,473	(390,473)	-
Distributions	-	-	-	-	-	-	-	(1,029,604)	(1,029,604)
Change in value of available-for-sale financial assets	-	-	-	54,540	-	-	54,540	-	54,540
Employee share option scheme (Note 24)	-	-	-	-	42,670	-	42,670	-	42,670
Changes in ownership interests in subsidiaries without change of control	-	(11,862)	-	-	-	-	(11,862)	-	(11,862)
Consideration paid for business combination between entities under common control (Note 41)	-	(82,712)	-	-	-	-	(82,712)	-	(82,712)
Others	-	5,451	3,282	-	-	-	8,733	-	8,733
As at 31 December 2015	17,503,791	(8,582,211)	8,150	63,675	56,890	2,271,172	11,321,467	20,890,023	32,211,490



25. RESERVES (continued)

- (a) In accordance with the relevant rules and regulations in the PRC, except for Sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory surplus reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory surplus reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Trade payables (<i>Note (a)</i>)	6,673,973	4,601,437
Notes payable	682,448	1,066,509
Advances from customers	1,261,586	498,208
Employee benefits payable	853,284	705,007
Other taxes (<i>Note (c)</i>)	266,575	235,083
Interest payable	295,512	300,395
Government grants	44,651	13,293
Construction cost payables	268,416	512,425
Sales rebate	551,637	313,970
Charges for moulds	414,525	253,312
Advertising expense payables	181,653	180,235
Royalty fee and other consultation services payables	143,309	139,999
Other payables	2,513,471	1,831,866
	<u>14,151,040</u>	<u>10,651,739</u>
Less: non-current portion of trade and other payables	(74,331)	(1,151)
Current portion	<u>14,076,709</u>	<u>10,650,588</u>



26. TRADE AND OTHER PAYABLES (continued)

- (a) As at 31 December 2015 and 2014, ageing analysis of trade payables is presented on the basis of the date of the relevant invoices as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Within 1 year	6,592,829	4,545,484
Between 1 and 2 years	59,023	32,686
Between 2 and 3 years	13,038	5,716
Over 3 years	9,083	17,551
	6,673,973	4,601,437

- (b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
RMB	14,105,248	10,593,298
HKD	39,937	53,280
USD	5,403	4,101
Others	452	1,060
	14,151,040	10,651,739

- (c) Balances of other taxes include value-added tax payables, business tax payables, consumption tax payables and other taxes payable.



27. BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current		
Borrowings from banks and other financial institutions		
– secured (<i>Note (a)</i>)	2,500	66,538
– unsecured	1,096,344	121,079
	<u>1,098,844</u>	<u>187,617</u>
Corporate bonds-guaranteed (<i>Notes (a), (g), (h) and (j)</i>)	6,550,057	4,561,750
Entrusted loans from related parties – unsecured	–	20,000
	<u>6,550,057</u>	<u>4,581,750</u>
Total non-current borrowings	<u>7,648,901</u>	<u>4,769,367</u>
Current		
Borrowings from banks and other financial institutions		
– secured (<i>Note (a)</i>)	649,918	832,626
– unsecured	3,528,803	3,038,510
	<u>4,178,721</u>	<u>3,871,136</u>
Entrusted loans – unsecured	100,000	674,500
Short-term financing bonds (<i>Note (i)</i>)	–	4,994,881
	<u>100,000</u>	<u>5,669,381</u>
Total current borrowings	<u>4,278,721</u>	<u>9,540,517</u>
Total borrowings	<u>11,927,622</u>	<u>14,309,884</u>



27. BORROWINGS (continued)

- (a) As at 31 December 2015, the Group's borrowings of RMB 500,815,000 (2014: RMB 686,223,000) were secured by the Group's inventories, property, plant and equipment and land use rights.
- (b) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	5,007,135	9,748,134
Between 1 and 5 years	3,945,579	1,589,649
Over 5 years	2,974,908	2,972,101
	<u>11,927,622</u>	<u>14,309,884</u>

- (c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December			
	Bank borrowings		Bonds	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	4,278,721	4,588,216	–	4,994,881
Between 1 and 2 years	348,661	92,954	597,892	–
Between 2 and 5 years	750,183	72,083	2,977,257	1,589,649
Over 5 years	–	–	2,974,908	2,972,101
	<u>5,377,565</u>	<u>4,753,253</u>	<u>6,550,057</u>	<u>9,556,631</u>

- (d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	11,719,827	13,778,850
USD	207,795	531,034
	<u>11,927,622</u>	<u>14,309,884</u>



27. BORROWINGS (continued)

- (e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2015	2014
Borrowings from banks and other financial institutions		
– RMB	5.33%	6.12%
– USD	2.44%	2.91%
Corporate bonds (RMB)	5.22%	5.34%
Entrusted loans (RMB)	4.39%	5.84%
Short-term financing bonds (RMB)	–	4.99%

- (f) As at 31 December 2015, the fair value of the non-current borrowings is RMB 8,411,079,000 (2014: RMB 4,984,847,000). The fair values of the Group's current borrowings equal to their carrying amounts.
- (g) In December 2007, the Company issued corporate bonds with par value of RMB 600,000,000 at the weighted average effective interest rate of 6.21% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in November 2017, and are guaranteed by China Development Bank, a state-owned financial institution, and will be used to finance projects related to passenger vehicles. The guarantee provided by China Development Bank will not be released until the full redemption of corporate bonds.
- (h) In March 2013, the Company issued five-year period corporate bonds with par value of RMB 1,000,000,000 and ten-year period corporate bonds with par value of RMB 3,000,000,000 at the weighted average effective interest rate of 5.14% and 5.23% per annum respectively. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in March 2018 and March 2023 respectively, and are with a full-amount, unconditional, irrevocable and jointly-liability guarantee by Guangzhou Automobile Industry Group Co., Ltd. ("GAIG"), the holding company of the Company.
- (i) On 11 March 2014 and 10 September 2014, the Company issued two tranches of short-term financing bonds with principals of RMB 1,000,000,000 and RMB 4,000,000,000, and interest rate of 5.15% and 4.95% respectively. These short-term financing bonds with a maturity of 365 days have been fully repaid with principal and interest in March and September 2015, respectively.
- (j) In January 2015, the Company issued five-year period corporate bonds with par value of RMB 2,000,000,000 at the weighted average effective interest rate of 4.95% per annum. The related interest is payable on an annual basis. These corporate bonds will be fully redeemed at par in January 2020, and is with a full-amount, unconditional, irrevocable and jointly-liability guarantee by GAIG, the holding company of the Company.



28. PROVISIONS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Warranty	230,813	186,256

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

29. GOVERNMENT GRANTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Beginning of the year	989,817	793,541
Additions	230,084	320,614
Amortisation	(143,106)	(124,338)
End of the year	1,076,795	989,817

(a) Nature and extent of government grants

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Funds for vehicle projects	563,048	638,391
Funds for research and development	413,319	236,367
Investment funds within the budget of the central government	90,002	105,485
Others	10,426	9,574
	1,076,795	989,817



30. EXPENSES BY NATURE

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Auditors' remuneration	6,983	8,607
Depreciation and amortisation (<i>Notes 7, 8, 9 and 10</i>)	1,660,214	1,224,441
Impairment charges of property, plant and equipment (<i>Note 8</i>)	30,168	28,005
Impairment charges of intangible assets (<i>Note 10</i>)	66,821	12,307
Impairment charges of available-for-sale financial assets	12,732	–
Impairment charges of inventories	91,107	44,945
Provision for impairment loss of trade and other receivables	74,909	31,929
Employee benefit expenses (<i>Note 31</i>)	3,219,840	2,781,818
Changes in inventories of finished goods, merchandise and work-in-progress	867,493	(517,232)
Raw materials, goods and consumables used	20,885,685	17,182,607
Sales tax and levies	1,026,974	878,736
Transportation	503,470	373,288
Advertising and promotion	663,242	789,518
Warranty expenses	136,636	154,511
Research costs	353,615	299,473
Amortisation of government grants	(62,227)	(44,799)
Operating lease expenses	92,275	71,332
Other expenses	248,308	235,234
Total cost of sales, selling and distribution costs and administrative expenses	29,878,245	23,554,720



31. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Wages and salaries	2,327,783	2,116,962
Pension scheme and other social security costs (<i>Note (a)</i>)	331,870	317,914
Employee share option scheme (<i>Notes 24 and 25</i>)	42,670	14,220
Housing benefits (<i>Note (b)</i>)	173,841	132,576
Welfare, medical and other expenses	343,676	200,146
	3,219,840	2,781,818

- (a) The Group's employees in the PRC are covered by certain defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees. The contributions to the scheme are expensed as incurred.
- (b) The Group's contributions to the defined contribution housing fund scheme administered by a government agency are determined at a certain percentage of the salaries of the employees. The contributions to the scheme are expensed as incurred.
- (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include 5 directors and supervisors (2014: 5) whose emoluments are reflected in the analysis presented in note 46.



32. OTHER GAINS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Net foreign exchange gains	28,962	3,494
Gains on disposal of property, plant and equipment, land use right and intangible assets	17,662	3,869
Donations	(12,038)	(17,025)
Gains on disposal of joint ventures and associates	5,824	1,433
Government grants	203,232	71,253
Gains on acquisition of GAC Hino (Shenyang) Motors Co., Ltd. (“Shenyang Hino”) (<i>Note (a)</i>)	–	157,069
Investment income of available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss	190,522	107,104
Others	1,222	35,568
	435,386	362,765

- (a) As one of the preconditions of the Company’s acquisition of Shenyang Hino’s equity interests from GAC Hino Motors Co., Ltd. (“GAC Hino”, a joint venture of the Group), the Company entered into agreements with Hino Motors Limited (“Hino Motors”, another joint venture partner of GAC Hino) on 4 November 2013, according to which Hino Motors should make a payment of RMB 206,000,000 (“Compensation”) to Shenyang Hino for its settlement of liabilities. On 16 July 2014, the Compensation was received by Shenyang Hino.

On 29 April 2014, the Company entered into an agreement with GAC Hino to acquire 80.02% equity interests of Shenyang Hino held by GAC Hino at a consideration of RMB 1. On 9 June 2014 (“Acquisition Date”), the Company obtained the control over Shenyang Hino. As at the Acquisition Date, the fair value of identifiable net liabilities of Shenyang Hino amounted to RMB 61,149,000. The difference among 80.02% of the fair value of identifiable net liabilities acquired by the Company at the Acquisition Date of RMB 48,931,000, the consideration of RMB 1 paid by the Company and the Compensation received by Shenyang Hino, amounting to RMB 157,069,000, was recorded as “Other gains – net”. Subsequently, the Company further acquired 5% and 4.98% equity interests in Shenyang Hino from its other two shareholders at considerations of RMB 1 and RMB 5,500,001 respectively. These acquisitions were treated as “transactions with non-controlling interests”, and the difference between the consideration paid by the Company and the relevant share of the carrying amount of the net assets of Shenyang Hino acquired amounting to RMB 15,028,000 was debited to equity.



32. OTHER GAINS-NET (continued)

(a) (continued)

Up to 31 December 2014, all the share transfers have been completed. The Company and GAC Hino held 90% and 10% equity interests in Shenyang Hino as at 31 December 2014, respectively.

In 2015, the Company entered into an agreement with GAC Hino to acquire the rest of 10% equity interests of Shenyang Hino held by GAC Hino at a consideration of RMB 1. Up to 31 December 2015, the share transfers have been completed. The Company held 100% equity interests in Shenyang Hino as at 31 December 2015.

33. FINANCE COSTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Interest expense	920,899	806,782
Interest capitalised in qualifying assets	(79,860)	(62,808)
Net foreign exchange losses on financing activities	8,357	1,441
	<u>849,396</u>	<u>745,415</u>

34. INTEREST INCOME

Interest income recognised in the consolidated statement of comprehensive income is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest income from time deposits	411,556	317,678
Interest income from restricted cash, cash and cash equivalents	127,955	120,960
	<u>539,511</u>	<u>438,638</u>



35. INCOME TAX EXPENSE

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Current income tax	350,760	99,510
Deferred tax (<i>Note 13</i>)	49,307	31,077
	400,067	130,587

The difference between the actual income tax credit in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Profit before income tax	4,385,596	3,065,905
Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (<i>Note (i)</i>)	1,014,723	766,537
Share of profit of joint ventures and associates	(1,180,029)	(1,045,303)
Expenses not deductible for corporate income tax	38,491	29,128
Utilisation of previously unrecognised tax losses	(15,826)	(19,275)
Unused tax losses and deductible temporary differences for which no deferred tax asset was recognised	415,354	399,500
The impact of change in tax rate applicable to a major subsidiary	127,354	–
Income tax expense	400,067	130,587



35. INCOME TAX EXPENSE (continued)

- (i) The tax rates applicable to the Company and its major subsidiaries for the year ended 31 December 2015 are 15% or 25% (2014: 25%).

Certain subsidiaries are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year ended 31 December 2015.

The Group's subsidiaries, China Lounge Investment Ltd. and Denway, are recognised as PRC resident taxpayer by Guangzhou Yuexiu District Local Taxation Bureau, and are subject to the PRC Enterprise Income Tax Law.

36. OTHER COMPREHENSIVE INCOME, NET OF TAX

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Change in fair value of available-for-sale financial assets, net of tax	52,189	11,293

37. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Profit attributable to equity holders of the Company	4,211,553	3,194,160
Weighted average number of ordinary shares in issue (thousands)	6,435,019	6,435,019
Basic earnings per share (RMB per share)	0.65	0.50



37. EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000 (Restated)
Profit attributable to equity holders of the Company	4,211,553	3,194,160
Weighted average number of ordinary shares in issue (thousands)	6,435,019	6,435,019
Add: weighted average number of ordinary shares assuming conversion of all share options (thousands)	28,654	1,431
Weighted average number of ordinary shares for diluted earnings per share (thousands)	6,463,673	6,436,450
Diluted earnings per share (RMB per share)	0.65	0.50

38. DIVIDENDS

Dividends paid in 2015 and 2014 were RMB 1,029,604,000 and RMB 1,158,304,000 respectively. A final dividend in respect of the year ended 31 December 2015 of RMB 0.12 per ordinary share, amounting to a total dividend of approximately RMB 772,202,000 is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interim dividend paid of RMB 0.08 (2014: RMB 0.08) per ordinary share	514,802	514,802
Proposed final dividend of RMB 0.12 (2014: RMB 0.08) per ordinary share	772,202	514,802
	1,287,004	1,029,604



39. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000 (Restated)
Profit for the year	3,985,529	2,935,318
Adjustments for:		
– Income tax expense (Note 35)	400,067	130,587
– Depreciation (Notes 8 and 9)	874,152	698,345
– Amortisation (Notes 7 and 10)	786,062	526,096
– Amortisation of government grants	(143,106)	(124,338)
– Impairment provision	275,737	40,312
– Gains on disposal of property, plant and equipment and intangible assets	(17,662)	(3,869)
– Interest income (Note 34)	(539,511)	(438,638)
– Finance costs (Note 33)	849,396	745,415
– Gains on disposal of joint ventures and associates (Note 32)	(5,824)	(1,433)
– Foreign exchange (gains)/losses on cash and cash equivalents	(14,224)	1,720
– Share of profit of joint ventures and associates (Note 11)	(4,720,117)	(4,181,213)
– Gains on disposal of financial instruments	(190,522)	(107,104)
– Gains on acquisition of subsidiary	–	(163,700)
– Fair value gains on financial assets at fair value through profit or loss	(11,273)	–
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	817,552	(559,258)
– Trade and other receivables	(989,015)	(352,081)
– Restricted cash	(162,914)	(434,420)
– Trade and other payables	3,405,308	1,826,239
– Provisions	44,557	112,035
– Financial assets at fair value through profit or loss	(486,531)	–
Cash generated from operations	4,157,661	650,013



40. COMMITMENTS

(a) Capital commitments

The capital commitments as at each of the balance sheet dates during the year are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	2,403,527	310,225
– Authorised but not contracted for	551,616	10,015
	<u>2,955,143</u>	<u>320,240</u>
Intangible assets		
– Contracted but not provided for	–	277
– Authorised but not contracted for	1,329,109	745,629
	<u>1,329,109</u>	<u>745,906</u>
Investments		
– Contracted but not provided for (<i>Note (i)</i>)	837,050	2,150,127
	<u>5,121,302</u>	<u>3,216,273</u>



40. COMMITMENTS (continued)

(a) Capital commitments (continued)

- (i) In 2015, the Board of Directors of GAC Fiat Chrysler, a joint venture of the Company, approved an additional capital contribution of RMB 3,600,000,000. The Company will make a contribution of RMB 1,800,000,000 according to the share portion. As at 31 December 2015, a total amount of RMB 1,200,000,000 has been paid, and the remaining RMB 600,000,000 is expected to be paid in future according to the schedule.

In 2015, the Board of Directors of GAC Toyota, a joint venture of the Company, approved an additional capital contribution of RMB 126,100,000. The Company will make a contribution of RMB 63,050,000 according to the share portion. As at 31 December 2015, none of the amount has been paid, and RMB 63,050,000 is expected to be paid in future according to the schedule.

In 2015, the Board of Directors of GAC Mitsubishi, a joint venture of the Company, approved an additional capital contribution of no more than RMB 174,000,000. The Company will make a contribution of RMB 174,000,000 according to the share portion. As at 31 December 2015, none of the amount has been paid, and RMB 174,000,000 is expected to be paid in future according to the schedule.

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	49,085	40,919
Between 1 and 5 years	168,495	146,474
Over 5 years	174,377	213,922
	<u>391,957</u>	<u>401,315</u>



41. RESTATEMENT DUE TO COMMON CONTROL COMBINATION

In February 2015, GAC Business, a wholly-owned subsidiary of the Company, acquired from GAIG 100% of the equity interest of Guangzhou Lixin Taxi Co., Ltd. (“Lixin Taxi”). The consideration was satisfied by cash, amounting to RMB 82,712,000.

Since GAC Business and Lixin Taxi are ultimately controlled by GAIG both before and after the above mentioned acquisition, the acquisition is regarded as “common control combination”. Accordingly, the Group has applied merger accounting to account for the acquisition of Lixin Taxi in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

Reconciliation of the results of operations for the year ended 31 December 2014 and the financial position as at 31 December 2014 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	As at 31 December 2014			As at 31 December 2015
	The Group RMB'000 (As previously reported)	Lixin Taxi RMB'000	The Group RMB'000 (Restated)	The Group RMB'000
Financial position				
Current assets	26,974,200	7,235	26,981,435	27,993,899
Total assets	62,371,783	90,940	62,462,723	67,219,688
Current liabilities	20,221,661	10,442	20,232,103	18,655,921
Total liabilities	26,203,134	10,442	26,213,576	27,728,368
Equity attributable to the equity holders of the Company	35,372,693	80,498	35,453,191	38,646,509
				For the year ended 31 December 2015
	For the year ended 31 December 2014			The Group RMB'000
	The Group RMB'000 (As previously reported)	Lixin Taxi RMB'000	The Group RMB'000 (Restated)	The Group RMB'000
Results of operations				
Revenue	22,375,934	7,490	22,383,424	29,418,223
Operating profit/(loss)	(504,225)	13,372	(490,853)	386,920
Profit for the year	2,926,419	8,899	2,935,318	3,985,529
Profit attributable to equity holders of the Company	3,185,261	8,899	3,194,160	4,211,553
Basic earnings per share (RMB)	0.49	–	0.50	0.65
Diluted earnings per share (RMB)	0.49	–	0.50	0.65



42. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS 24 “Related Party Disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government (“state-owned enterprises”) are regarded as related parties of the Group.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, during the year.

These transactions were conducted in the ordinary and usual course of business in accordance with terms agreed between the Group and its related parties.

(a) Significant related party transactions

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sales of goods		
Sales of auto parts and steels		
– Joint ventures	515,621	465,759
– Associates	278,237	341,784
	<u>793,858</u>	<u>807,543</u>
Sales of passenger vehicles		
– Joint ventures	14,979	3,205
– Associates	581	1,384
	<u>15,560</u>	<u>4,589</u>
Sales of equipment		
– Joint ventures	9,611	15,950
	<u>9,611</u>	<u>15,950</u>
	<u>819,029</u>	<u>828,082</u>



42. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Rendering of labour and insurance services		
– Joint ventures	643,431	684,268
– Associates	374,432	413,140
– Subsidiaries of GAIG	480	1,152
	<u>1,018,343</u>	<u>1,098,560</u>
Provision of financial guarantee		
– Associates	<u>85,710</u>	<u>–</u>
Purchases of goods		
Purchases of auto parts and materials		
– Joint ventures	1,771,129	815,516
– Associates	239,809	518,712
	<u>2,010,938</u>	<u>1,334,228</u>
Purchases of passenger vehicles		
– Joint ventures	<u>4,817,064</u>	<u>4,512,770</u>
	<u>6,828,002</u>	<u>5,846,998</u>
Receiving labour and insurance service		
– Joint ventures	12,813	26,363
– Associates	34,747	23,813
– Subsidiaries of GAIG	13,202	2,473
	<u>60,762</u>	<u>52,649</u>



42. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Rental from related parties		
– Joint ventures	18,422	8,122
– Associates	7,388	6,320
– GAIG	1,432	1,432
– Subsidiaries of GAIG	1,662	48
	<u>28,904</u>	<u>15,922</u>
Rental to related parties		
– Subsidiaries of GAIG	2,288	2,728
– Joint ventures	–	60
– GAIG	874	310
	<u>3,162</u>	<u>3,098</u>
Provision of entrusted loans to related parties		
– Joint ventures	613,100	665,516
– Associates	55,000	–
	<u>668,100</u>	<u>665,516</u>
Repayment of entrusted loans from related parties		
– Joint ventures	<u>705,516</u>	<u>72,500</u>
Entrusted loans provided by related parties		
– Joint ventures (<i>Note (i)</i>)	–	207,500
– Associates (<i>Note (i)</i>)	50,000	52,600
	<u>50,000</u>	<u>260,100</u>



42. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Repayment of entrusted loans to related parties		
– Joint ventures (<i>Note (i)</i>)	132,500	95,000
– Associates (<i>Note (i)</i>)	50,000	–
	<u>182,500</u>	<u>95,000</u>
Borrowings provided by related parties		
– Joint ventures	<u>1,852,723</u>	<u>2,490,555</u>
Repayment of borrowings from related parties		
– Joint ventures	<u>2,010,146</u>	<u>2,344,626</u>
Interest to related parties		
– Joint ventures	<u>76,517</u>	<u>68,400</u>
Guarantee fee to related parties		
– GAIG	<u>6,000</u>	<u>4,000</u>
Assets transferred to to related parties		
– Joint ventures	<u>54,242</u>	<u>–</u>

- (i) The entrusted loans due to related parties are based on the general commercial terms and in the normal course of business. The pricing is consistent with the pricing negotiated with independent third parties.



42. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade receivables		
– Joint ventures	261,857	326,988
– Associates	97,133	111,230
	<u>358,990</u>	<u>438,218</u>
Interest receivable		
– Joint ventures	631	–
– Associates	–	3,461
	<u>631</u>	<u>3,461</u>
Other receivables and prepayments		
– Joint ventures	215,161	340,942
– Associates	6,835	296,355
– Subsidiaries of GAIG	940	2,497
	<u>222,936</u>	<u>639,794</u>
Dividends receivable from		
– Joint ventures	3,707,543	1,224,251
– Associates	293,299	34,906
	<u>4,000,842</u>	<u>1,259,157</u>
Entrusted loans due from		
– Joint ventures	613,100	705,516
– Associates	55,000	–
	<u>668,100</u>	<u>705,516</u>
Long-term receivables		
– Joint ventures	–	42,000



42. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade payables		
– Joint ventures	531,062	182,012
– Associates	74,197	159,262
– Subsidiaries of GAIG	–	481
	<u>605,259</u>	<u>341,755</u>
Advances from customers and other payables due to		
– Joint ventures	5,772	147,437
– Associates	8,747	108,714
– Subsidiaries of GAIG	112	729
	<u>14,631</u>	<u>256,880</u>
Notes payable		
– Joint ventures	<u>194,230</u>	<u>356,812</u>
Short-term borrowings		
– Joint venture (<i>Note (ii)</i>)	<u>194,806</u>	<u>352,229</u>
Entrusted loans due to		
– Joint ventures (<i>Note 42(a)(i)</i>)	–	132,500
– Associates (<i>Note 42(a)(i)</i>)	100,000	100,000
	<u>100,000</u>	<u>232,500</u>
Interest payable		
– Joint ventures	21,104	13,015
– Associates	192	215
	<u>21,296</u>	<u>13,230</u>
Dividend Payable		
– GAIG	–	2,670



42. RELATED PARTY TRANSACTIONS (continued)

(b) Significant balances with related parties (continued)

- (i) There was no provision for impairment of receivables from related parties for the year ended 31 December 2015 (2014: Nil).
- (ii) Borrowings from a joint venture, which is a financial institution, are interest bearing (Note 27). Other balances with related parties are unsecured, interest free and repayable on demand.

(c) Key management compensation

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and other short-term employee benefits	17,643	20,944

Expense recognised in the consolidated statement of comprehensive income for share options granted to the key management for the year ended 31 December 2015 is RMB 7,825,000 (2014: RMB 2,572,000).

(d) Transactions and balances with other state-owned enterprises in the PRC.

The Group operates in an economic environment predominated by state-owned enterprises. During the year, the Group had transactions with state-owned enterprises including, but not limited to, sales of automobiles and other automotive components and purchases of raw materials and automotive parts and components.

For the purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs.

Nevertheless, the Directors consider that transactions with other state-owned enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with state-owned financial institutions as disclosed below.



42. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions and balances with other state-owned enterprises in the PRC. (continued)

(i) Balances with state-owned financial institutions

As at 31 December 2015 and 2014, majority part of the Group's bank balances and borrowings were deposited in or financed from various state-owned financial institutions. The Directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

(ii) Guarantees given by state-owned enterprises and the parent company

As at 31 December 2015 and 2014, information of borrowings secured by guarantees given by a state-owned financial institution and the parent company is presented in Note 27(g), 27(h) and 27(j).

43. FINANCIAL GUARANTEES

As at 31 December 2015, the financial guarantees provided by the Company to the associate within the Group amounted to approximately RMB 85,710,000 (2014: Nil).

As at 31 December 2015, the financial guarantees provided to certain third parties by the Group amounted to approximately RMB 8,577,000 (2014: RMB 12,638,000).

It is expected that the financial guarantees provided by the Group will not lead to any significant liabilities.

44. SUBSEQUENT EVENTS

- (a) On 22 January 2016, the Company issued a convertible bond with a par value of RMB 4,105,580,000 and a maturity of 6 years which was approved by CSRC pursuant to Document No.[2015]3131 (證監許可[2015]3131號文) on 30 December 2015.
- (b) On 26 January 2016, the Company issued the first tranche of short-term financing bonds (16 GAC Group CP001 in short, code: 041653012) at a par value of RMB 2.3 billion and a maturity of 366 days. Each of the issued short-term financing bonds has a par value of RMB 100 and an interest rate of 2.85% per annum..
- (c) In February 2016, Urtrust Insurance Co., Ltd ("Urtrust Insurance"), a subsidiary of the Company, received "Acceptance for Urtrust Insurance Co. Ltd to list on National Equities Exchange and Quotations System" (Document No.[2015]9656) (《關於同意眾誠汽車保險股份有限公司股票在全國中小企業股份轉讓系統掛牌的函》) (股轉系統函[2015]9656號) from National Equities Exchange and Quotations Co. Ltd., accepting Urtrust Insurance to be quoted on National Equities Exchange and Quotations System and to transfer shares by agreement.



44. SUBSEQUENT EVENTS (continued)

- (d) On 16 March 2016, GAC Motor, a wholly-owned subsidiary of the Company, entered into an agreement with Zhejiang Gonow Holdings Limited (“Gonow Holdings”) to acquire 49% equity interest in GAC Gonow held by Gonow Holdings. After the transaction, GAC Gonow will become a wholly-owned subsidiary. GAC Motor planned to commence a subsequent production restructuring and construction after the acquisition. The total amount of this project is RMB 3,750,500,000. In particular, the amount of investment regarding the acquisition of 49% equity interest in GAC Gonow is approximately RMB 262,047,400, and the total amount of investment regarding the subsequent reconstruction is approximately RMB 3,488,452,600.

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights		116,589	119,180
Property, plant and equipment		2,270,323	2,323,804
Investment properties		570,198	607,715
Intangible assets		2,810,582	2,424,207
Investments in subsidiaries		15,633,192	13,977,441
Investments in joint ventures and associates		14,074,447	12,485,337
Prepayments and long-term receivables		13,191	2,395
Available-for-sale financial assets		605,400	543,000
		<u>36,093,922</u>	<u>32,483,079</u>
Current assets			
Inventories		38,442	21,428
Trade and other receivables		6,132,035	2,800,165
Time deposits		3,874,000	4,890,000
Restricted cash		–	–
Cash and cash equivalents		7,712,018	5,828,658
		<u>17,756,495</u>	<u>13,540,251</u>
Non-current assets held for sale		95,922	95,922
		<u>17,852,417</u>	<u>13,636,173</u>
Total assets		<u>53,946,339</u>	<u>46,119,252</u>



45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Balance sheet of the Company (continued)

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		6,435,019	6,435,019
Other reserves	Note (a)	19,902,504	19,414,961
Retained earnings	Note (a)	9,938,750	4,992,073
Total equity		36,276,273	30,842,053
LIABILITIES			
Non-current liabilities			
Borrowings		6,550,057	4,561,750
Government grants		411,724	342,316
		6,961,781	4,904,066
Current liabilities			
Trade and other payables		9,708,285	4,378,252
Borrowings		1,000,000	5,994,881
		10,708,285	10,373,133
Total liabilities		17,670,066	15,277,199
Total equity and liabilities		53,946,339	46,119,252

The balance sheet of the Company was approved by the Board of Directors on 25 March 2016 and was signed on its behalf:

Zhang Fangyou
Director

Lu Sa
Director



45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Deficit on reorganisation RMB'000 <i>Note (ii)</i>	Other capital reserve RMB'000	Statutory surplus reserve fund RMB'000 <i>Note (i)</i>	Available- for-sale investments RMB'000	Employee share option scheme RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2014	17,503,791	(1,617,558)	2,506	1,630,127	-	-	17,518,866	5,599,854	23,118,720
Profit for the year	-	-	-	-	-	-	-	2,418,653	2,418,653
Appropriation to statutory surplus reserve fund	-	-	-	250,572	-	-	250,572	(250,572)	-
Distributions	-	-	-	-	-	-	-	(1,158,304)	(1,158,304)
Employee share option scheme	-	-	-	-	-	14,220	14,220	-	14,220
Others	-	1,617,558	13,745	-	-	-	1,631,303	(1,617,558)	13,745
As at 31 December 2014	17,503,791	-	16,251	1,880,699	-	14,220	19,414,961	4,992,073	24,407,034
Profit for the year	-	-	-	-	-	-	-	6,366,753	6,366,753
Change in value of available-for-sale financial assets	-	-	-	-	54,400	-	54,400	-	54,400
Appropriation to statutory surplus reserve fund	-	-	-	390,473	-	-	390,473	(390,473)	-
Distributions	-	-	-	-	-	-	-	(1,029,603)	(1,029,603)
Employee share option scheme	-	-	-	-	-	42,670	42,670	-	42,670
As at 31 December 2015	17,503,791	-	16,251	2,271,172	54,400	56,890	19,902,504	9,938,750	29,841,254



45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company (continued)

- (i) In accordance with the relevant rules and regulations in the PRC, except for Sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory surplus reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory surplus reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

- (ii) As at the date of reorganisation and formation of the joint stock holding company, retained earnings of the Company-only financial statements prepared under generally accepted accounting principles in the PRC ("PRC GAAP") amounted to approximately RMB 1.6 billion, which mainly resulted from the Company's share of results from its subsidiaries, associates and joint ventures using equity method. On the conversion of the Company to a joint stock holding company, retained earnings of RMB 1.6 billion under PRC GAAP were converted into share capital. Under HKFRS, the results of these investee companies were accounted for using cost method in the Company-only financial statements and there were no such retained earnings in the Company-only financial statements available to be utilised. Such amount was therefore charged to the capital reserve account of the Company. Considering the nature of this deficit balance, the Company will transfer dividends declared by the investees which relate to the profits generated before the reorganisation and formation of the joint stock holding company, from retained earnings to capital reserve, to the extent that the deficit balance becomes zero. In 2014, Denway declared a dividend of RMB 13,954,121,000 to the Company, which included the aforesaid profits generated before the reorganisation and formation of the joint stock holding company. The deficit balance of approximately RMB 1.6 billion was fully recovered.



46. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors', supervisors' and general manager's emoluments

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2015 is set out as below:

Name	Fees RMB'000	Basic salaries, housing allowances, other allowances and estimated money value of benefits-in-kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Total RMB'000
Name of director						
Zhang Fangyou (Chairman)	-	-	-	-	-	-
Zeng Qinghong (General Manager)	-	918	267	-	-	1,185
Yuan Zhongrong	-	-	-	-	-	-
Liu Huilian (Note (i))	-	1,609	-	-	-	1,609
Lu Sa	-	797	214	-	-	1,011
Wei Xiaojin (Note (i))	-	1,591	-	-	-	1,591
Yao Yiming (Note (i))	-	810	219	-	-	1,029
Feng Xingya (Note (i))	-	800	219	-	-	1,019
Chen Maoshan (Note (i))	-	632	187	-	-	819
Wu Song (Note (i))	-	615	176	551	-	1,342
Li Pingyi	-	-	-	-	-	-
Ding Hongxiang	-	-	-	-	-	-
Fu Yuwu	-	-	-	-	150	150
Lan Hailin	-	-	-	-	150	150
Li Fangjin	-	-	-	-	150	150
Liang Nianchang	-	-	-	-	150	150
Wang Susheng	-	-	-	-	150	150
Name of supervisor						
Gao Fusheng	-	-	-	-	-	-
Huang Zhiyong (Note (i))	-	-	-	-	-	-
He Yuan (Note (i))	-	-	-	-	-	-
Wu Chunlin (Note (i))	-	-	-	-	-	-
Su Zhanpeng (Note (i))	-	-	-	-	-	-
He Jinpei (Note (i))	-	149	17	-	-	166
Lai Boyi (Note (i))	-	160	17	-	-	177
Ye Shanhu (Note (i))	-	601	92	360	-	1,053
Wang Lu (Note (i))	-	515	86	236	-	837



46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

Expense recognised in the consolidated statement of comprehensive income for share options granted to the above directors, supervisors and the general manager for the year ended 31 December 2015 is set out as below:

Name	Number of share options granted	Expense recognised for the share options granted RMB'000
Name of director		
Zhang Fangyou (Chairman)	950,000	630
Zeng Qinghong (General Manager)	900,000	597
Yuan Zhongrong	810,000	537
Liu Huilian (<i>Note (i)</i>)	760,000	504
Lu Sa	760,000	504
Wei Xiaoqin (<i>Note (i)</i>)	760,000	504
Feng Xingya (<i>Note (i)</i>)	760,000	504
Yao Yiming (<i>Note (i)</i>)	740,000	491
Chen Maoshan (<i>Note (i)</i>)	740,000	491
Wu Song (<i>Note (i)</i>)	740,000	491
Name of supervisor		
Ye Shanhu (<i>Note (i)</i>)	90,600	60
Wang Lu (<i>Note (i)</i>)	90,600	60

In 2014, no share option was granted to supervisors. Mr. Ye Shanhu and Ms. Wang Lu were approved to be employee supervisors by the employee representative congress of the Group on 6 February 2015.



46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

The remuneration of every director, supervisor and the general manager for the year ended 31 December 2014 is set out as below:

Name	Fees RMB'000	Basic salaries, housing allowances, other allowances and estimated money value of benefits-in-kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Total RMB'000
Name of director						
Zhang Fangyou (Chairman)	-	-	-	-	-	-
Zeng Qinghong (General Manager)	-	780	250	669	-	1,699
Yuan Zhongrong	-	580	211	548	-	1,339
Liu Huilian (Note (i))	-	1,327	170	-	-	1,497
Lu Sa	-	597	239	622	-	1,458
Wei Xiaoqin (Note (i))	-	1,366	126	-	-	1,492
Li Tun (Note (i))	-	687	42	116	-	845
Li Pingyi	-	-	-	-	-	-
Ding Hongxiang	-	-	-	-	-	-
Fu Yuwu	-	-	-	-	150	150
Lan Hailin	-	-	-	-	150	150
Li Fangjin	-	-	-	-	150	150
Liang Nianchang	-	-	-	-	150	150
Wang Susheng	-	-	-	-	150	150
Name of supervisor						
Gao Fusheng	-	-	-	-	-	-
Huang Zhiyong (Note (i))	-	-	-	-	-	-
He Yuan (Note (i))	-	-	-	-	-	-
He Jinpei (Note (i))	-	686	96	286	-	1,068
Lai Boyi (Note (i))	-	708	84	474	-	1,266



46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors', supervisors' and general manager's emoluments (continued)

Expense recognised in the consolidated statement of comprehensive income for share options granted to the above directors, supervisors and the general manager for the year ended 31 December 2014 is set out as below:

Name	Number of share options granted	Expense recognised for the share options granted RMB'000
Name of director		
Zhang Fangyou (Chairman)	950,000	210
Zeng Qinghong (General Manager)	900,000	199
Yuan Zhongrong	810,000	179
Liu Huilian (<i>Note (i)</i>)	760,000	168
Lu Sa	760,000	168
Wei Xiaoqin (<i>Note (i)</i>)	760,000	168
Li Tun (<i>Note (i)</i>)	760,000	168

In 2014, no share option was granted to the supervisors.

- (i) In February 2015, Mr. Liu Huilian and Mr. Wei Xiaoqin, directors of the Company, resigned due to retirement. The first provisional shareholders' general meeting held on 25 March 2015 formally appointed Mr. Yao Yiming, Mr. Feng Xingya, Mr. Chen Maoshan and Mr. Wu Song as directors of the Company. In September 2014, Mr. Li Tun resigned due to job changes and did not receive any director remuneration in the year of 2015.

The 2015 employee representative congress of the Group held on 6 February 2015 approved Mr. Ye Shanhu and Ms. Wang Lu as employee supervisors. The former employee supervisors Mr. Lai Boyi and Mr. He Jinpei resigned due to job changes. The 2014 shareholders' annual general meeting held on 25 June 2015 formally approved the appointment of Mr. Wu Chunlin and Mr. Su Zhanpeng as supervisors. The former supervisors Mr. Huang Zhiyong and Ms. He Yuan resigned due to expiration of the term.

(b) Directors' retirement benefits

For the year ended 31 December 2015, Mr. Liu Huilian and Mr. Wei Xiaoqin, directors of the Company, resigned due to retirement. The retirement benefits paid to Mr. Liu Huilian and Mr. Wei Xiaoqin during the year ended 31 December 2015 in respect of their special contribution as directors of the Company are RMB 1,609,000 and RMB 1,591,000 (2014: Nil), respectively. Except the retirement benefits in respect of their special contribution, no other retirement benefits were paid or receivable by Mr. Liu Huilian and Mr. Wei Xiaoqin (2014: Nil).



46. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2015 (2014: Nil).

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services (2014: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

As at 31 December 2015, there is no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors (2014: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).



Five-Year Financial Summary

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

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	29,418,223	22,383,424	18,824,199	12,963,860	10,984,273
Cost of sales	(25,974,620)	(19,831,167)	(16,829,736)	(12,273,586)	(10,559,896)
Gross profit	3,443,603	2,552,257	1,994,463	690,274	424,377
Selling and distribution costs	(1,866,537)	(1,841,370)	(1,070,813)	(814,760)	(589,242)
Administrative expenses	(2,037,088)	(1,882,183)	(1,712,901)	(1,332,539)	(1,216,442)
Interest income	411,556	317,678	373,577	279,795	316,222
Other gains/(losses) – net	435,386	362,765	(432,824)	12,865	840,288
Operating profit/(loss)	386,920	(490,853)	(848,498)	(1,164,365)	(224,797)
Finance costs	(849,396)	(745,415)	(645,305)	(528,644)	(414,744)
Interest income	127,955	120,960	102,745	55,891	57,879
Share of profit of joint ventures and associates	4,720,117	4,181,213	4,020,350	2,637,092	4,638,648
Profit before income tax	4,385,596	3,065,905	2,629,292	999,974	4,056,986
Income tax expense	(400,067)	(130,587)	(100,784)	64,786	109,914
Profit for the year	3,985,529	2,935,318	2,528,508	1,064,760	4,166,900
Profit attributable to:					
Equity holders of the Company	4,211,553	3,194,160	2,652,837	1,133,982	4,271,703
Non-controlling interests	(226,024)	(258,842)	(124,329)	(69,222)	(104,803)
	3,985,529	2,935,318	2,528,508	1,064,760	4,166,900
	As at 31 December				
	2015 RMB'000	2014 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000	2011 RMB'000
Assets, liabilities and non-controlling interests					
Total assets	67,219,688	62,462,723	57,843,281	49,433,949	44,611,887
Total liabilities	27,728,368	26,213,576	23,727,085	17,370,118	14,426,263
Non-controlling interests	844,811	795,956	805,005	921,760	976,052