THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Yongda Automobiles Services Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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YONDA 永达汽车

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03669)

(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTERESTS IN SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD. AND THE PROPOSED SUBSCRIPTION OF SHARES IN SUZHOU YANGTZE NEW MATERIALS CO., LTD.

(2) PROPOSED SPIN-OFF OF SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD.

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Shareholders of
China Yongda Automobiles Services Holdings Limited

SOMERLEY CAPITAL LIMITED

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 29 of this circular. A letter from the Independent Board Committee is set out on page 30 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders is set out on pages 31 to 64 of this circular.

A notice convening the EGM to be held at Yongda International Tower, 2277 Longyang Road, Pudong New Area, Shanghai, PRC, on Monday, June 20, 2016 at 10 a.m., or any adjournment thereof, is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

June 2, 2016

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In this circular, unless the context otherwise requires, the following expressions have the meanings set out below:

"4S Dealership Businesses"	the Group's (i) new passenger vehicle sales business, (ii) after-sales services business; (iii) distribution of automobile finance and insurance products; and (iv) other ancillary business
"A-share Listco"	Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司), a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange of the PRC (stock code: 002652)
"A-share Listco Acquisition"	the subscription by Yongda Investment for the Consideration Shares to be issued by the A-share Listco pursuant to the Share Issuance and Asset Purchase Agreement
"A-share Listco Assets"	all the assets and liabilities of the A-share Listco as at December 31, 2015
"Asset Restructuring"	the asset restructuring of the A-share Listco contemplated under the Share Issuance and Asset Purchase Agreement as set out in the paragraph headed "*Asset Restructuring*" under the section headed "*Assets Restructuring Agreements—(1) Share Issuance and Asset Purchase Agreement*"
"Asset Restructuring Agreements"	the Share Issuance and Asset Purchase Agreement, the Share Transfer Agreement, the Material Asset Disposal Agreement and the Profit Compensation Agreement
"Automobile Group"	Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司), an indirect wholly-owned subsidiary of the Company
"Automobile Group Disposal"	the disposal of 100% equity interests in Automobile Group held by Yongda Investment to the A-share Listco in exchange for the issuance of the Consideration Shares by the A-share Listco pursuant to the terms of the Share Issuance and Asset Purchase Agreement
"Board"	the board of directors of the Company
"Business Day"	any day other than a Saturday or Sunday or public holiday in the PRC
"Committed Net Profits"	the amounts of net profits after tax attributable to Automobile Group (after deducting non-recurring profit and loss, provided that non-recurring profit and loss does not include any profit or loss of Automobile Group arising from the ordinary course of business during the period from January 1, 2016 to completion of its internal restructuring) during the Profit Compensation Period committed by Yongda Investment under the Profit Compensation Agreement
"Company"	China Yongda Automobiles Services Holdings Limited, an exempted company incorporated in the Cayman Islands on November 7, 2011 with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

"Compensation Shares"	the share(s) of the A-share Listco to be repurchased by the A-share Listco from Yongda Investment pursuant to the Profit Compensation Agreement
"Completion"	completion of the Asset Restructuring as contemplated under the Share Issuance and Asset Purchase Agreement
"Consideration"	the consideration for the Automobile Group Disposal under the Share Issuance and Asset Purchase Agreement
"Consideration Shares"	new A-shares to be allotted and issued by the A-share Listco to Yongda Investment as consideration for the Automobile Group Disposal pursuant to the Share Issuance and Asset Purchase Agreement
"CSRC"	China Securities Regulatory Commission
"Deloitte"	Deloitte Touche Tohmatsu, certified public accountants and the auditors of the Company
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be convened by the Company for the purpose of approving the Asset Restructuring Agreements and the Proposed Spin-off, including any adjournment thereof
"Finance Leasing Business"	the finance leasing business which is conducted by Yongda Finance Leasing and Yongsheng Finance Leasing
"Grandall"	Grandall Law Firm (Shanghai), legal advisers to the Company as to PRC law
"Group"	the Company and its subsidiaries (including Automobile Group)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising Mr. Lyu Wei, Mr. Chen Xianglin and Ms. Zhu Anna Dezhen, being all the independent non-executive Directors, formed for the purpose of advising the Shareholders in relation to the Proposed Spin-off
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off and the transactions contemplated thereunder
"Independent Valuer"	Yinxin Asset Appraisal Co., Ltd. (銀信資產評估有限公司), an independent qualified valuer in the PRC, which has been engaged by the A-share Listco to conduct valuation of the entire equity interests of the Automobile Group as at the Valuation Reference Date
"JS Baozun"	JS Baozun Investment Group Co., Ltd.(江蘇寶尊投資集團有限公司), a limited liability company incorporated under the laws of the PRC

"Latest Practicable Date"	May 31, 2016, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Material Asset Disposal Agreement"	the agreement dated April 14, 2016 entered into between Yongda Investment, the A-share Listco and Mr. Hu in relation to the acquisition of the A-share Listco Assets by Yongda Investment and subsequent disposal of the A-share Listco Assets by Yongda Investment to Mr. Hu
"MOFCOM"	Ministry of Commerce of the PRC
"Mr. Hu"	Mr. Hu Weilin (胡衛林), the ultimate controlling shareholder of the A-share Listco
"Placing Shares"	the new A-share(s) to be allotted and issued by A-share Listco to no more than 10 qualified designated investors in the PRC
"Practice Note 15"	Practice Note 15 of the Listing Rules
"PRC"	the People's Republic of China, and for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Pricing Date"	April 15, 2016
"Profit Compensation Agreement"	the agreement dated April 14, 2016 entered into between Yongda Investment and the A-share Listco in relation to the Asset Restructuring
"Profit Compensation Period"	the three years ending December 31, 2016, 2017 and 2018
"Proposed Placement"	the proposed placement of no more than 511,770,726 Placing Shares to no more than 10 designated investors in PRC at the issue price of not less than RMB9.77 per Placing Share to raise proceeds of no more than RMB5 billion in aggregate
"Proposed Spin-off"	the proposed spin-off of the Automobile Group by way of a separate listing on the Shenzhen Stock Exchange
"Retained Group"	the Group excluding the A-share Listco and the Spin-off Group
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Qinshuolai"	Shanghai Qinshuolai Investment Co., Ltd. (上海勤碩來投資有限公司), a company established under the laws of the PRC and the controlling shareholder of the A-share Listco

"Share Issuance and Asset Purchase Agreement"	the agreement dated April 14, 2016 entered into between Yongda Investment and the A-share Listco in relation to the Asset Restructuring
"Share Transfer Agreement"	the agreement dated April 14, 2016 entered into between Shanghai Qinshuolai and Yongda Investment in relation to the sale and purchase of 26,800,000 A-shares of the A-share Listco
"Shareholders"	the shareholders of the Company
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Spin-off Businesses"	all of the Group's businesses other than the automobile rental business, which mainly consist of the 4S Dealership Businesses and the Finance Leasing Business
"Spin-off Group"	Automobile Group and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transitional Period"	the period between the Valuation Reference Date and the completion of the registration with the administration for industry and commerce of the transfer of the entire equity interests in Automobile Group
"Valuation"	the valuation on the entire equity interests of the Automobile Group of RMB12,015 million (equivalent to approximately HK$14,304 million) as at the Valuation Reference Date as set out in the Valuation Report
"Valuation Reference Date"	December 31, 2015, being the reference date agreed between Yongda Investment and the A-share Listco for the valuation of the entire equity interests in Automobile Group
"Valuation Report"	the valuation report dated April 14, 2016 prepared by the Independent Valuer in relation to the valuation of the entire equity interests of the Automobile Group as at the Valuation Reference Date
"Yongda Automobile Rental"	Yongda Automobile Rental Company Limited (上海永達汽車租賃有限公司), formerly known as Yongda Automobile Rental Group Company Limited (上海永達汽車租賃集團股份有限公司), an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Yongda Finance Leasing"	Shanghai Yongda Finance Leasing Company Limited (上海永達融資租賃有限公司), a direct non-wholly owned subsidiary of Automobile Group as at the Latest Practicable Date
"Yongda Investment"	Shanghai Yongda Investment Holdings Group Company Limited (上海永達投資控股集團有限公司), an indirect wholly owned subsidiary of the Company and the direct sole shareholder of Automobile Group as at the Latest Practicable Date
"Yongsheng Finance Leasing"	Yongsheng Finance Leasing Company Limited (永昇融資租賃有限公司), an indirect non-wholly owned subsidiary of Automobile Group as at the Latest Practicable Date
"%"	per cent.

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 3669)

Executive Directors:
Mr. CHEUNG Tak On *(Chairman)*
Mr. CAI Yingjie
Mr. WANG Zhigao
Mr. XU Yue
Ms. CHEN Yi

Non-Executive Directors:
Mr. WANG Liqun

Independent Non-Executive Directors:
Mr. LYU Wei
Mr. CHEN Xianglin
Ms. ZHU Anna Dezhen

Registered office:
190 Elgin Avenue
George Town
Grand Cayman, KY1-9005
Cayman Islands

Corporate headquarter:
299 Ruijin Nan Road
Huangpu District
Shanghai
PRC

Principal place of business in Hong Kong:
Unit 5708, 57/F, The Center
99 Queen's Road Central
Central
Hong Kong

June 2, 2016

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTERESTS IN SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD. AND THE PROPOSED SUBSCRIPTION OF SHARES IN SUZHOU YANGTZE NEW MATERIALS CO., LTD.

(2) PROPOSED SPIN-OFF OF SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD.

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated April 7, April 15 and May 26, 2016. On April 14, 2016, Yongda Investment, an indirect wholly-owned subsidiary of the Company, entered into the Share Issuance and Asset Purchase Agreement, the Share Transfer Agreement, the Material Asset Disposal Agreement and the Profit Compensation Agreement in connection with the Proposed Spin-off.

ASSETS RESTRUCTURING AGREEMENTS

(1) SHARE ISSUANCE AND ASSET PURCHASE AGREEMENT

Date of signing

April 14, 2016

Effective date

The Share Issuance and Asset Purchase Agreement will become effective on a date (i) after the date of signing and (ii) upon the fulfilment of the following conditions:

(a) the proposed Asset Restructuring having been approved by the board of the A-share Listco and at the general meeting of the A-share Listco;

(b) the proposed Asset Restructuring having been approved by the board and shareholders of Yongda Investment;

(c) the proposed Asset Restructuring having been approved by the board and shareholders of the Company;

(d) Yongda Investment, the A-share Listco and Mr. Hu having entered into the Material Asset Disposal Agreement;

(e) Yongda Investment and Shanghai Qinshuolai having entered into the Share Transfer Agreement;

(f) the general offer obligations on the part of Yongda Investment in respect of the A-share Listco having been waived at a general meeting of the A-share Listco;

(g) the Company having obtained approval from the Stock Exchange to proceed with the Proposed Spin-off, as well as consents to the waiver application in relation to strict compliance with assured entitlement under Practice Note 15;

(h) the MOFCOM having approved in principle in relation to the strategic investment of Yongda Investment in the A-share Listco;

(i) the anti-trust review on concentration of business operators, conducted by the Anti-monopoly Bureau of MOFCOM in regard of the Asset Restructuring, having been passed; and

(j) the CSRC having approved the proposed Asset Restructuring.

As of the Latest Practicable Date, the board approval of the proposed Asset Restructuring as stated in conditions (a), (b) and (c) have been obtained by the A-share Listco, Yongda Investment and the Company, respectively, and conditions (d), (e) and (g) above have been satisfied. Other than the aforesaid, none of the other conditions as mentioned above has been satisfied.

Parties

(a) Yongda Investment

(b) the A-share Listco

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the A-share Listco and its ultimate beneficial owners as at the Latest Practicable Date are third parties independent of the Company and connected persons of the Company.

Asset Restructuring

Pursuant to the terms of the Share Issuance and Asset Purchase Agreement, the Asset Restructuring will involve:

(1) Yongda Investment will conditionally sell, and the A-share Listco will conditionally purchase, 100% equity interests in Automobile Group;

(2) the A-share Listco will conditionally transfer the A-Share Listco Assets to Yongda Investment, to be transferred in turn to Mr. Hu, the ultimate controlling shareholder of the A-share Listco;

(3) Shanghai Qinshuolai, the controlling shareholder of the A-share Listco will conditionally sell, and Yongda Investment will conditionally purchase, 26,800,000 A-shares in the A-share Listco; and

(4) the A-share Listco will conditionally allot and issue by way of non-public offer Placing Shares to no more than 10 qualified designated investors in the PRC to raise no more than RMB5 billion.

The transactions numbered (1) to (3) above are interconditional and will become effective at the same time. If any of the transactions numbered (1) to (3) above cannot be implemented due to their conditions precedent not having been satisfied, the Asset Restructuring will not proceed. Following the transactions numbered (1) to (3) above having become effective, the parties will take necessary actions and procedures for completion of the transactions within the time of period as specified in the relevant agreement.

The transaction numbered (4) above will be implemented after completion of the transactions numbered (1) to (3) above, and the results of the Proposed Placement will not affect the implementation of the transactions numbered (1) to (3) above.

Consideration

The Consideration is RMB12,000 million (equivalent to approximately HK$14,286 million) which was determined based on arm's length negotiations between Yongda Investment and the A-share Listco with reference to the appraised value of the entire equity interests of Automobile Group of RMB12,015 million as at December 31, 2015 as set out in the Valuation Report. The Valuation Report has been published by the A-share Listco at the website of Shenzhen Stock Exchange (available from the hyperlink: http://www.cninfo.com.cn/cninfo-new/disclosure/szse_sme/bulletin_detail/true/1202181563?announceTime=2016-04-15) and will be submitted to CSRC for review after the A-share Listco's material assets restructuring proposal receives shareholders' approval at the general meeting of the A-share Listco.

Consideration Shares

The A-share Listco will issue the Consideration Shares to satisfy the Consideration at an issue price of RMB9.77 per Consideration Share.

The issue price per Consideration Share represents a 10% discount of the volume weighted average price per A-share of the A-share Listco on the Shenzhen Stock Exchange for the 20 trading days immediately preceding the Pricing Date and has been adjusted with considering the effect of the dividend declared by the A-share Listco for the year ended December 31, 2015 in a total amount of RMB16,002,000.

The total amount of the Consideration Shares to be issued by the A-share Listco to Yongda Investment is calculated as follows: Consideration ÷ issue price per Consideration Share.

The issue price per Consideration Share and amount of the Consideration Shares to be issued by the A-share Listco to Yongda Investment will be adjusted according to relevant regulations of the Shenzhen Stock Exchange in case of any declaration of dividend, rights issue, changes of share capital, issuance of additional shares or placing by the A-share Listco during the period from the Pricing Date to the date when the Consideration Shares are issued.

Based on the Consideration of RMB12,000 million and the issue price per Consideration Share of RMB9.77, and assuming that there is no change to the dividend or share capital of the A-share Listco from the Latest Practicable Date to the date when the Consideration Shares are issued (other than the payment by the A-share Listco of its dividend for the year ended December 31, 2015 in a total amount of RMB16,002,000), it is expected that the A-share Listco will issue approximately 1,228,249,744 Consideration Shares to Yongda Investment to satisfy the Consideration.

The amount of the Consideration Shares to be issued by the A-share Listco to Yongda Investment will be subject to the approval at the general meeting of the A-share Listco, as well as the approval of the CSRC.

Lock-up period

Yongda Investment has agreed that it will not transfer the Consideration Shares to be issued to it, nor nominate any third party to manage such Consideration Shares, for a period of 36 months commencing from the date when the Consideration Shares are registered in the name of Yongda Investment.

Such lock-up period will be extended for at least another six months if the closing prices of the shares of the A-share Listco for any 20 consecutive trading days during the period of six months commencing from the Completion are lower than the issue price per Consideration Share, or where the closing price at the end of such six-month period is lower than the issue price per Consideration Share.

Upon the expiry of such lock-up period, if the net profit of Automobile Group is lower than the Committed Net Profits, as a result of which Yongda Investment is required to compensate to the A-share Listco pursuant to the Profit Compensation Agreement and such compensation has not been fully settled, the lock-up period will be extended to the date when such compensation has been settled.

Upon Completion, any shares of the A-share Listco to be further issued to Yongda Investment as a result of (among other things) a rights issue, bonus issue, or capitalization issue are also subject to the lock-up requirements summarised above.

Completion

Completion will happen within 30 Business Days (or such other date as the parties may agree in writing) after the Share Issuance and Asset Purchase Agreement becomes effective, and the A-share Listco will arrange to register the Consideration Shares in the name of Yongda Investment within such 30-Business Days period, provided that the Consideration Shares may also be registered at the same time as the registration of the Placing Shares.

Transitional Period

The A-share Listco will be entitled to the profit of Automobile Group during the Transitional Period, whereas Yongda Investment shall bear the loss of Automobile Group during the Transitional Period.

The loss and the profit of Automobile Group during the Transitional Period shall be determined by a closing audit report prepared by an accounting firm to be mutually recognized by Yongda Investment and the A-share Listco. If Automobile Group incurs any loss during the Transitional Period pursuant to such audit report, Yongda Investment will compensate the A-share Listco in cash for such loss within 20 Business Days after the date of the audit report.

The 1,228,249,744 Consideration Shares (assuming an issue price of RMB9.77 per Consideration Share) to be issued by the A-share Listco represent approximately 383.78% of the issued share capital of the A-share Listco as at the Latest Practicable Date and approximately 79.33% of the issued share capital of the A-share Listco as enlarged by the issuance of the Consideration Shares, assuming no further shares of the A-share Listco (other than the Consideration Shares) will be issued after the Latest Practicable Date. Following Completion, the A-share Listco will become an indirect non-wholly owned subsidiary of the Company for the purpose of the Listing Rules.

(2) SHARE TRANSFER AGREEMENT

Date of signing

April 14, 2016

Effective date

The Share Transfer Agreement will become effective on a date (i) after the date of signing and (ii) when the Share Issuance and Asset Purchase Agreement and the Material Asset Disposal Agreement become effective.

As of the Latest Practicable Date, neither of the Share Issuance and Asset Purchase Agreement and the Material Asset Disposal Agreement has become effective.

Parties

(a) Yongda Investment

(b) Shanghai Qinshuolai

As at the Latest Practicable Date, Shanghai Qinshuolai is the controlling shareholder of the A-share Listco. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, Shanghai Qinshuolai and its ultimate beneficial owners as at the Latest Practicable Date are third parties independent of the Company and connected persons of the Company.

Subject matter

Subject to the terms and conditions of the Share Transfer Agreement, Yongda Investment conditionally agreed to purchase, and Shanghai Qinshuolai conditionally agreed to sell, 26,800,000 A-shares of the A-share Listco.

Consideration

The consideration is RMB324,816,000 (equivalent to approximately HK$386,685,714), which was determined based on arm's length negotiations between Yongda Investment and Shanghai Qinshuolai based on the price per A-share of the A-share Listco of RMB12.12, which is equivalent to the closing price per A-share of A-share Listco on the Shenzhen Stock Exchange for the last trading day immediately preceding the Pricing Date.

The price per A-share of the A-share Listco of RMB12.12 will be adjusted in case of any stock distribution or capitalisation issue by the A-share Listco.

The Directors are of the view that the difference of pricing under the (i) the Share Issuance and Asset Purchase Agreement and (ii) the Share Transfer Agreement is fair and reasonable. Due to regulatory restrictions, the pricing mechanisms under the two agreements differ from each other. Pricing under the Share Issuance and Asset Purchase Agreement is subject to the relevant requirements under the Administrative Measures for Material Assets Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) issued by CSRC, which prohibit any listed company on the Shenzhen Stock Exchange or Shanghai Stock Exchange to issue new shares at a price lower than 90% of the volume weighted average price of the listed company for the 120, 60 or 20 trading days preceding the pricing date, respectively. The issue price of RMB9.77 under the Share Issuance and Asset Purchase Agreement represents the best issue price available to the Company under applicable laws and regulations, which has been arrived at by applying a 10% discount of the lowest of the volume weighted average price per A-share of the A-share Listco among the three period of trading days as specified above, with adjustments with considering the effect of the dividend declared by the A-share Listco for the year ended December 31, 2015. Pricing under the Share Transfer Agreement is not subject to any such regulatory restriction and has been determined between the parties after arm's length negotiations by reference to the closing price per A-share of the A-share Listco on the Shenzhen Stock Exchange for the last trading day immediately preceding the Pricing Date. Based on the Directors' industry experience and market knowledge, such pricing difference is generally in line with market practice precedents, including similar transactions involving issue of new shares, transfer of old shares and change of control in Hong Kong.

Completion

Completion of the Share Transfer Agreement will happen within 30 Business Days (or such other date as the parties may agree in writing) after the Share Transfer Agreement becomes effective, and Yongda Investment shall pay the consideration under the Share Transfer Agreement in full within 10 Business Days after completion of the Share Transfer Agreement.

Transitional period

If there is any cash dividend in respect of the A-shares of the A-share Listco to be transferred to Yongda Investment during the period from January 1, 2016 to the completion of the Share Transfer Agreement, such dividend will be paid to Yongda Investment.

(3) MATERIAL ASSET DISPOSAL AGREEMENT

Date of signing	April 14, 2016
Effective date	The Material Asset Disposal Agreement will become effective on a date (i) after the date of signing and (ii) when the Share Issuance and Asset Purchase Agreement becomes effective. As of the Latest Practicable Date, the Share Issuance and Asset Purchase Agreement has not become effective.
Parties	(a) Yongda Investment (b) the A-share Listco (c) Mr. Hu As at the Latest Practicable Date, Mr. Hu is the ultimate controlling shareholder of the A-share Listco. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, Mr. Hu as at the Latest Practicable Date is a third party independent of the Company and connected persons of the Company.
Subject matter	Subject to the terms and conditions of the Material Asset Disposal Agreement, Yongda Investment conditionally agreed to purchase, and the A-share Listco conditionally agreed to sell, the A-share Listco Assets, and Yongda Investment in turn conditionally agreed to sell, and Mr. Hu conditionally agreed to purchase, the A-share Listco Assets. The A-share Listco Assets constitute all the assets and liabilities of the A-share Listco as at December 31, 2015.
Consideration	The consideration for the transfer of the A-share Listco Assets from the A-share Listco to Yongda Investment is RMB612,900,000, which is determined based on arm's length negotiations between Yongda Investment and the A-share Listco with reference to the appraised value of the A-share Listco Assets of RMB628,900,000 as at December 31, 2015 as set out in a valuation report in relation to the A-share Listco Assets issued by Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) ("**Beijing ZQH**"), an independent valuer, using an asset-based approach, and the declared dividend of approximately RMB16,002,000 for 2015. Beijing ZQH is an independent valuer engaged by the A-share Listco to conduct valuation of the equity interests of the A-share Listco in accordance with applicable PRC laws and regulations. The valuation report issued by Beijing ZQH in relation to the A-share Listco has been published by the A-share Listco at the website of Shenzhen Stock Exchange (available from the hyperlink: http://www.cninfo.com.cn/cninfo-new/disclosure/szse_sme/bulletin_detail/true/1202181544?announceTime=2016-04-15) and will be submitted to CSRC for review after the A-share Listco's material assets restructuring proposal receives shareholders' approval at the general meeting of the A-share Listco. The consideration for the transfer of the A-share Listco Assets from Yongda Investment to Mr. Hu will be fixed by the parties with

reference to a post-completion audit to be conducted within 90 days after the Date of Transfer (as defined below), in respect of the profit and loss of the A-share Listco Assets during the period from December 31, 2015 to the Date of Transfer, the performance of the Share Issuance and Asset Purchase Agreement and the Share Transfer Agreement, the condition of the A-share Listco Assets as at completion, and the operating results and dividend plans of the A-share Listco Assets. The lowest consideration for the transfer of the A-share Listco Assets between Yongda Investment and Mr. Hu could be at zero consideration.

The difference between the consideration payable for the transfer of the A-share Listco Assets from the A-share Listco to Yongda Investment and the transfer of the A-share Listco Assets from Yongda Investment to Mr. Hu represents (i) the compensation to Mr. Hu for his loss of control over the A-share Listco and (ii) the consideration for his agreeing to undertake all the contingent liabilities of the A-share Listco as of the effective date of the Asset Restructuring and bear any costs and expenses resulting from the termination of employment contracts with the existing employees and staff by the A-share Listco.

In determining the final consideration for the transfer of the A-share Listco Assets to Mr. Hu, the Company will take into consideration several key factors, including (i) audited results of the profit (losses) of the A-share Listco during the transitional period from December 31, 2015 to the Date of Transfer; (ii) increase to the market value of the 26,800,000 A-shares transferred from Shanghai Qinshuolai to Yongda Investment as of the Date of Transfer; and (iii) consideration paid to existing controlling shareholders of listed companies in recent market precedents involving assets restructuring of similar nature. The consideration for the transfer of the A-share Listco Assets by Yongda Investment to Mr. Hu will be determined in accordance with the following formula, which is subject to determination by the Company and the relevant parties:

RMB612,900,000 – (A × B) – C

where:

A = profit attributable to the A-share Listco Assets during the transition period from December 31, 2015 to completion of the Material Asset Disposal Agreement. The profit attributable to the A-share Listco Assets during the above-mentioned transition period will be determined in accordance with a post-completion audit. Based on the net profits of the A-share Listco Assets for the year ended December 31, 2015, it is expected that the profit attributable to the A-share Listco Assets during the transition period will amount to approximately RMB20 million.

B = the eventual shareholding percentage of Yongda Investment in the A-share Listco of not less than approximately 60.92%.

C = consideration paid to controlling shareholders of other A-share listed companies for similar asset restructuring transactions in the

PRC. This represents the consideration paid to the controlling shareholder of A-share listed companies for loss of control, as well as the costs and expenses resulting from employee matters and contingent liabilities. The Company currently expects the amount of C to fall within the range of RMB454 million to RMB547 million. In determining the amount of C, the Company has referred to the consideration paid to the existing controlling shareholders of other A-share listed companies in similar asset restructuring transactions in the PRC in 2014 and 2015 following which the shareholding interests of the buyers (i.e., the new controlling shareholders) in the A-share listed companies were between approximately 75% and 85% after the assets restructuring and transfer of existing A-shares (if any) but before the fund raising exercises (if any) ("**2014 and 2015 Comparable Transactions**").

The 2014 and 2015 Comparable Transactions include the following market precedents involving major assets restructurings of A-share listed companies:

Company name (stock code)	Initial announcement date	Shareholding interests[(1)]	Compensation paid to existing controlling shareholder[(2)] (RMB million)
Chang Jiang Shipping Group Phoenix Co., Ltd. (000520.SZ)	December 5, 2015	80.39%	843.0
Kingnet Network Co., Ltd. (formerly known as Taiya Shoes Co., Ltd.)(002517.SZ)	April 17, 2015	76.09%	453.9
DMG Entertainment and Media Co., Ltd. (formerly known as Sichuan Gaojin Food Co., Ltd.) (002143.SZ)	April 8, 2014	85.19%	345.2

Source: Wind Information and the website of Shenzhen Stock Exchange

Notes:

(1) The shareholding interests of the buyers (i.e. the new controlling shareholders) in the A-share listed companies after the assets restructuring and transfer of existing A-shares (if any) but before the fund raising exercises (if any).

(2) The actual compensation paid to the existing controlling shareholders of the A-share listed companies for obtaining the controlling stakes in the A-share listed companies by the buyers (i.e., the new controlling shareholders).

Based on public information available to the Company, (i) RMB454 million represents the median, and (ii) RMB547 million represents the average, of the considerations paid to the existing controlling shareholders of the A-share Listcos in these 2014 and 2015 Comparable Transactions. The exact amount of C will be finalised by the Company and Mr. Hu through further negotiation.

In the event that the result of the above formula is a negative figure, the consideration for the transfer of the A-share Listco Assets payable to Mr. Hu will be nil.

Transfer of A-share Listco Assets

Transfer of the A-share Listco Assets and the liabilities will occur on the date on which the Consideration Shares have been registered in

	the name of Yongda Investment pursuant to the Share Issuance and Asset Purchase Agreement ("**Date of Transfer**"). From the Date of Transfer, all the rights, obligations and liabilities (including all the assets, liabilities and attached interest) of the A-share Listco Assets will be assumed by Mr. Hu or his designee. On the Date of Transfer, the A-share Listco will directly transfer the A-share Listco Assets to Mr. Hu or a party designated by him.
Completion	Completion of the Material Asset Disposal Agreement will happen within 60 days after the Material Asset Disposal Agreement becomes effective and Yongda Investment shall pay the consideration payable by it under the Material Asset Disposal Agreement in full on the Date of Transfer.
Transitional period	Profit and loss of the A-share Listco Assets during the period from December 31, 2015 to the Date of Transfer will not affect the consideration payable by Yongda Investment to Mr. Hu under the Material Asset Disposal Agreement, provided that any profit arising from the A-share Listco Assets during such period will belong to the A-share Listco, whereas any loss incurred by the A-share Listco Assets during the same period will be compensated by Mr. Hu or a party designated by him to the A-share Listco.

As provided in the Material Asset Disposal Agreement, any increase in the net assets value of the A-share Listco or any profit of the A-share Listco during the period from December 31, 2015 to the Date of Transfer will belong to the A-share Listco, whereas any decrease in the net assets value of the A-share Listco or any loss incurred by the A-share Listco during the same period will be compensated by Mr. Hu or a party designated by him to the A-share Listco in cash. In any event, the movement of all the assets and liabilities or any profit or loss of the A-share Listco after December 31, 2015 up to the completion date of the Proposed Spin-off will not be consolidated in the Company's financial statements, as the A-share Listco will not have become the Company's subsidiary before then.

(4) PROFIT COMPENSATION AGREEMENT

Date	April 14, 2016
Parties	(a) Yongda Investment (b) the A-share Listco
Subject matter	Subject to the terms and conditions of the Profit Compensation Agreement, Yongda Investment conditionally agreed to undertake to the A-share Listco that the net profit of Automobile Group for the Profit Compensation Period will not be lower than the Committed Net Profits, failing which Yongda Investment will compensate the A-share Listco in accordance with the terms and conditions of the Profit Compensation Agreement. The Committed Net Profits of Automobile Group for the three years ending December 31, 2016, 2017 and 2018 are RMB800 million, RMB1,000 million and RMB1,200 million, respectively. The

Company has determined such amounts based on the Company's existing business plans and strategies, recent industry development and macroeconomic conditions.

Any compensation under the Profit Compensation Agreement will be settled by the repurchase of the Compensation Shares by the A-share Listco in priority and the shortfall will be settled by Yongda Investment in cash.

Notwithstanding the above, the aggregate amount of the compensation payable by Yongda Investment under the Profit Compensation Agreement shall not exceed the Consideration.

Compensation method

The A-share Listco will separately disclose the difference between the actual net profit of Automobile Group and the Committed Net Profits in its annual reports to be issued during the Profit Compensation Period.

Annual Compensation

(a) If the actual net profits after tax of Automobile Group for any year during the Profit Compensation Period is lower than the Committed Net Profits for the relevant year, the A-share Listco will notify Yongda Investment of such difference and the number of Compensation Shares required (or the amount of cash compensation if the number of Compensation Shares is larger than the number of Consideration Shares) within 10 days after the date of the annual report of the A-share Listco for the relevant year.

The amount of Compensation Shares to be compensated each year will be calculated in accordance with the formula as set out below:

$$\frac{(A - B)}{C} x \frac{D}{E} - F$$

where:

A = Cumulative Committed Net Profits of Automobile Group as at the end of the relevant year

B = Cumulative actual net profits after tax of Automobile Group as at the end of the same year

C = Total amount of the Committed Net Profits during the Profit Compensation Period

D = Consideration

E = Issue price per Consideration Share as set out under the Share Issuance and Asset Purchase Agreement

F = Number of Compensation Shares already repurchased by the A-share Listco.

(b) If the number of the Compensation Shares exceed the total number of the Consideration Shares, the shortfall will be settled by

Yongda Investment in cash, and the amount of cash compensation will be calculated in accordance with the formula as set out below:

(A – B) x C – D

where:

A = Number of Compensation Shares for the relevant year

B = Number of Compensation Shares already repurchased by the A-share Listco for the relevant year

C = Issue price per Consideration Share as set out under the Share Issuance and Asset Purchase Agreement

D = Amount of cash compensation already paid

If the A-share Listco declares any dividend or conducts any rights issue, bonus issue, capitalization issue etc. during the Profit Compensation Period, the "issue price per Consideration Share as set out under the Share Issuance and Asset Purchase Agreement" will be adjusted accordingly.

Notwithstanding the above, based on the circumstances of the Asset Restructuring, the Company currently expects that there should not be cash compensation payable to the A-share Listco.

Impairment Compensation

(a) Within three months after expiry of the Profit Compensation Period, the A-share Listco will engage an auditing firm with securities and futures qualifications to carry out impairment test on 100% equity interest in Automobile Group in accordance with the applicable rules and requirements of CSRC. If the impairment amount of 100% equity interest in Automobile Group as at the end of the Profit Compensation Period is larger than the aggregate of the total amount of any cash compensation already paid under the Profit Compensation Agreement and the total number of Compensation Shares already repurchased multiplied by the issue price per Consideration Share as set out under the Share Issuance and Asset Purchase Agreement, additional compensation will be made by Yongda Investment to the A-share Listco.

The amount of impairment compensation will be calculated in accordance with the formula as set out below:

Amount to be compensated = impairment amount of 100% equity interest in Automobile Group – the aggregate amount of compensation already made during the Profit Compensation Period.

(b) The impairment compensation under the Profit Compensation Agreement will be settled by the repurchase of additional Compensation Shares by the A-share Listco in priority and the shortfall will be settled by Yongda Investment in cash, provided that the aggregate amount of the impairment compensation and profit compensation under the Profit Compensation Agreement shall not exceed the Consideration.

The A-share Listco shall pass a board resolution and submit to its general meeting a proposal regarding repurchase of the Compensation Shares if Yongda Investment is required to make compensation for any year during the Profit Compensation Period. After the shareholders of the A-share Listco have approved at its general meeting such repurchase, the Compensation Shares for the relevant year will then be repurchased by the A-share Listco at a total price of RMB1.00 and cancelled thereafter.

Conditions precedent The Profit Compensation Agreement will become effective on the date when the Share Issuance and Asset Purchase Agreement becomes effective.

INDEPENDENT VALUATION OF AUTOMOBILE GROUP

The appraised value of the entire equity interest of Automobile Group under the Valuation Report was prepared based on income approach using discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Therefore, this circular is subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

As required under Rule 14.62(1) of the Listing Rules, details of the key assumptions used in determining the value of the entire equity interest in Automobile Group upon which the Valuation Report was issued are set out below:

- Transactional assumption: Automobile Group is the subject of a transaction and the Independent Valuer conducted the valuation in accordance with similar terms and conditions in the market and that the valuation is conducted based on the most likely consideration of the transaction.
- Public market assumption: Automobile Group and its assets are the subject of a transaction in the public market where buyers and sellers enjoy equal status and have equal access to market information and opportunities and where transactions are entered into under voluntary and rational conditions.
- Going concern assumption: Automobile Group and its assets continue to operate and are maintained in accordance with the purpose and manner as of the Valuation Reference Date.
- There are no material changes in the economic policies in the PRC.
- There are no material changes in the interest, foreign exchange and tax rates in the year of valuation.
- There are no material changes in the socio-economic environment in the region where Automobile Group operates.
- The development trend in the industry in which Automobile Group operates remains stable and the existing laws, regulations and economic policies in relation to Automobile Group's operations remain stable.

- Automobile Group and its assets have been acquired, obtained and developed in compliance with relevant PRC laws and regulations, except those within the knowledge of the Independent Valuer.
- There is no encumbrance, liabilities and restrictions on Automobile Group and its assets that would affect their value and all amounts, tax and payables concerning the Automobile Group and its assets have been paid, except those within the knowledge of the Independent Valuer.
- There are no material technical failures that would affect the continued usage of Automobile Group and its properties and equipment or harmful substance that would adversely affect the value of such assets and there are no dangerous or harmful environment conditions that would adversely affect the value of such assets, except those within the knowledge of the Independent Valuer.
- Automobile Group and its associates continue to operate in accordance with the purpose and manner as of the Valuation Reference Date with predictable earnings.
- There are no material changes in the supply and cost of raw and supplemental materials required in the business operation of Automobile Group and there are no foreseeable material changes in the price of the products of Automobile Group.
- The business of Automobile Group will be conducted in accordance with the existing management standards (or standards of ordinary market participants) as of the Valuation Reference Date and no consideration is given to the effect of the management standards of future owners of Automobile Group on the future earnings of Automobile Group.
- The effect of inflation is not taken into account in various parameters adopted in the Valuation and such parameters are fixed values. There are no material changes in the macro-economic policies and fundamental policies in the relevant industry in the PRC; there are no material changes in the socio-economic environment in the region in which Automobile Group operates; there are no material changes in the existing interest rates, foreign exchange rates and tax policies in the PRC; there are no material changes in the accounting and auditing policies of the Automobile Group.
- With reference to the business model of Automobile Group, in the future, Automobile Group will conduct business operations in accordance with its historical practices and carry out expansion through opening new outlets and such new outlets are wholly owned subsidiaries of Automobile Group. The valuation does not take into account the effect of opening new outlets with minority equity interests.
- The cash flow of Automobile Group is generated during each revenue cycle.
- There is no other material adverse effect or force majeure that would adversely affect the business operations of Automobile Group.
- Legal documents, technical and operational information provided to the Independent Valuer are true and accurate and the Independent Valuer is not responsible for the legal matters relating to the proprietary assets of Automobile Group.
- Except otherwise stated, the Valuation Report assumes that results of the on-site inspection of the observable tangible properties within the scope of valuation matches the actual economic cycle of the tangible properties. No technical tests are conducted in relation to the technical information, technical status, structure and attachments of the Automobile Group and its assets.

Deloitte, reporting accountants of the Company, has reported to the Directors in respect of the compilation in accordance with the assumptions described above of the discounted future estimated cash flows in connection with the valuation of the entire equity interests in Automobile Group prepared by the Independent Valuer as set out in the Valuation Report. The Directors are solely responsible for the assumptions described above and the work performed by Deloitte did not include any assessment of the reasonableness or validity of these assumptions. The Directors confirm that the valuation of the entire equity interest of Automobile Group in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

An independent assurance report from Deloitte in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules are included in Appendix V to this circular.

To the best of the Directors' knowledge, information and belief, Deloitte is an independent third party.

INFORMATION ABOUT INTERNAL RESTRUCTURING

Automobile Group and its subsidiaries had been principally engaged in part of the Group's 4S Dealership Businesses and the entirety of the Group's automobile rental service business. Before entering into the Share Issuance and Asset Purchase Agreement, the Group completed an internal restructuring whereby certain Spin-off Businesses previously directly owned by Yongda Investment were transferred to Automobile Group and its subsidiaries by way of transfer of equity interests in the relevant subsidiaries of the Company.

Upon completion of the internal restructuring, Automobile Group focuses on the Spin-off Businesses, which mainly consist of the 4S Dealership Businesses and the Finance Leasing Business. The internal restructuring is aimed at streamlining the operations of the Group in view of the Proposed Spin-off and the Consideration has taken into account of the effect of such internal restructuring.

Reference is made to the Company's announcement dated April 8, 2016, in which the Company announced that Automobile Group had entered into a strategic cooperation agreement to acquire 100% equity interests in JS Baozun and the remaining equity interest in the 18 subsidiaries of JS Baozun owned by JS Baozun's existing shareholders. JS Baozun primarily engage in the 4S Dealership Businesses and will form part of Automobile Group.

INFORMATION ABOUT THE GROUP

The Group is a passenger vehicle retailer and comprehensive service provider in the PRC focused on luxury and ultra-luxury brands. In addition to new passenger vehicle sales business, the Group also engages in after-sales services, automobile rental services, finance leasing, distribution of automobile finance and insurance products and other ancillary business.

INFORMATION ABOUT AUTOMOBILE GROUP

The Automobile Group and its subsidiaries are principally engaged in the Spin-off Businesses, which mainly consist of the 4S Dealership Businesses and the Finance Leasing Business of the Group.

INFORMATION ABOUT THE A-SHARE LISTCO

The A-share Listco is a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange of the PRC (stock code: 002652). Prior to the Asset Restructuring, the A-share Listco was engaged in research, production and sale of organic coating boards and related substrates as well as construction materials. The A-share Listco will conduct the Asset Restructuring in accordance with applicable PRC laws and regulations and submit (i) the relevant assets restructuring proposal to the CSRC and (ii) an application in relation to the investment by Yongda Investment as a foreign strategic investor for the Consideration Shares to MOFCOM for approval. It is expected that, after the Asset Restructuring takes effect, the A-share Listco will discontinue its existing business.

FINANCIAL INFORMATION OF AUTOMOBILE GROUP

Based on the audited combined account of Automobile Group prepared in accordance with generally accepted accounting principles in the PRC and on the following basis: (1) assuming that the group structure of the Spin-off Businesses had been in existence since their respective dates of incorporation / establishment / acquisition, and up to their respective dates of disposal, where this is a shorter period; (2) assuming that Automobile Group's equity interests in Yongda Automobile Rental prior to the completion of the internal restructuring of the Group have been accounted for as available-for-sale investments in the audited combined account of Automobile Group and the audited combined operating results of Automobile Group have been presented without considering the dividend from Yongda Automobile Rental to Automobile Group; and (3) without allocation of certain Group Costs and Expenses, the net asset value of Automobile Group is approximately RMB4,023 million as at December 31, 2015. The following information is a summary of the combined financial information of Automobile Group for the two financial years ended December 31, 2014 and 2015 based on such audited combined account:

	For the year ended December 31, 2014	**For the year ended December 31, 2015**
	RMB (in thousands)	**RMB (in thousands)**
Net profits before tax	739,736	**757,598**
Net profits after tax	562,468	**565,088**

FINANCIAL INFORMATION ON THE A-SHARE LISTCO

Based on the PRC statutory audited account of the A-share Listco, the net asset value of the A-share Listco is approximately RMB687 million as at December 31, 2015. The following information is a summary of the consolidated financial statements of the A-share Listco for the two financial years ended December 31, 2014 and 2015:

	For the year ended December 31, 2014	**For the year ended December 31, 2015**
	RMB (in thousands)	**RMB (in thousands)**
Net profits before tax	40,476	**85,166**
Net profits after tax	34,878	**69,554**

PROPOSED PLACEMENT

(A) Issuance of the Placing Shares

On April 14, 2016, the A-share Listco resolved to allot and issue by way of non-public offer no more than 511,770,726 Placing Shares to no more than 10 qualified designated investors in the PRC at the issue price of not less than RMB9.77 per Placing Share (subject to adjustment) to raise proceeds of no more than RMB5 billion in aggregate subject to the approval of the general meeting of the A-share Listco and CSRC.

All investors of the Placing Shares as well as their ultimate beneficial owner(s) are expected to be third parties independent of the Company.

The 511,770,726 Placing Shares represent approximately 159.91% of the issued share capital of the A-share Listco as at the Latest Practicable Date and approximately 24.84% of the issued share capital of the A-share Listco as enlarged by the issuance of the Consideration Shares and the Placing Shares.

The issue price per Placing Share of not less than RMB9.77 (subject to adjustment) represents an approximately 10% discount of volume weighted average price per A-share of the A-share Listco quoted on the Shenzhen Stock Exchange for the past 20 trading days immediately preceding the Pricing Date (the results of the total transaction amount of the A-shares of the A-share Listco during 20 trading days immediately before the Pricing Date divided by the total transaction volume of the A-shares of the A-share Listco during such 20 trading days), and have been adjusted considering the effect of the A-share Listco's dividend for the year ended December 31, 2015 in a total amount of RMB16,002,000.

The issue price of the Placing Shares may be adjusted by the board of directors of the A-share Listco once during the period from the date of the announcement of the results of the shareholders' general meeting of the A-share Listco in relation to the Asset Restructuring till the CSRC approves the Asset Restructuring, the adjusted issue price of the Placing Shares will be equal to 90% of volume weighted average price per A-share of the A-share Listco quoted on the Shenzhen Stock Exchange for the 20 trading days immediately preceding the reference date for such adjustment. The issue price and amount of the Placing Shares will also be adjusted according to relevant regulations of the CSRC and Shenzhen Stock Exchange in case of any declaration of dividend, rights issue, capitalisation issue, etc. by the A-share Listco during the period between the Pricing Date and the issuance of the Placing Shares. In addition, parties to the Proposed Placement will enter into supplemental agreements in order to adjust the issue price and amount of the Placing Shares as requested by CSRC.

The proceeds to be raised from the issuance of the Placing Shares will be used by the A-share Listco mainly for the repayment of borrowings from banks and shareholders, as well as for the development of the Finance Leasing Business.

The Placing Shares are subject to a lock-up period of 12 months commencing from the completion of the issuance of the Placing Shares.

(B) Conditions Precedent of the Proposed Placement

The Proposed Placement will be conditional upon the implementation of the other steps of the Asset Restructuring.

(C) Effects of the Asset Restructuring and the Proposed Placement on the Shareholding Structure of A-share Listco

Details of the shareholding structure of the A-share Listco (1) as at the Latest Practicable Date; (2) immediately after completion of the proposed issuance of the Consideration Shares and the transfer of A-shares pursuant to the Share Transfer Agreement; and (3) immediately after completion of the proposed issuance of the Consideration Shares, the transfer of A-shares pursuant to the Share Transfer Agreement and the proposed issuance of the Placing Shares are set out below (assuming that 1,228,249,744 Consideration Shares and 511,770,726 Placing Shares will be fully issued and there is no other change in the issued share capital of the A-share Listco):

	As at the Latest Practicable Date		Immediately after completion of the proposed issuance of the Consideration Shares and the transfer of A-shares pursuant to the Share Transfer Agreement		Immediately after completion of the proposed issuance of the Consideration Shares, the transfer of A-shares pursuant to the Share Transfer Agreement and the proposed issuance of the Placing Shares	
	Number of Shares	Approximate percentage of total issued share capital	Number of Shares	Approximate percentage of total issued share capital	Number of Shares	Approximate percentage of total issued share capital
		%		%		%
Shanghai Qinshuolai	120,000,000	37.50%	93,200,000	6.02%	93,200,000	4.52%
Mr. Hu	60,000,000	18.75%	60,000,000	3.88%	60,000,000	2.91%
Yongda Investment	—	—	1,255,049,744	81.06%	1,255,049,744	60.92%
Investors of the Placing Shares	—	—	—	—	511,770,726	24.84%
Other shareholders	140,040,000	43.75%	140,040,000	9.04%	140,040,000	6.81%
Total	320,040,000	100%	1,548,289,744	100%	2,060,060,470	100%

PROPOSED SPIN-OFF

(A) The Proposed Spin-off

The effective transfer of the Spin-off Businesses by the Group to the A-share Listco by way of the Automobile Group Disposal and the A-share Listco Acquisition pursuant to the Share Issuance and Asset Purchase Agreement constitutes a spin-off pursuant to the applicable requirements under Practice Note 15. The Company had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 in relation to the Proposed Spin-off and on May 26, 2016, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off.

Upon Completion of the Asset Restructuring, it is currently expected that (i) Automobile Group will become a direct wholly-owned subsidiary of the A-share Listco; and (ii) Yongda Investment will become the controlling shareholder of the A-share Listco, and will hold approximately 60.92% A-shares in the A-share Listco as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares. Accordingly, the A-share Listco will become an indirect non wholly-owned subsidiary of the Company focusing on the Spin-off Businesses, which mainly consist of the 4S Dealership Businesses and the Finance Leasing Business.

All current business of the A-share Listco will cease upon the Completion.

(B) The Retained Group

After completion of the Proposed Spin-off, the Retained Group will continue to conduct the Group's automobile rental service business through Yongda Automobile Rental and its subsidiaries.

The Retained Group provides primarily long-term rental services of six months or more and a relatively small portion of short-term rental services. The Retained Group's long-term rental services primarily serve corporate customers, particularly multinational corporations, who typically have long-term rental needs for commuting and daily business use and require a luxury and well-maintained fleet of passenger vehicles. The Retained Group's short-term rental services are mainly used by corporate or individual customers for short business trips, conventions and tourist activities.

The Retained Group's operating revenue is entirely derived from rental payment for use of the fleet and the chauffeur services (where applicable) by independent third-party customers. As of the Latest Practicable Date, the Retained Group had a fleet of approximately 2,476 passenger vehicles. The Retained Group currently engages approximately 1,140 chauffeurs for long-term rental services, most of which are engaged through third-party agencies. The Retained Group entered into service agreements with the third-party agencies and pays services fees for the services rendered by the relevant chauffeurs and personnel. The third-party agencies pay remuneration and provide training to the relevant chauffeurs and personnel.

The Retained Group has a vehicle administration department of six full-time employees dedicated to the procurement, repair and maintenance of its fleet. The vehicle administration department prepares the procurement plan and budget for the Retained Group based on the status of the fleet and market demand for rental services. For the three years ended December 31, 2015, the Retained Group purchased most of its passenger vehicles for rental from the Spin-off Group. Based on the Company's market knowledge and experience, purchasers of passenger vehicles in China do not usually purchase vehicles from car manufacturers through direct sales. Instead, they are required to place orders through an authorised distributor of the car manufacturer in China. The Retained Group's internal procurement procedures and decision-making process can be broadly summarized in the following three scenarios:

- If a particular brand or model is distributed by the Spin-off Group under its dealership agreements and the car manufacturer is willing to offer bulk purchase discounts to the Retained Group, the Retained Group will enter into a three-party purchase agreement with the car manufacturer and Automobile Group, under which the Retained Group will purchase from the Spin-off Group with bulk purchase discounts from the relevant car manufacturer. For this type of purchases, the Retained Group is treated as a corporate client by the Spin-off Group like its other corporate or government-entity clients. The car manufacturers ultimately determine whether or to what extent bulk purchase discount should be offered based on the Retained Group's size of order.
- If a particular brand or model is distributed by the Spin-off Group under its dealership agreements without bulk purchase discounts offered by the particular car manufacturer, the Retained Group's vehicle administration department will ask for quotes from at least three independent third-party 4S dealerships. The Spin-off Group will then sell the vehicles to the Retained Group based on the lowest quoted price offered by these independent third-party 4S dealerships.

- If a particular brand or model is not distributed by the Spin-off Group, the Retained Group's vehicle administration department will ask for quotes from at least three independent third-party 4S dealerships and buy at the lowest quoted price offered or hold public tender if necessary.

Most of the Retained Group's clients for long-term rental services are corporate clients who have high-standard requirement on the age and status of vehicles. According to the Retained Group's internal business records, on average, its vehicles for rental retire from service within four to five years from first use. Retired vehicles are usually sold by the Retained Group to independent third-party dealers for second-handed vehicles. For the three years ended December 31, 2015, the Retained Group did not sell its retired vehicles to the Spin-off Group.

Since the Retained Group primarily engages in providing long-term rental services of more than six months to corporate clients, its site selection does not usually have the same requirement as a 4S dealership. As of the Latest Practicable Date, the Retained Group has established a total of 27 rental outlets in China. Other than three rental outlets which are located in the same business premise or adjacent to the business premises of the Spin-off Group's 4S dealerships, none of the Retained Group's other rental outlets have overlapping locations with those of the Spin-off Group's 4S dealerships.

(C) Assured Entitlement

In accordance with the requirements under paragraph 3(f) of Practice Note 15, the Board is required to give due regard to the interests of the existing Shareholders by providing the Shareholders with an assured entitlement to the shares of the A-share Listco due to the Proposed Spin-off.

After due and careful consideration of the Proposed Spin-off and having taken into account the requirements of the applicable PRC laws and regulations, the Board has resolved not to provide assured entitlement to the Shareholders under the Proposed Spin-off for the following reasons:

(a) the Consideration Shares of the A-share Listco will only be listed and traded on the Shenzhen Stock Exchange; and

(b) according to the existing laws and regulations of the PRC and as advised by the Company's PRC legal advisers, generally only qualified foreign institutional investors approved by CSRC or foreign strategic investors approved by MOFCOM on the foreign investor's proposed strategic investment in a listed company and holding quotas from the State Administration of Foreign Exchange and complying with other requirements under PRC laws and regulations would be able to hold A-shares in the A-share Listco and go through the relevant formalities with a securities registration and settlement institution. Given that a substantial number of Shareholders do not fall within the scope of investors mentioned before, it would not be feasible for the Company to provide the assured entitlement to such Shareholders.

In light of the above, the Board is of the view that compliance with the assured entitlement requirement under paragraph 3(f) of Practice Note 15 is not practicable due to legal and regulatory restrictions in the PRC. Whether or not the Company's minority Shareholders will resolve to waive the assured entitlement at the EGM, compliance with such requirements is not permissible for the Company under PRC laws and regulations. Furthermore, compliance with the assured entitlement requirement would not be for the benefit of the Company and the Shareholders if such arrangement cannot apply to all the Shareholders on an equal basis. Accordingly, the Company proposes that no assured entitlement to the shares of the A-share Listco will be offered to the Shareholders in connection with the Proposed Spin-off. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15. The Board is of the view that such waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors believe that the Proposed Spin-off will enable the market to better appraise and assess the value of the Spin-off Businesses and provide a separate fund raising platform for the Company with more funding options in the PRC. In addition, subject to market conditions in the PRC, the Directors believe that the Spin-off Businesses will be able to take advantage of the current more favourable valuation on the PRC stock market. On the basis of such funding options and more favourable valuation, the Directors believe that the Company will be better positioned to develop the Spin-off Businesses, in particular the Finance Leasing Business, through both organic and inorganic growth, and to better cooperate with market participants in the PRC. Finally, the Directors are of the view that having a separate listing platform in the PRC will help to promote the Company's brand awareness and reputation in the PRC.

Upon completion of the Proposed Spin-off, the financial results of Automobile Group will continue to be consolidated into the Company's accounts. As such, the Company and its shareholders will continue to enjoy the benefits from the growth and development of Automobile Group and its subsidiaries, which include, among others, any increase in the operating profits of Automobile Group going forward and increase in equity attributable to shareholders arising from the proceeds that may be raised from the Proposed Placement.

The Directors (excluding the independent non-executive Directors, being members of the Independent Board Committee, who will give their opinion after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ASSET RESTRUCTURING AND THE PROPOSED PLACEMENT

Upon completion of the Asset Restructuring, the equity interests of the Company in Automobile Group will reduce from 100% to not less than approximately 81.06% (immediately after completion of the proposed issuance of the Consideration Shares, assuming no further shares of the A-share Listco will be issued after the Latest Practicable Date) and Automobile Group will become an indirect non wholly-owned subsidiary of the Company through the shareholding held by the A-share Listco. As a result, Automobile Group will continue to be consolidated into the consolidated financial statements of the Group.

From an accounting perspective, in order to determine the fair value of the Automobile Group, a lack of liquidity discount will need to be applied to the fair value of the Company and a separate fair value of Yongda Automobile Rental will need to be calculated and deducted from the Company's fair value. Since the above two factors are dependent on the independent valuer's work to be performed on the date of completion of the transactions, for convenience and practical reasons, the following assumptions are made by the Company when determining the fair value of Automobile Group when estimating the loss that would arise as a result of the Asset Restructuring:

- No lack of liquidity discount is applied to the fair value of the Company as of December 31, 2015, i.e., the market capitalization of the Company as of December 31, 2015.
- The carrying amount of Yongda Automobile Rental as of December 31, 2015 is used as its fair value.

In addition, the Company assumes that the A-share Listco Assets will be transferred to Mr. Hu at zero consideration in calculating the above amount.

Based on the above assumptions, and assuming the Asset Restructuring had been completed as at December 31, 2015, the Company estimates the fair value of the shares that are deemed to have been issued by Automobile Group would be approximate RMB1.4 billion, the cash consideration paid for the Asset Restructuring would be approximate RMB0.9 billion and the fair value of the net assets of the A-share Listco would be approximate RMB0.6 billion, which would cause a loss of approximate RMB1.7 billion arisen as a result of the Asset Restructuring.

The Company wishes to emphasize that the above information is solely to illustrate the expected loss of the Asset Restructuring as if the transactions thereunder had been completed as at December 31, 2015, based on the assumptions above, for purposes of illustration only. Accordingly, the exact amount of gain or loss on the Asset Restructuring may be different from the amount mentioned above.

Shareholders should note that the above estimated loss for illustration purposes is a one-off extraordinary item and is not related to the results of the Company's ordinary business operations. The amount mentioned will not be taken into consideration when determining the dividend (if any) of the Company for the year ending December 31, 2016, and is not expected to have an adverse impact on the Company's dividend policy going forward. In addition, as disclosed under the section headed "Proposed Placement" above, the A-share Listco is expected to raise no more than RMB5 billion from the Proposed Placement, which, if it proceeds, will increase the net assets attributable to the Shareholders of the Company. Notwithstanding the above estimated loss for illustration purpose, the Directors believe that the Proposed Spin-off will be in the interest of the Company and the Shareholders as a whole as it will provide a separate fund raising platform for the Company in the PRC and will enable the Spin-off Businesses to take advantage of the current more favourable valuation on the PRC stock market. Such funding options and more favourable valuation will provide a solid foundation for the Spin-off Businesses to development its operations and cooperate with market participants in the PRC.

Besides, as the indirect holding by the Company of the entire equity interest in Automobile Group will effectively be exchanged to not less than approximately 60.92% equity interests in the A-share Listco immediately after completion of the proposed issuance of the Consideration Shares and the Placing Shares, assuming no further shares of the A-share Listco (other than the Consideration Shares and the Placing Shares) will be issued after the Latest Practicable Date, no sale proceeds will be received by Yongda Investment in respect of the Automobile Group Disposal. It is expected that the

A-share Listco will raise proceeds of no more than RMB5 billion in aggregate through the issuance of the Placing Shares.

Upon completion of the proposed issuance of the Placing Shares, 20.14% interest in the Automobile Group will be deemed to be disposed to non-controlling shareholders as at the completion date, assuming no further shares of the A-share Listco (other than the Consideration Shares and the Placing Shares) will be issued after the date of this circular. The excess of the consideration over the net book value of the assets to be disposed of pursuant to the Proposed Placement was approximately RMB4,229.8 million, representing the difference between the estimated net proceeds from the Placing Shares in an amount of no more than RMB5 billion and 20.14% of the net book value of the assets of Automobile Group as at December 31, 2015, assuming the transactions contemplated thereunder are completed at December 31, 2015.

LISTING RULES IMPLICATIONS

The relevant percentage ratios (as defined in the Listing Rules) in respect of the Automobile Group Disposal are more than 75%, and the relevant percentage ratios (as defined in the Listing Rules) in respect of the A-share Listco Acquisition are more than 100%. As a result, the Proposed Spin-off constitutes a very substantial disposal and a very substantial acquisition for the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. In the meantime, the Automobile Group Disposal and the A-share Listco Acquisition also constitute a spin-off pursuant to the applicable requirements under Practice Note 15. The Proposed Spin-off is therefore also subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of Practice Note 15.

WAIVER RELATING TO CERTAIN FINANCIAL DISCLOSURE REQUIREMENTS

Rule 14.69(4)(a)(i) of the Listing Rules requires a listed issuer to include, among others, an accountants' report on the company being acquired in accordance with Chapter 4 of the Listing Rules (the "**A-share Listco Accountants' Report**") in the circular issued in relation to a very substantial acquisition.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the disclosure requirements under Rule 14.69(4)(a)(i) of the Listing Rules on the following grounds:

(i) The existing business of the A-share Listco (the "**Construction Material Business**") is irrelevant to the Company's principal business activities and will be discontinued by the A-share Listco after the Asset Restructuring takes effect. As the Company does not intend to acquire the Construction Material Business and the financial information required under Rule 14.69(4)(a)(i) is entirely related to the historical performance of the Construction Material Business, the Directors are of the view that the A-share Listco Accountants' Report is not meaningful to the Shareholders for assessing the impact of the Proposed Spin-off.

(ii) The A-share Listco is a company listed on Shenzhen Stock Exchange, and it publishes its financial information, including audited accounts, prepared under PRC GAAP on a regular basis pursuant to applicable PRC laws and CSRC regulations. Such financial information can be easily obtained by the Shareholders and will enable them and the investing public to make a properly informed assessment of the A-share Listco's historical financial performance based on the Construction Material Business.

(iii) Given that the historical financial information of the Construction Material Business is not meaningful to the Shareholders, it is unduly burdensome for the Company to engage internal and external resources to prepare the A-share Listco Accountants' Report as required under Rule 14.69(4)(a)(i) in light of the substantial time and costs required.

In view of the above, the Directors are of the view that the absence of the A-share Listco Accountants' Report from the Circular is not likely to mislead investors with regard to the facts and circumstances and the knowledge which are essential for an informed assessment of the Proposed Spin-off and the Company's shares. Conversely, the Directors submit that the inclusion of such accountant's report in the Circular may potentially be misleading as Shareholders' attention will be drawn to the information which is in effect not relevant to the A-share Listco's future operations and financial performance after the Proposed Spin-off.

EGM

A notice convening the EGM, at which the resolutions to approve the Asset Restructuring Agreements, the Proposed Spin-off and the transactions contemplated thereunder shall be proposed, is set out in pages EGM-1 to EGM-2 of this circular. The EGM will be held at Yongda International Tower, 2277 Longyang Road, Pudong New Area, Shanghai, PRC, on Monday, June 20, 2016 at 10 a.m. or any adjournment thereof.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder or his or her associates has any material interest in the Proposed Spin-off and the transactions contemplated thereunder and therefore, no Shareholder is required to abstain from voting for the resolutions to be proposed at the EGM.

Where a Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

Shareholders whose names appear on the register of members of the Company at the close of business on June 17, 2016 Friday (the "**Record Date**") will be entitled to attend the EGM. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong

Kong Investor Services Limited, at Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on the Record Date.

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Lyu Wei, Mr. Chen Xianglin and Ms. Zhu Anna Dezhen, has been formed to consider the Proposed Spin-off and the transactions contemplated thereunder, and Somerley Capital Limited has been appointed as the Company's Independent Financial Adviser to advise the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable and whether the Proposed Spin-off and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on page 30 of this circular) consider that the terms of the Proposed Spin-off and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The text of the letter from Independent Board Committee is set out on page 30 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 31 to 64 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of the Board
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

YONDA 永达汽车

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 3669)

June 2, 2016

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTERESTS IN SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD. AND THE PROPOSED SUBSCRIPTION OF SHARES IN SUZHOU YANGTZE NEW MATERIALS CO., LTD.

(2) PROPOSED SPIN-OFF OF SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD.

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated June 2, 2016 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Proposed Spin-off and the transactions contemplated thereunder and the advice of Independent Financial Adviser in relation thereto as set out on pages 31 to 64 of this Circular, we are of the opinion that the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Shareholders are concerned.

Accordingly, we recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Spin-off and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
China Yongda Automobiles Services Holdings Limited

Mr. Lyu Wei	**Mr. Chen Xianglin**	**Ms. Zhu Anna Dezhen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from Somerley to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
Queen's Road Central
Hong Kong

2 June 2016

To: The Independent Board Committee and the Shareholders of China Yongda Automobiles Services Holdings Limited

Dear Sirs,

(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST IN SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD. AND PROPOSED SUBSCRIPTION OF SHARES IN SUZHOU YANGTZE NEW MATERIALS CO., LTD.

AND

(2) PROPOSED SPIN-OFF OF SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD.

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off. Details of the terms of the Proposed Spin-off are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 2 June 2016 (the **"Circular"**), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

On 14 April 2016, Yongda Investment, an indirect wholly-owned subsidiary of the Company, entered into (i) the Share Issuance and Asset Purchase Agreement; (ii) the Share Transfer Agreement; (iii) the Material Asset Disposal Agreement; and (iv) Profit Compensation Agreement in connection with the Proposed Spin-off.

Pursuant to the Share Issuance and Asset Purchase Agreement, Yongda Investment conditionally has agreed to dispose of, and the A-share Listco conditionally has agreed to acquire, 100% equity interest in the Automobile Group. The Consideration, which was determined with reference to the appraised value of the entire equity interests of the Automobile Group (the "**AG Appraised Value**"), is to be satisfied by allotment and issue of the Consideration Shares by the A-share Listco to Yongda Investment.

Pursuant to the Share Transfer Agreement, Yongda Investment conditionally agreed to purchase, and Shanghai Qinshuolai conditionally agreed to sell, 26,800,000 A-shares in the A-share Listco (the "**A Shares**") for a total consideration of RMB324,816,000 (subject to adjustment).

Pursuant to the Material Asset Disposal Agreement, the A-share Listco has conditionally agreed to sell, and Yongda Investment has conditionally agreed to purchase, the A-share Listco Assets for a total consideration of RMB612,900,000, which was determined with reference to the appraised value of the A-share Listco Assets (the "**A-share Listco Assets Appraised Value**") and Yongda Investment has in turn conditionally agreed to sell, and Mr. Hu has conditionally agreed to purchase, the A-share Listco Assets at a consideration to be determined with reference to, among others, a post-completion audit of the A-share Listco Assets.

Pursuant to the Profit Compensation Agreement, Yongda Investment has agreed to make compensation to the A-share Listco if (i) the net profit of the Automobile Group is lower than the Committed Net Profits during the Profit Compensation Period; and (ii) the impairment amount of 100% interest in the Automobile Group as at the end of the Profit Compensation Period is larger than the aggregate of the profit compensation already paid.

Upon completion of the Proposed Spin-off, it is currently expected that (i) the Automobile Group will become a direct wholly-owned subsidiary of the A-share Listco; and (ii) Yongda Investment will become the controlling shareholder of the A-share Listco, and will hold approximately 81.06% of the total issued A Shares as enlarged by the allotment and issue of the Consideration Shares. Accordingly, the A-share Listco will become an indirect non-wholly owned subsidiary of the Company.

In order to raise funds for the further development of the Automobile Group, the A-share Listco also plans to allot and issue by way of non-public offer of not more than 511,770,726 Placing Shares to no more than 10 qualified designated investors in the PRC to raise not more than RMB5 billion. Upon completion of the Proposed Spin-off and the Proposed Placement, Yongda Investment will hold not less than approximately 60.92% of the total issued A Shares as enlarged by the allotment and issue of the Consideration Shares and the Placing Shares.

As stated in the letter from the Board, the effective transfer of the Automobile Group to the A-share Listco by way of the Automobile Group Disposal and the A-share Listco Acquisition pursuant to the Share Issuance and Asset Purchase Agreement constitutes a spin-off pursuant to the applicable requirements under Practice Note 15. The Company had submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 in relation to the Proposed Spin-off and on 26 May 2016, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off. No assured entitlement to the A Shares will be offered to the Shareholders in connection with the Proposed Spin-off.

The relevant percentage ratios (as defined in the Listing Rules) in respect of the Automobile Group Disposal are more than 75%, and the relevant percentage ratios (as defined in the Listing Rules) in respect the A-share Listco Acquisition are more than 100%. As a result, the Proposed Spin-off constitutes a very substantial disposal and a very substantial acquisition for the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules and also subject to the approval of the Shareholders under Practice Note 15.

The Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with the disclosure requirements under Rule 14.69(4)(a)(i) of the Listing Rules, which allows the Company not to disclose an accountants' report on the A-share Listco in the Circular

Shareholders are advised to refer to the financial information posted by the A-share Listco on the website of Shenzhen Stock Exchange.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lyu Wei, Mr. Chen Xianglin and Ms. Zhu Anna Dezhen, has been formed to make recommendations to the Shareholders in respect of the terms of the Proposed Spin-off and the transactions contemplated thereunder. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in the same regard.

As at the Latest Practicable Date, we were not aware of any relationships or interests between Somerley Capital Limited and the Company or any other parties that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. We are not associated with the Company, the A-share Listco, or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the Proposed Spin-off and the transactions contemplated thereunder. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the A-Share Listco, or their respective substantial shareholders or associates.

In formulating our opinion, we have reviewed, among other things, the annual reports of the Company for the two years ended 31 December 2014 (the **"2014 Annual Report"**) and 31 December 2015 (the "**2015 Annual Report**"), the annual reports of the A-share Listco for the two years ended 31 December 2014 and 31 December 2015 (the **"2014 & 2015 A-Share Listco Annual Reports"**) and the valuation reports issued by 銀信資產評估有限公司 (Yinxin Asset Appraisal Co., Ltd.) (**"AG PRC Valuer"**) in respect of the Automobile Group (the **"AG Valuation Report"**) and by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.) (**"A-share Listco Assets PRC Valuer"**) in respect of the A-share Listco Assets (the **"A-share Listco Assets Valuation Report"**).

We have relied on the information and facts supplied, and the opinions expressed to us, by the Directors and management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and remain to be true, accurate and complete in all material aspects up to the date of this letter. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the Proposed Spin-off, we have taken into account the principal factors and reasons set out below.

1. Background and financial information of the Automobile Group

(a) Business of the Automobile Group

The Automobile Group and its subsidiaries are principally engaged in the 4S Dealership Businesses and Finance Leasing Business (i.e. all the existing businesses of the Group other than the automobile rental business).

(b) Financial performance of the Automobile Group

Set out below is a summary of the financial performance of the Automobile Group for the three years ended 31 December 2015 as extracted from Appendix II to the Circular.

	For the year ended 31 December		
	2015	**2014**	**2013**
	RMB (million)	**RMB (million)**	**RMB (million)**
Revenue	35,465.7	32,790.7	25,891.9
Cost of sales and services	(32,562.8)	(30,181.3)	(23,711.5)
Gross profit	2,902.9	2,609.4	2,180.4
Other income and other gains and losses	427.7	344.1	239.0
Distribution and selling expenses	(1,484.7)	(1,271.3)	(943.8)
Administrative expenses	(699.4)	(613.0)	(455.6)
Finance costs	(404.5)	(338.3)	(209.1)
Share of profits of joint ventures	12.5	8.2	9.5
Share of profits of associates	3.1	0.6	0.6
Profit before tax	757.6	739.7	821.0
Income tax expense	(192.5)	(177.2)	(201.4)
Profit for the year	565.1	562.5	619.6
Profit attributable to the shareholders	510.4	518.9	564.4
Non-controlling interests	54.7	43.6	55.2
	565.1	562.5	619.6

Revenue from the 4S Dealership Businesses were approximately RMB25,888.3 million, RMB32,738.1 million and RMB35,366.3 million for the three years ended 31 December 2013, 2014 and 2015 respectively, of which approximately 90.0%, 89.2% and 88.3% were contributed by the new passenger vehicle sales business. The increase in revenue from passenger vehicle sales over the past three years was primarily due to (i) continuous growth of the overall demand for luxury and ultra-luxury passenger vehicles in China; and (ii) the active expansion of the Automobile Group's network of outlets.

Revenue from the Finance Leasing Business were approximately RMB3.6 million, RMB52.6 million and RMB99.4 million for the three years ended 31 December 2013, 2014 and 2015 respectively. The substantial growth in revenue from the Finance Leasing Business was primarily due to rapid expansion in the scale of the Finance Leasing Business, creating new interest-generating assets of RMB1,463 million and RMB1,458 million in 2014 and 2015 respectively.

Despite substantial revenue growth in 2014 and 2015, net profit attributable to the shareholders declined over the three years ended 31 December 2015 and amounted to RMB564.4 million, RMB518.9 million and RMB510.4 million respectively. This is primarily due to the continual increase in selling expenses, administrative expenses and finance expenses incurred over the past three years, as a result of the active expansion of the Automobile Group's sales and services network and business scale. Details of the management's discussion and analysis on the financial performance of the Spin-off Group is set out in Appendix IV to the Circular.

(c) Financial position of the Automobile Group

Set out below is a summary of the financial position of the Automobile Group as at 31 December 2015, 2014 and 2013 as extracted from Appendix II to the Circular.

	As at 31 December		
	2015	**2014**	**2013**
	RMB (million)	**RMB (million)**	**RMB (million)**
Non-current assets			
Property, plant and equipment	3,091.8	2,769.2	1,879.3
Prepaid lease payments	978.3	578.7	374.5
Intangible assets	429.2	436.7	242.2
Finance lease receivables	207.7	468.0	32.6
Other non-current assets	843.0	646.2	574.6
	5,550.0	4,898.8	3,103.2
Current assets			
Inventories	4,083.1	4,324.2	3,447.8
Finance lease receivables	569.9	357.1	55.7
Trade and other receivables	3,434.8	3,268.1	3,375.2
Cash in transit	99.8	72.1	81.6
Pledged bank deposits	1,138.2	1,515.0	965.2
Bank balances and cash	1,128.2	1,647.9	1,192.9
Other current assets	210.6	629.3	155.5
	10,664.6	11,813.7	9,273.9
Current liabilities			
Trade and other payables	4,595.9	4,904.0	3,623.9
Amounts due to related parties	3,311.9	3,878.6	1,729.8
Income tax liabilities	429.4	396.3	320.6
Borrowings	3,313.9	3,525.5	3,543.2
	11,651.1	12,704.4	9,217.5
Net current assets/(liabilities)	**(986.5)**	**(890.7)**	**56.4**
Total assets less current liabilities	**4,563.5**	**4,008.1**	**3,159.6**
Non-current liabilities			
Borrowings	235.4	182.3	32.0
Other liabilities	200.3	103.1	11.6
Deferred tax liabilities	104.4	107.9	63.4
	540.1	393.3	107.0
Equity			
Equity attributable to the shareholders	3,576.3	3,228.8	2,758.8
Non-controlling interests	447.1	386.0	293.8
	4,023.4	3,614.8	3,052.6

Non-current assets were mainly made up of (i) property, plant and equipment, which increased by RMB889.9 million as at 31 December 2014 compared to that of 2013 mainly due to the increased purchases of property, plant and equipment as a result of the expansion of sales outlets, acquisition of subsidiaries which operate 4S dealerships, and completion of constructions of self-owned outlets during the year; (ii) prepaid lease payments, which increased throughout the period under review as a result of the Automobile Group's continuous expansion of the network of its new passenger vehicle sales and services outlets; (iii) intangible assets, which increased by RMB194.5 million as at 31 December 2014 compared to that of 2013 mainly due to the increase of 4S dealership agreements by way of acquisition.

Current assets were mainly made up of (i) inventories, including passenger vehicles and spare parts and accessories, which increased by RMB876.4 million as at 31 December 2014 compared to that of 2013 due to expansion of the 4S Dealership Businesses, and declined by RMB241.1 million in 2015 as a result of the strengthening of the Automobile Group's inventory management which reduced the ratio of inventories to its operating capital; (ii) trade and other receivables, including rebate receivables from suppliers of RMB1,356.5 million, RMB1,664.0 million and RMB1,753.9 million as at 31 December 2013, 2014 and 2015 respectively, the increase during the period under review was in line with the growth of sales volume of passenger vehicles; and (iii) cash and cash equivalents, including pledged bank deposits and bank balances and cash, which increased by RMB1,004.8 million as at 31 December 2014 compared to that of 2013 due to the increase of pledged bank deposits and the increase in net cash generated from operating activities, and decreased by RMB896.5 million in 2015 mainly due to the net cash used in investing and financing activities exceeded the net cash generated from operating activities.

Finance lease receivables, which were recognised under both non-current and current assets, amounted to RMB88.3 million, RMB825.1 million and RMB777.6 million as at 31 December 2013, 2014 and 2015 respectively. The balance increased by RMB736.8 million as at 31 December 2014 compared to that of 2013 due to rapid development of the Finance Leasing Business, and slightly decreased by RMB47.5 million in 2015 as certain receivables were de-recognised upon being transferred to financial institutions by discounting those receivables.

Non-current liabilities were mainly made up of (i) borrowings, which increased during the period under review due to expansion of the network of the 4S Dealership Businesses; and (ii) other liabilities, which are deposits received from customers under finance leases and increased during the period under review due to rapid expansion of the Finance Leasing Business.

Current liabilities were mainly made up of (i) trade and other payables, which mainly include bills payable of RMB2,288.4 million, RMB2,365.8 million and RMB2,540.7 million as at 31 December 2013, 2014 and 2015 respectively, the increase during the period under review mainly due to the increase in purchase of passenger vehicles as a result of the expansion of the 4S Dealership Businesses, and advances and deposits from customers of RMB707.9 million, RMB1,564.7 million and RMB988.8 million as at 31 December 2013, 2014 and 2015 respectively, the substantial increase in 2014 due to the increase in deposits received from certain major customers for the purchase of luxury and ultra-luxury passenger vehicles, while the year-end balance in 2015 returned to a normal level; (ii) amounts due to related parties, namely Yongda Investment and its sole shareholder, of RMB1,729.8 million, RMB3,878.6 million and RMB3,311.9 million as at 31 December 2013, 2014 and 2015 respectively to finance the operation of the Automobile Group and are unsecured, interest-bearing and repayable on demand; and (iii) borrowings of RMB3,543.2 million, RMB3,525.5 million and RMB3,313.9 million as at 31 December 2013, 2014 and 2015 respectively, which remained at a stable level to satisfy the funding needs of the Automobile Group during the period under review.

As a result of the continuous expansion and development of the Automobile Group's businesses during the period under review, equity attributable to the shareholders of the Automobile Group increased in the last three years and were RMB2,758.8 million, RMB3,228.8 million and RMB3,576.3 million as at 31 December 2013, 2014 and 2015 respectively.

2. Background and financial information of the A-share Listco

(a) Business of the A-share Listco

The A-share Listco is a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange of the PRC (stock code: 002652). Prior to the Asset Restructuring, the A-share Listco has been engaged in research, production and sale of organic coating boards and related substrates as well as construction materials. The A-share Listco will conduct the Asset Restructuring in accordance with applicable PRC laws and regulations and submit (i) the relevant assets restructuring proposal to the CSRC and (ii) an application in relation to the investment by Yongda Investment as a foreign strategic investor for the Consideration Shares to MOFCOM for approval. It is expected that, after the Asset Restructuring takes effect, the A-share Listco will discontinue its existing business.

(b) Financial performance of the A-share Listco

Set out below is a summary of the financial performance of A-share Listco for the three years ended 31 December 2015 as extracted from the 2014 & 2015 A-share Listco Annual Reports.

	For the year ended 31 December		
	2015	2014	2013
	RMB (million)	RMB (million)	RMB (million)
Turnover	1,451.0	1,378.3	1,476.7
Operating profit	86.8	39.7	41.9
Profit before tax	86.2	40.5	42.1
Net profit for the year	69.6	34.9	36.1
Net profit attributable to the shareholders of A-share Listco	41.2	36.1	36.2

The decrease in turnover from RMB1,476.7 million for the year ended 31 December 2013 to RMB1,378.3 million in 2014 was mainly attributable to the drop in market sales price of the A-share Listco's principal products during the year. Turnover surged back up to RMB1,451.0 million in 2015, as the sales volume increased from 360.2 thousand tons in 2014 to 547.1 thousand tons in 2015, which was mainly due to the sales volume contributed by the subsidiaries acquired during the year.

The operating results of the A-share Listco had been relatively stable in the past three years. Net profits attributable to the shareholders of the A-share Listco were about the same level for the two years ended 31 December 2013 and 2014 amounting to RMB36.2 million and RMB36.1 million respectively, and increased by 14% to RMB41.2 million in 2015. In 2015, the A-share Listco successfully completed the overseas acquisition of 51% equity interest in Russia United New Material Limited (俄羅斯聯合新型材料有限公司) (the **"Russia Subsidiary"**), which contributed to the growth of the group's profitability in 2015 by reducing product unit costs through economies of scale and strengthening new product sales in the Russian market.

(c) Financial position of the A-share Listco

Set out below is a summary of the financial position of A-share Listco as at 31 December 2015, 2014 and 2013 as extracted from the 2014 & 2015 A-share Listco Annual Reports.

	As at 31 December		
	2015	2014	2013
	RMB (million)	RMB (million)	RMB (million)
Non-current assets			
Fixed assets	335.7	339.0	132.9
Construction in progress	106.2	1.7	99.8
Goodwill	257.1	—	1.7
Other non-current assets	29.1	17.8	16.3
	728.1	358.5	250.7
Current assets			
Cash and cash equivalent	169.7	280.2	142.7
Notes receivable	51.9	118.4	68.2
Accounts receivable	98.9	60.1	57.6
Prepayments	439.3	104.5	150.0
Inventories	293.8	178.4	104.9
Other current assets	26.4	10.3	0.1
	1,080.0	751.9	523.5
Total assets	**1,808.1**	**1,110.4**	**774.2**
Current liabilities			
Short-term borrowings	392.0	139.0	75.0
Notes payable	408.0	216.6	79.1
Accounts payable	73.3	49.7	12.9
Receipt in advance	93.9	26.9	12.0
Bank borrowings—due within one year	36.0	—	—
Other current liabilities	7.9	23.7	7.4
	1,011.1	455.9	186.4
Non-current liabilities			
Long-term borrowings	106.5	—	—
Other non-current liabilities	4.0	—	—
	110.5	—	—
Total liabilities	**1,121.6**	**455.9**	**186.4**
Equity			
Equity attributable to the shareholders	607.9	620.9	575.3
Non-controlling interests	78.6	33.6	12.5
	686.5	654.5	587.8

Total assets of the A-share Listco were approximately RMB774.2 million, RMB1,110.4 million and RMB1,808.1 million as at 31 December 2013, 2014 and 2015 respectively. The growth of the total assets of the A-share Listco in the last three years was mainly due to the completion of its investment projects and the acquisition of 51% equity interest in the Russia Subsidiary in 2015.

Non-current assets were mainly made up of (i) fixed assets, which increased by RMB206.1 million as at 31 December 2014 compared to that of 2013 mainly due to the completion of investment projects, which mainly included automated production plants and production lines of organic coated sheets; (ii) construction in progress, which decreased by RMB98.1 million as at

31 December 2014 compared to that of 2013 also due to the completion of investment projects; and (iii) goodwill of RMB257.1 million as at 31 December 2015, which was resulted from the acquisition of equity interest in the Russia Subsidiary.

Current assets were mainly made up of (i) cash and cash equivalents, which increased by RMB137.5 million as at 31 December 2014 compared to that of 2013 due to the A-share Listco having increasingly issued acceptance notes to settle payments for purchase of raw materials, and decreased by RMB110.5 million as at 31 December 2015 as a result of the acquisition of equity interest in the Russia Subsidiary; (ii) prepayments, which increased significantly by RMB334.8 million as at 31 December 2015 compared to that of 2014 due to the prepayment of RMB255.0 million to a major supplier, to secure lower procurement costs for raw materials through bulk procurement and advance payments; and (iii) inventories, which increased significantly by RMB115.4 million as at 31 December 2015 compared to that of 2014 due to the high inventory balance of the Russia Subsidiary which was acquired during the year.

Total liabilities of the A-share Listco were approximately RMB186.4 million, RMB455.9 million and RMB1,121.6 million as at 31 December 2013, 2014 and 2015 respectively. Non-current liabilities of RMB110.5 million as at 31 December 2015 was mainly made up of the merger and acquisition loan of RMB142.5 million provided by Bank of China (Suzhou Branch) with a loan term of 54 months, of which RMB36.0 million was due within one year and classified as current liabilities.

Current liabilities were mainly made up of (i) short-term borrowings of RMB75.0 million, RMB139.0 million and RMB392.0 million as at 31 December 2013, 2014 and 2015 respectively, the gradual increase during the period under review mainly due to the increase in bank borrowings by subsidiaries to facilitate their business operations; (ii) notes payable of RMB79.1 million, RMB216.6 million and RMB408.0 million as at 31 December 2013, 2014 and 2015 respectively, the increase during the period under review mainly due to the A-share Listco and its subsidiaries having increasingly settled payments for purchases of raw materials by issuing acceptance notes; and (iii) receipt in advance of RMB12.0 million, RMB26.9 million and RMB93.9 million as at 31 December 2013, 2014 and 2015 respectively, the increase by RMB67.0 million as at 31 December 2015 compared to that of 2014 due to the advanced payments received from customers of subsidiaries of the A-share Listco (including the Russia Subsidiary).

The equity attributable to shareholders of the A-share Listco were RMB575.3 million, RMB620.9 million and RMB607.9 million as at 31 December 2013, 2014 and 2015 respectively. The A-share Listco has declared dividend of approximately RMB16.0 million for 2015.

3. Reasons for and benefits of the Proposed Spin-off

The Directors believe that the Proposed Spin-off will enable the market to better appraise and assess the value of the Spin-off Businesses and provide a separate fund raising platform for the Company with more funding options in the PRC. In addition, subject to market conditions in the PRC, the Directors believe that the Spin-off Businesses will be able to take advantage of the current more favourable valuation on the PRC stock market. On the basis of such funding options and more favourable valuation, the Directors believe that the Company will be better positioned to develop the Spin-off Businesses, in particular the Finance Leasing Business, through both organic and inorganic growth, and to better cooperate with market participants in the PRC. Finally, the Directors are of the view that having a separate listing platform in the PRC will help to promote the Company's brand awareness and reputation in the PRC.

Upon completion of the Proposed Spin-off, the financial results of Automobile Group will continue to be consolidated into the Company's accounts. As such, the Company and its shareholders will continue to enjoy the benefits from the growth and development of the Automobile Group and its subsidiaries.

The Directors consider that the terms of the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the agreements in connection with the Proposed Spin-off

The implementation of the Proposed Spin-off involves the following agreements entered into on 14 April 2016.

(a) Share Issuance and Asset Purchase Agreement

(i) Asset to be disposed

Yongda Investment has conditionally agreed to dispose of the entire equity interest of the Automobile Group to the A-share Listco.

(ii) Consideration

The consideration of RMB12.00 billion was determined based on arm's length negotiations between Yongda Investment and the A-share Listco with reference to the AG Appraised Value of approximately RMB12.015 billion as at 31 December 2015 as set out in the AG Valuation Report.

(iii) Consideration Shares

The consideration will be settled by way of issuance of A Shares. The issue price per Consideration Share and amount of the Consideration Shares to be issued by the A-share Listco to Yongda Investment will be adjusted according to relevant regulations of the Shenzhen Stock Exchange in case of any declaration of dividend, rights issue, changes of share capital, issuance of additional shares or placing by the A-share Listco during the period from the Pricing Date to the date when the Consideration Shares are issued.

Based on the Consideration of approximately RMB12.00 billion and the issue price per Consideration Share of RMB9.77 (the "**New Issue Price**"), and assuming that there is no change to the dividend or share capital of the A-share Listco from the Latest Practicable Date to the date when the Consideration Shares are issued (other than the payment by the A-share Listco of its dividend for the year ended 31 December 2015 in a total amount of RMB16,002,000), it is expected that the A-share Listco will issue approximately 1,228,249,744 Consideration Shares to Yongda Investment to satisfy the Consideration. Upon completion, Yongda Investment will be interested in 79.33% of the A-share Listco as enlarged by the issuance of the Consideration Shares.

(iv) Conditions precedent

Completion is subject to, among other things, (i) the approval of Shareholders and CSRC in respect of the Asset Restructuring, (ii) the approval of MOFCOM in respect of the strategic investment of Yongda Investment in the A-share Listco; (iii) waiver by the A-shareholders for the general offer obligation on the part of the A-share Listco; and (iv) the approval from the Stock Exchange in respect of the Proposed Spin-off and its consent to the waiver application in relation to assured entitlement under Practice Note 15.

(v) Lock-up period

Yongda Investment has agreed that it will not transfer the Consideration Shares to be issued to it, nor nominate any third party to manage such Consideration Shares, for a period of 36 months commencing from the date when the Consideration Shares are registered in the name of Yongda Investment. Such lock-up period will be extended for at least another six months if the closing prices of the A Shares for any 20 consecutive trading days during the period of six months commencing from the Completion are lower than the New Issue Price, or where the closing price at the end of such six-month period is lower than the New Issue Price.

(vi) Transitional period

The A-share Listco will be entitled to the profit of the Automobile Group during the Transitional Period, whereas Yongda Investment shall bear the loss of Automobile Group during the Transitional Period and compensate the A-share Listco in cash after Completion, if any. The loss and the profit of the Automobile Group during the Transitional Period shall be determined by a closing audit report prepared by an accounting firm to be mutually recognized by Yongda Investment and the A-share Listco.

(b) Share Transfer Agreement

(i) Asset to be acquired

Yongda Investment has conditionally agreed to acquire 26,800,000 A Shares from Shanghai Qinshuolai, the existing controlling shareholder of the A-share Listco and also an third party independent of the Company and its connected persons as stated in the letter from the Board. Upon completion of the Share Issuance and Asset Purchase Agreement and the Share Transfer Agreement, Yongda Investment will hold 1,255,049,744 A Shares, representing 81.06% of the total issued A Shares as enlarged by the issuance of the Consideration Shares.

(ii) Consideration

The consideration of RMB324,816,000 was determined based on arm's length negotiations between Yongda Investment and Shanghai Qinshuolai, representing RMB12.12 per A-share, which is equivalent to the closing price of the A Shares on the last trading day immediately preceding the Pricing Date (subject to adjustments for any stock distribution or capitalisation issue by the A-share Listco).

(iii) Conditions precedent

The Share Transfer Agreement will become effective on the date when the Share Issuance and Asset Purchase Agreement and the Material Asset Disposal Agreement become effective.

(iv) Transitional Period

Yongda Investment will be entitled to any cash dividend paid in respect of the A Shares to be transferred to it during the period from 1 January 2016 to the completion of the Share Transfer Agreement.

(c) Material Asset Disposal Agreement

(i) Asset to be acquired and onward disposed

Yongda Investment has conditionally agreed to acquire the A-share Listco Assets (being all the assets and liabilities of the A-share Listco as at 31 December 2015) from the A-share Listco and Yongda Investment has in turn conditionally agreed to sell the A-share Listco Assets to Mr. Hu, being the ultimate controlling shareholder of the A-share Listco and a third party independent of the Company and its connected persons as stated in the letter from the Board.

(ii) Consideration

The consideration for the transfer of the A-share Listco Assets from the A-share Listco to Yongda Investment is RMB612,900,000, which is determined based on arm's length negotiations between Yongda Investment and the A-share Listco with reference to the A-share Listco Assets Appraised Value of RMB628,900,000 and the declared dividend of the A-share Listco of RMB16,002,000 for the year ended 31 December 2015 and consideration for the transfer of the A-share Listco Assets from Yongda Investment to Mr. Hu will be fixed with reference to a post-completion audit of the profit and loss of the A-share Listco Assets during the period from 31 December 2015 to actual date of transfer, the performance of the Share Issuance and Asset Purchase Agreement and the Share Transfer Agreement, the condition of the A-share Listco Assets as at completion and the operating results and dividend plans of the A-share Listco Assets. As stated in the letter from the Board, the lowest consideration for the transfer could be zero.

(iii) Conditions precedent

The Material Asset Disposal Agreement will become effective on the date when the Share Issuance and Asset Purchase Agreement becomes effective.

(iv) Transitional Period

Profit and loss of the A-share Listco Assets during the period from 31 December 2015 to the actual date of transfer will not affect the consideration payable by Yongda Investment and Mr. Hu under the Material Asset Disposal Agreement, provided that any profit arising from the A-share Listco Assets during such period will belong to the A-share Listco, whereas any loss incurred by the A-share Listco Assets during the same period will be compensated by Mr. Hu or a party designated by him to the A-share Listco.

As provided in the Material Asset Disposal Agreement, any increase in the net assets value of the A-share Listco or any profit of the A-share Listco during the period from 31 December 2015 to the actual date of transfer will belong to the A-share Listco, whereas any decrease in the net assets value of the A-share Listco or any loss incurred by the A-share Listco during the same period will be compensated by Mr. Hu or a party designated by him to the A-share Listco in cash. In any event, the movement of all the assets and liabilities or any profit or loss of the A-share Listco after 31 December 2015 up to the completion date of the Proposed Spin-off will not be consolidated in the Company's financial statements, as the A-share Listco will not have become the Company's subsidiary before then.

(d) Profit Compensation Agreement

Yongda Investment conditionally agreed to undertake to the A-share Listco that the net profit of the Automobile Group for the Profit Compensation Period will not be lower than the Committed Net Profits, failing which Yongda Investment will compensate the A-share Listco in accordance with the terms and conditions of the Profit Compensation Agreement. Yongda Investment will also compensate the A-share Listco if the impairment amount of 100% interest in the Automobile Group as at the end of the Profit Compensation Period is larger than the aggregate of the profit compensation already paid (if any).

The Committed Net Profits of Automobile Group for the three years ending 31 December 2016, 2017 and 2018 are RMB800,000,000, RMB1,000,000,000 and RMB1,200,000,000, respectively. Any compensation under the Profit Compensation Agreement will be settled by the repurchase of the Compensation Shares by the A-share Listco in priority and the shortfall will be settled by Yongda Investment in cash. Details of the compensation mechanism are set out in the letter from the Board in the Circular.

5. Proposed Placement

On 14 April 2016, the A-share Listco resolved to allot and issue by way of non-public offer no more than 511,770,726 Placing Shares to no more than 10 qualified designated investors in the PRC at the issue price of not less than RMB9.77 per Placing Share (subject to adjustment) to raise proceeds of not more than RMB5 billion in aggregate subject to the approval of the general meeting of the A-share Listco and CSRC. All investors of the Placing Shares as well as their ultimate beneficial owner(s) are expected to be third parties independent of the Company.

The 511,770,726 Placing Shares represent approximately 159.91% of the issued share capital of the A-share Listco as at the Latest Practicable Date and approximately 24.84% of the issued share capital of the A-share Listco as enlarged by the issuance of the Consideration Shares and the Placing Shares. Assuming completion of the Proposed Placement, Yongda Investment's interest in the A-share Listco will be diluted from 81.06% upon completion of the Share Issuance and Asset Purchase Agreement and the Share Transfer Agreement to not less than 60.92% upon completion of the Proposed Placement. A table showing the shareholding changes of the A-share Listco as a result of the Proposed Spin-off and the Proposed Placement is out in the letter from the Board.

The issue price per Placing Share of not less than RMB9.77 (subject to adjustment) is equivalent to the New Issue Price. Adjustment will be made to the minimum issue price of the Placing Shares which will be equal to 90% of the volume weighted average price for the 20 trading days preceding the pricing date if such adjusted placing price is lower than the New Issue Price. Details of the adjustment are set out in the letter from the Board. The proceeds to be raised from the issuance of the Placing Shares will be used by the A-share Listco mainly for the repayment of borrowings from banks and shareholders, as well as for the development of the Finance Leasing Business. The Placing Shares are subject to a lock-up period of 12 months commencing from the completion of the issuance of the Placing Shares.

The Proposed Placement will be conditional upon the implementation of the other steps of the Asset Restructuring.

6. Analysis of the Consideration under the Share Issue and Asset Purchase Agreement

As discussed in the letter from the Board in the Circular, the Consideration was arrived at after arm's length negotiations between Yongda Investment and the A-share Listco and was with reference to the AG Appraised Value of RMB12,015 million. The AG Appraised Value is the fair value of the entire equity interest of the Automobile Group as at the Valuation Reference Date as appraised by AG PRC Valuer, which is an independent firm of qualified PRC valuers (employed by A-share Listco to conduct valuation of the entire equity interest of the Automobile Group). The AG Valuation Report, which has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant approvals for the Automobile Group Disposal, was posted by the A-share Listco on 15 April 2016 on the website of the Shenzhen Stock Exchange.

(a) PRC Valuation

We have discussed the expertise of the AG PRC Valuer with its relevant staff member. We understand that the AG PRC Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise, which include《資產評估資格證書》(Asset Appraisal Qualification Certificate) issued by Shanghai Municipal Finance Bureau and《證券期貨相關業務評估資格證書》(Securities and Futures-related Business Appraisal Qualification Certification) jointly issued by the Ministry of Finance of the PRC and the CSRC, and the person in-charge of the valuation of the Automobile Group has approximately 15 years' industry experience in conducting valuation exercises. In the course of our review, we have discussed with the AG PRC Valuer the methodologies, bases and assumptions adopted in the AG Valuation Report.

(i) Valuation methodologies

Based on our discussion with the AG PRC Valuer and review of the PRC valuation report, we noted that the AG PRC Valuer has adopted both the income approach and market approach to arrive at the value of the equity interest of the Automobile Group. As discussed with the AG PRC Valuer, the income approach and market approach are generally considered to be the appropriate valuation methodologies over the asset-based approach to determine the appraised value of retail businesses similar to the Automobile Group, as (i) the primary measure for determining the value of a retailer is its future profitability, which is a key component under the income approach to establish the appraised value of the subject asset; (ii) there are normally sufficient peer companies in the retail industry for direct comparison to substantiate the valuation of the subject asset under the market approach; and (iii) the asset-based approach is normally adopted by asset-backed companies which mainly focuses on the fair value of assets held by the companies. There is a difference between the appraised values based on these respective approaches, and we understand that the difference in the valuation conclusion between the two valuation approaches is mainly due to: (i) the income approach considers the expected profitability of the Automobile Group's assets, and such profitability will generally be affected by a number of factors such as the economic conditions and the effective use of assets; and (ii) the market approach reflects the enterprise valuation by the open market under normal and fair trading conditions. In addition, the income approach is based on the future profitability of the Automobile Group which emphasizes on its operational capacity and potential, and also takes into account the value of the Automobile Group's intangible assets such as operating network, market share, servicing ability, management skills and human resources, whereas the appraised value under the market approach would be affected by stock market fluctuations and does not accurately quantify the differences in the business structure, business model, firm size and asset allocation of each comparable company. Based on the business nature and stable profit-making record of the Automobile Group and the valuation multiples of the A-share comparable companies differ substantially from each other (set out in Table 4), the AG PRC Valuer therefore considers it more appropriate to adopt the appraised value of the Automobile Group based on the income approach with that based on the market approach as a cross-check.

Based on the income approach, the AG PRC Valuer valued the equity interest of the Automobile Group based on the sum of the values of (a) the operating assets that generate revenue, (b) excess assets, (c) the non-operating assets and liabilities, and (d) long-term equity investments, which are detailed as follows:

(a) Income approach is used to capitalise or discount future projected cash flows of the operating assets that generate revenue to a single present value. The AG PRC Valuer studied the future earnings potential of the Automobile Group, and conducted discussions with the management team of the subject company to understand its budgets/projections for future years, together with industry research data to cross check the reasonableness of the inputs used by the management team of the Automobile Group. The AG PRC Valuer then translated this understanding into bases and assumptions used in financial models to derive the present value of the subject company.

(b) The excess assets refer to spare assets that (i) have no direct relation to operating income, and (ii) represent the cash and cash equivalents which exceed the minimum cash level required for operation needs as at the valuation reference date, and the value of excess assets is determined by asset-based approach.

(c) The non-operating assets and liabilities of the Automobile Group refer to the assets and liabilities that have no direct relation to normal enterprise operation, including (i) assets and liabilities that do not generate profit and (ii) assets and liabilities which generate profit but are not taken into account in the income forecast used under the income approach. For these assets, the AG PRC Valuer adopted the asset-based approach to appraise its value.

(d) The long-term equity investments refer to equity interests in companies that are not consolidated into the Automobile Group's financial statements. For equity investments with shareholding lower than 50%, the valuation of such companies is determined by the net asset value as at the valuation reference date multiplied by the shareholding interest in the respective company. For equity investments with shareholding of 50%, the valuation is determined by the appraised value of such companies, which is determined by either the income or cost approach, as at the valuation reference date multiplied by the shareholding interest in the respective company.

Having discussed these methods with the AG PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the equity interest of the Automobile Group, we are of the opinion that, the chosen valuation methodologies in establishing the appraised value as at 31 December 2015 are in line with the market practice for valuation of similar businesses.

(ii) Peers comparison

We have identified the following listed companies in Hong Kong which are mainly engaged in the new passenger vehicle sales and services business that are broadly comparable to the Automobile Group with 90% or more segment revenue contributed by such business in their respective latest financial year/period. The selected comparable listed companies, in our view, are exhaustive, fair and representative samples for comparison. Their respective price-to-earnings ratio (**"P/E ratio"**) and price-to-book ratio (**"P/B ratio"**) are set out below.

TABLE 1: COMPARABLE HONG KONG LISTED COMPANIES OF THE AUTOMOBILE GROUP

Company name (stock code)	Principal activities	Market capitalisation (HK$ million)*(1)*	P/E ratio (times)*(2)*	P/B ratio (times)*(3)*
Baoxin Auto Group Limited (**"Baoxin"**) (1293)(4)	Sale and service of motor vehicles	12,351.8	46.77	2.09
Zhongsheng Group Holdings Limited (881)	Sale and service of motor vehicles	8,435.8	15.25	0.62
China ZhengTong Auto Services Holdings Limited (1728)	Operation of 4S dealership business, motor-related logistics business and lubricant oil trading business	6,542.2	8.81	0.63
China Harmony New Energy Auto Holding Limited (3836)	Sale of exclusively in luxury and ultra-luxury passenger vehicles	7,248.2	10.72	1.03
China Greenland Rundong Auto Group Limited (1365)	Sale and service of motor vehicles in the PRC	2,801.6	11.48	0.75
Sunfonda Group Holdings Limited (1771)	Sale of automobiles; provision of after-sales services; provision of automobile insurance agency services, automobile financing services, automobile licensing services and automobile survey services	1,500.0	48.23	0.78
China MeiDong Auto Holdings Limited (1268)	Engaged in automobile dealership business authorized by the respective automobile manufacturers of a particular brand in the PRC including the sale of new passenger cars, spare parts, service and survey	1,044.6	8.52	1.14
Sparkle Roll Group Limited (**"Sparkle Roll"**) (970)(4)	Trading of luxury automobiles, watches, jewellery and trading of fine wines in the PRC	1,489.9	N/A	1.38

Company name (stock code)	Principal activities	Market capitalisation (HK$ million)(1)	P/E ratio (times)(2)	P/B ratio (times)(3)
Auto Italia Holdings Limited (720)	Import, marketing and distribution of luxury and ultra-luxury cars	1,080.4	38.93	2.69
		Excluding Sparkle Roll and Baoxin(4)		
		Mean	**20.28**	**1.09**
		Median	**11.48**	**0.78**
		Maximum	**48.23**	**2.69**
		Minimum	**8.52**	**0.62**
		The Company	**10.25**	**1.27**
		The Automobile Group	**23.51(5)**	**3.36(5)**

Source: Bloomberg and website of the Stock Exchange

Notes:

1. *The market capitalisation is calculated based on the closing prices of the respective companies on 14 April 2016, being the date of the Share Issuance and Asset Purchase Agreement.*
2. *The P/E ratios are calculated based on the market capitalisation divided by the consolidated net profit attributable to shareholders for the latest financial year.*
3. *The P/B ratios are calculated based on the market capitalisation divided by the consolidated net asset value attributable to shareholders as at the latest financial year end or reporting period end.*
4. *Baoxin is not considered to be a suitable comparable company due to the surge of its share price since December 2015 following its joint announcement with China Grand Automotive Services Co. Limited (**"CGA"**, Shanghai stock code: 600297) dated 11 December 2015 regarding the pre-conditional voluntary cash partial offer and option offer by an indirect wholly-owned subsidiary of CGA to acquire up to 75% equity interest in Baoxin. Sparkle Roll is not considered to be a suitable company due to its net loss in the latest financial year.*
5. *The P/E and P/B ratios of the Automobile Group are calculated based on the Consideration under the Share Issuance and Asset Purchase Agreement.*

A total of 9 comparable listed companies in Hong Kong were identified. Sparkle Roll was loss making and hence no P/E ratio can be appraised. Baoxin's share price has been inflated following the announcement in December 2015 as it is subject to a general offer by CGA.

Excluding Sparkle Roll and Baoxin, the ranges of P/E ratios and P/B ratios were approximately 8.52 times to 48.23 times and approximately 0.62 times to 2.69 times, while the means were 20.28 times and 1.09 times respectively. The multiples of the Automobile Group are higher than both the means of the P/E ratios and P/B ratios of the 7 comparable listed companies. 2 out of these 7 comparable listed companies were traded at P/E ratios of around or over 40 times, representing much higher multiples than that of the Automobile Group, while the P/E ratios of the other 5 comparable listed companies are all trading at P/E ratios below 20 times, representing lower multiples than that of the Automobile Group. The P/B ratio of the Automobile Group is higher than the ratios of all these 7 comparable listed companies.

On the basis that (i) the P/E ratio of the Automobile Group falls within the range of those of the comparable listed companies; (ii) the P/E ratio of the Automobile Group is above the mean of P/E ratios of the 7 listed comparable companies and is also higher than the P/E ratios of 5 out of these 7 listed comparable companies; (iii) the P/B ratio of the Automobile Group is above all the listed comparable companies; and (iv) the valuation of the comparable listed companies might considerably be higher in view of their listing status, we consider the Consideration under the Automobile Group Disposal to be reasonable as compared to the comparable listed companies.

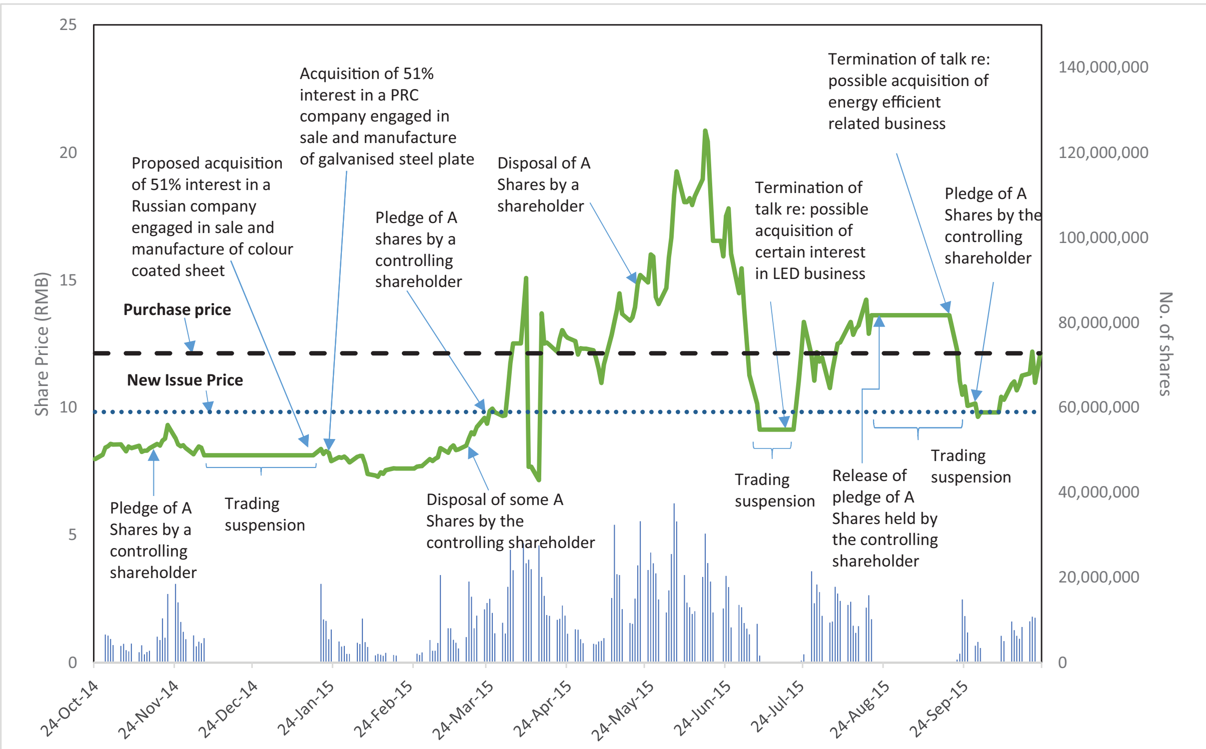
(b) Analysis of the New Issue Price and the Purchase Price

The New Issue Price has been determined based on the relevant requirements under the Administrative Measures for Material Assets Restructuring of Listed Companies (上市公司重大資產重組管理辦法) issued by CSRC, which prohibit any listed company on the Shenzhen Stock

Exchange or Shanghai Stock Exchange to issue new shares at a price lower than 90% of the volume weighted average price of the listed company for the 120, 60 or 20 trading days preceding the pricing date, which are RMB9.77, RMB12.54 and RMB13.80 respectively. The New Issue Price of RMB9.77 (subject to adjustments, if any) represents the lowest issue price available to the A-share Listco under applicable laws and regulations. The Purchase Price, unlike the New Issue Price, is not subject to any regulatory restriction and has been determined between the parties after arm's length negotiations by reference to the closing price per A Share immediately before the entering into of the Share Transfer Agreement.

The A Shares have been suspended trading since 26 October 2015 and remained suspended as at the date of the Asset Restructuring Agreements. The chart below shows the New Issue Price, the Purchase Price and the closing price of the A Shares during the one-year period preceding 23 October 2015, being the last trading day (the "**Last Trading Day**") before the suspension of trading in the A Shares. (the "**Review Period**"):

FIGURE 1: A SHARE PRICE PERFORMANCE COMPARED TO NEW ISSUE PRICE AND PURCHASE PRICE



Source: Bloomberg and website of the Shenzhen Stock Exchange

As shown above in Figure 1, the A Shares closed most of the time below the New Issue Price and the Purchase Price with an average closing price of RMB8.14 commencing from the beginning of the Review Period until the A-share Listco announced on 17 March 2015 the disposal of 3.6 million A Shares by the controlling shareholder. The A Share price subsequently rose to HK$15.07 on 8 April 2015. The A-share Listco announced on 7 April 2015 that no price sensitive information ought to be disclosed pursuant to the listing rules and relevant guidance has been withheld. The A Share price fell sharply in the next three days following 8 April 2015 to below RMB8.00 and rebounded to

RMB13.69 on 14 April 2015. The A Shares then generally closed above the Purchase Price until early July and reached the 12-month highest closing price of RMB20.85 on 12 June 2015. A shareholder disposed of the A Shares as announced by the A-share Listco on 22 May 2015. On 16 June 2015, the A-share Listco clarified that no price sensitive information ought to be disclosed pursuant to the listing rules and relevant guidance has been withheld.

The A Share closing price fell to RMB9.13 before its trading has been suspended on 8 July 2015 as the A-share Listco was in discussion for a possible acquisition of certain interest in a LED business. Despite the discussion for the LED business acquisition was terminated, the A Shares rose to close above the Purchase Price after resumption of trading on 21 July 2015. On 23 July 2015, the A-share Listco clarified that no price sensitive information ought to be disclosed pursuant to the listing rules and relevant guidance has been withheld. The A Share closing price then oscillated in a narrow range of RMB10.76 to RMB14.22. Trading of the A Shares had been suspended during the period from 20 August 2015 to 21 September 2015 when the A-share Listco was in discussion regarding the possible acquisition of energy efficient related business involving issue of new A Shares. Such discussion was terminated and the A-share closing price fell to hit the New Issue Price. The A Shares then edged higher and closed at RMB12.12 on the Last Trading Day. The average closing price of the A Shares over the second half of the Review Period was RMB13.04. Both the Purchase Price and the New Issue Price have been determined based on the closing prices before the A-share trading suspension on 26 October 2015 where the Purchase Price is equivalent to the closing price of the A Shares on the Last Trading Day and the New Issue Price represents 20% discount to the 20-day average closing price preceding and including the Last Trading Day.

7. Analysis of the consideration under the Material Asset Disposal Agreement

As discussed in the letter from the Board in the Circular, the consideration was arrived at after arm's length negotiations between Yongda Investment and the A-share Listco and was based on the appraised value of RMB628.9 million. The A-share Listco Assets Appraised Value is the fair value of the A-share Listco Assets as at the Valuation Reference Date as appraised by the A-share Listco Assets PRC Valuer, which is an independent firm of qualified PRC valuers (employed by the A-share Listco to conduct valuation of its assets). The A-share Listco Assets Valuation Report, which has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant approvals for the disposal of the A-share Listco Assets, was posted by the A-share Listco on 15 April 2016 on the website of the Shenzhen Stock Exchange.

(a) PRC Valuation

We have discussed the expertise of the A-share Listco Assets PRC Valuer with its relevant staff member. We understand that the A-share Listco Assets PRC Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise, which include《資產評估資格證書》(Asset Appraisal Qualification Certificate) issued by Beijing Municipal Finance Bureau and《證券期貨相關業務評估資格證書》(Securities and Futures-related Business Appraisal Qualification Certification) jointly issued by the Ministry of Finance of the PRC and the CSRC, and the person in-charge of the valuation of the A-share Listco Asset has approximately 8 years' industry experience in conducting valuation exercises. In the course of our review, we have discussed with the A-share Listco Assets PRC Valuer the methodologies, bases and assumptions adopted in the PRC valuation report.

(i) Valuation methodologies

Based on our discussion with the A-share Listco Assets PRC Valuer and review of the PRC valuation report, we noted that the A-share Listco Assets PRC Valuer has adopted both the income approach and asset-based approach to arrive at the appraised value of the A-share Listco Assets. As discussed with the A-share Listco Assets PRC Valuer, the asset-based approach and income approach are generally considered to be the appropriate valuation methodologies over the market approach to determine the appraised value of manufacturing businesses of special materials similar to the A-share Listco, as (i) the asset-based approach captures the valuation of various intangible assets of the A-share Listco such as its patents and trademarks which are considered to be of substantial value to special materials manufacturers; (ii) the subject asset's profitability, which is another key measure for valuation of manufacturing businesses, is taken into consideration under the income approach; and (iii) there are not sufficient peers for direct comparison to substantiate the valuation of the subject asset under the market approach given the unique business nature of the A-share Listco being a special materials manufacturer (as set out in Table 2). There is a difference between the appraised values based on the respective approaches, and we understand that the asset-based approach is essentially a combination of valuation methodologies used to derive the enterprise value of the subject company by appraising the value of the various assets and liabilities based on the balance sheet of the subject company at the valuation reference date, whereas the income approach considers the expected profitability of the subject assets. The A-share Listco Assets PRC Valuer considers that the unpredictable impact of both domestic and global economic conditions on the A-share Listco's businesses may result in considerable uncertainties on the revenue growth and profitability of the A-share Listco Assets. On this basis, the A-share Listco Assets PRC Valuer therefore considers it more appropriate to adopt the asset-based approach, which would place less emphasis on the abovementioned unpredictable factors and be able to more precisely reflect the valuation of various assets of the A-share Listco such as its patents and trademarks, to determine the appraised value of the A-share Listco Assets.

The "asset-based approach" is based on a judgment of the amount of investment needed to re-build an enterprise identical to the valuation target on the appraisal date. In particular, the enterprise value is arrived at by summing up the appraised values of each asset component forming the enterprise and then deducting the appraised values of its liabilities. Under the asset-based approach, we noted that, in performing the valuation for the A-share Listco Assets, the A-share Listco Assets PRC Valuer categorised the various assets and liabilities and applied what it considers the most relevant valuation methodologies to value each category. These methodologies include, among others, market approach, income approach and cost methodology.

Having discussed these methods with the A-share Listco Assets PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the equity interest of the A-share Listco Assets, we are of the opinion that, the chosen valuation methodologies in establishing the appraised value as at 31 December 2015 are in line with the market practice for valuation of similar businesses.

(ii) Peers comparison

We have identified the following listed companies in the PRC which are mainly engaged in the manufacturing and sales of coated sheets in their respective latest financial year that are broadly comparable to the A-share Listco. The selected comparable listed companies, in our view, are exhaustive, fair and representative samples for comparison. Their respective P/E ratio and P/B ratio are set out below.

TABLE 2: COMPARABLE PRC LISTED COMPANIES OF THE A-SHARE LISTCO

Company name (stock code)	Principal activities	Market capitalisation (RMB million)(1)	P/E ratio (times)(2)	P/B ratio (times)(3)
Suzhou Hesheng Special Material Co., Ltd. (002290.SZ)	The company develops, manufactures and markets composite materials of surface components for home appliance. The company's products are applied for refrigerators, microwave ovens, washing machines, and air conditioners.	5,142.5	181.92	6.15
Jiangsu Liba Enterprise Joint-Stock Co., Limited (603519.SH)	The company specializes in the production of composite materials for home appliances, and produces vinyl-coated metal sheets and pre-coated metal sheets that are used in home appliances such as refrigerators, washers, water heaters, microwave ovens and air-conditions.	3,543.2	55.80	5.41
		Mean	**118.86**	**5.78**
		Median	**118.86**	**5.78**
		Maximum	**181.92**	**6.15**
		Minimum	**55.80**	**5.41**
		The A-share Listco Assets	**14.87**(4)	**1.04**(4)(5)

Source: Bloomberg and websites of Shenzhen Stock Exchange and Shanghai Stock Exchange

Notes:

1. *The market capitalisation is calculated based on the closing prices of the respective companies on 14 April 2016, being the date of the Material Asset Disposal Agreement.*
2. *The P/E ratios are calculated based on the market capitalisation divided by the consolidated net profit attributable to shareholders for the latest financial year.*
3. *The P/B ratios are calculated based on the market capitalisation divided by the consolidated net asset value attributable to shareholders as at the latest financial year end.*
4. *The P/E and P/B ratios are calculated based on the consideration of RMB612.9 million under the Material Asset Disposal Agreement.*
5. *The P/B ratio is calculated based on the consolidated net asset value attributable to shareholders as at 31 December 2015 adjusted by the dividend of RM16,002,000 declared for the year ended 31 December 2015.*

Only two comparable listed companies in the PRC were identified. The historical P/E ratios of the comparable listed companies were approximately 55.80 times and 181.92 times, with the mean of 118.86 times. The P/E ratio of the A-share Listco Assets represented by the consideration of RMB612,900,000 under the Material Asset Disposal Agreement falls below both of and the mean of those comparable listed companies. The P/B ratio of the A-share Listco Assets of 1.04 times is also below those of the comparable listed companies of 5.41 times and 6.15 times as well as the mean of 5.78 times.

On the basis that both the P/E ratio and P/B ratio of the A-share Listco Assets fall below those of and the mean of the respective multiples for the comparable listed companies, we consider the consideration for the A-share Listco Assets under the Material Asset Disposal Agreement to be reasonable as compared to the comparable listed companies.

(b) Precedent cases for the compensation paid to the existing shareholders for its loss of control over the A-share listed companies

Under the Material Asset Disposal Agreement, Yongda Investment has conditionally agreed to purchase the A-share Listco Assets from the A-share Listco at the consideration of RMB612,900,000, and Yongda Investment in turn conditionally agreed to sell the A-share Listco Assets to Mr. Hu at a consideration which will be fixed by the parties with reference to a post-completion audit to be conducted within 90 days after the transfer of the A-share Listco Asset to Mr. Hu. As stated in the letter from the Board, the lowest consideration for the transfer of the A-share Listco Assets between Yongda Investment and Mr. Hu could be at zero consideration. The difference between the consideration payable for the transfer of the A-share Listco Assets from the A-share Listco to Yongda Investment and the transfer of the A-share Listco Assets from Yongda Investment to Mr. Hu represents (i) the compensation to Mr. Hu for his loss of control over the A-share Listco and (ii) the consideration for his agreeing to undertake all the contingent liabilities of the A-share Listco as of the effective date of the Asset Restructuring and bear the costs and expenses resulting from the termination of employment contracts with the existing employees and staff by the A-share Listco.

We have looked into recent market precedents during the period from 1 January 2014 to the date of the Asset Restructuring Agreements which involved major assets restructurings of A-share listed companies of similar nature to the Asset Restructuring of the A-share Listco, and have disclosed the compensation to existing shareholders for loss of control over the A-share listed companies. We note that two mechanisms were generally adopted in these comparable market precedents to compensate the existing controlling shareholders for their loss of control of the A-share listed companies as set out below:

Transaction type	Compensation mechanism	Implied compensation for acquired stake
(I)	Onward disposal of existing assets of the A-share listed company to the existing shareholder by the new controlling shareholder at zero consideration or at a significant discount to the appraised value of these assets	appraised value of existing assets – consideration for the onward disposal (if any)
(II)	Either (i) onward disposal of existing assets of the A-share listed company to the existing shareholder by the new controlling shareholder in exchange for existing shares held by the existing shareholder at an implied price which represents a premium over the last closing price of the A-shares or (ii) purchase of shares from the existing shareholder at a price which represents a premium over the last closing price and onward disposal of existing assets of the A-share listed company to the existing shareholder by the new controlling shareholder at zero consideration or at a discount to the appraised value of the assets	number of A-shares x premium of the implied price over the last closing price + appraised value of existing assets – consideration for the onward disposal (if any)

The table below are the recent market precedents setting out (i) the consideration for the onward disposal of assets to the existing controlling shareholders; (ii) the buyers' shareholding interests in the A-share listed companies after the asset restructuring but before the fund raising exercises; and (iii) the implied compensation paid by the buyers. The selected comparable market precedents, in our view, are exhaustive, fair and representative samples for comparison.

TABLE 3: MARKET PRECEDENTS INVOLVING MAJOR ASSETS RESTRUCTURINGS OF A-SHARE LISTED COMPANIES

Initial announcement date	Company name (stock code)	Transaction type	Appraised value of existing assets (RMB million)	Consideration for onward disposal to existing shareholder (RMB)	Premium paid for acquisition of A-shares from existing shareholder[1] (RMB million)	Shareholding interests[2]	Implied compensation[3] (RMB million)
14 Jan 2016 . . .	Xinjiang Bai Hua Cun Co., Ltd. (600721.SH)	(I)	255.0	0	n.a.	28.79%	885.8
5 Dec 2015 . . .	Chang Jiang Shipping Group Phoenix Co., Ltd. (000520.SZ)	(II)	300.0	0	543.0	80.39%	1,048.6
1 Sep 2015 . . .	Focus Media Information Technology Co., Ltd. (formerly known as Hedy Holding Co., Ltd.) (002027.SZ)	(I)	880.0	391.8 million[4]	n.a.	92.65%	526.9
17 Apr 2015 . . .	Kingnet Network Co., Ltd. (formerly known as Taiya Shoes Co., Ltd.) (002517.SZ)	(II)	670.0	15 million A-shares	453.9	76.09%	596.4
21 Jan 2015 . . .	JiangSu Yabaite Technology Co., Ltd. (formerly known as JiangSu ZhongLian Electric Co., Ltd.) (002323.SZ)	(I)	789.4	300.0 million	n.a.	56.72%	862.9
23 Dec 2014 . . .	Ciwen Media Co., Ltd. (formerly known as Zhejiang Hexin Industry Group Co., Ltd.) (002343.SZ)	(II)	1,012.0	40 million A-shares	644.4	49.72%	1,295.9
6 Dec 2014 . . .	China Grand Automotive Services Co., Ltd. (formerly known as Merro Pharmaceutical Co., Ltd.) (600297.SH)	(II)	749.0	30 million A-shares	439.7	90.50%	485.8
30 Aug 2014 . . .	Perfect World Pictures Co., Ltd. (formerly known as Zhejiang Jinlei Refractories Co., Ltd.) (002624.SZ)	(II)	522.4	34.3 million A-shares	244.8	66.02%	370.7

Initial announcement date	Company name (stock code)	Transaction type	Appraised value of existing assets (RMB million)	Consideration for onward disposal to existing shareholder (RMB)	Premium paid for acquisition of A-shares from existing shareholder(1) (RMB million)	Shareholding interests(2)	Implied compensation(3) (RMB million)
12 Aug 2014 . . .	Aurora Optoelectronics Co., Ltd. (formerly known as Southwest Pharmaceutical Co., Ltd.) (600666.SH)	(II)	428.0	87.0 million A-shares	204.0	72.55%	281.2
11 Apr 2014 . . .	Changchun Sinoenergy Corporation (formerly known as Changchun Department JiTuan Store Company Limited) (600856.SH)	(II)	259.2	1.00	20.4	59.89%	467.0
8 Apr 2014 . . .	DMG Entertainment and Media Co., Ltd. (formerly known as Sichuan Gaojin Food Co., Ltd.) (002143.SZ)	(II)	644.9	44.8 million A- shares	345.2	85.19%	405.3
14 Jan 2014 . . .	Dalian Zeus Entertainment Co., Ltd. (formerly known as Dalian Kemian Wood Industry Co., Ltd.) (002354.SZ)	(II)	518.3	6.4 million A-shares	417.5	60.92%	685.3
						All	
						Mean	**659.3**
						Maximum	**1,295.9**
						Minimum	**281.2**
						2015 precedents	
						Mean	**758.7**
						Maximum	**1,048.6**
						Minimum	**526.9**
						2014 precedents	
						Mean	**570.2**
						Maximum	**1,295.9**
						Minimum	**281.2**
14 Apr 2016 . . .	**The A-share Listco**	**(I)**	**612.9**	**0**		**81.06%**	**756.1**

Source: Wind Information and websites of Shenzhen Stock Exchange and Shanghai Stock Exchange

Notes:

1. *The premium is calculated based on the total consideration paid for the acquisition of the A-shares less the aggregate value of such number of A-shares based on the last closing price immediately before the relevant initial announcement.*

2. *The shareholding interests of the buyers (i.e. new controlling shareholders) in the A-share listed companies after the assets restructuring and transfer of existing A-shares (if any) but before the fund raising exercises (if any).*

3. *As the compensation paid for the obtaining of the controlling stakes are different in each of the market precedents, the implied compensation for obtaining 100% interests in the A-share listed companies by the buyers have been computed for comparison purpose.*

4. *The existing shareholder will dispose 35.8 million A-shares either through the secondary market or a block trading system at a price no less than that set out by the new controlling shareholder, and 80% of the proceeds from such share disposal will be used as the consideration for the onward disposal of existing assets of the A-share listed company to the existing shareholder. No public information regarding the completion of such share disposal is available. For illustrative purpose, the last closing price of the A-share listed company prior to the initial announcement date was adopted to determine the consideration for the onward disposal to existing shareholder.*

Buyers (i.e. the new controlling shareholders) have been willing to pay substantial premiums for controlling stakes in the A-share listed companies and such premiums are arrived at after commercial negotiations between the existing controlling shareholders and the buyers. We have identified a total of 12 comparable market precedents which have disclosed the premiums over the fair price for the purchase of existing A-shares paid and/or the discounts offered in asset disposal to existing shareholders by the buyers for their obtaining of control over the A-share listed companies. The implied compensation ranged from RMB281.2 million to RMB1,295.9 million with an average of RMB570.2 million in 2014 and ranged from RMB526.9 million to RMB1,048.6 million with an average of RMB758.7 million in 2015. One comparable market precedent is found in 2016 and its implied compensation is RMB885.8 million. The implied compensation has shown an increasing trend over the past two years.

The Proposed Spin-off has been structured as transaction type (I) above where compensation will be made to the existing controlling shareholder by Yongda Investment's onward transfer of the A-share Listco Assets thereto under Material Asset Disposal Agreement. Assuming the transfer of the A-share Listco Assets by Yongda Investment to Mr. Hu would be executed at the lowest consideration, which is at zero consideration, the compensation to Mr. Hu for his loss of control over the A-share Listco would be RMB612,900,000 for the obtaining of 81.06% interest by Yongda Investment upon Completion. As a result, the maximum implied compensation would then be RMB756.1 million on a 100% basis, which falls within the range of the implied compensations of the 12 comparable market precedents from approximately RMB281.2 million to RMB1,295.9 million, and is about the same as the average of RMB758.7 million in 2015 and lower than the only market precedent in 2016 of RMB885.8 million.

On the basis that the compensation of RMB756.1 million implied under the Material Asset Disposal Agreement (i) falls within the range of implied compensations of all comparable market precedents; and (ii) is about the same as the average of those in 2015 and lower than the only comparable market precedent in 2016, we consider that the maximum compensation of RMB612,900,000 under the Material Asset Disposal Agreement to be acceptable as compared to the comparable market precedents.

8. Arrangement under the Profit Compensation Agreement

Pursuant to the Administrative Measures for Material Assets Restructuring of Listed Companies (上市公司重大資產重組管理辦法) issued by CSRC, the A-share listed companies are required to disclose in the annual reports in the following three years after completion the discrepancies between the actual profits and the projected profits set out in the valuation reports which are prepared based on future projected income and are used to determine the consideration for the target assets. Such actual profits are required to be audited by the reporting accountants. Compensation agreements are required to be entered into between the A-share listed companies and the vendor pursuant to which the vendor shall compensate the A-share listed companies the shortfall, if any.

The Committed Net Profits of the Automobile Group for the three years ending 31 December 2016, 2017 and 2018 are RMB800,000,000, RMB1,000,000,000 and RMB1,200,000,000, respectively, which are about the same as the projected income set out in the valuation report prepared by AG PRC Valuer. Pursuant to the Profit Compensation Agreement, Yongda Investment shall compensate the A-share Listco the shortfall of the actual profits against the Committed Net Profits and Impairment Compensation during the Profit Compensation Period based on a pre-determined mechanism, details of which have been set out in the letter from the Board. We have also looked at the profit compensation arrangements in the precedent cases set out in Table 3. Except for Xinjiang Bai Hua Cun Co., Ltd. (600721.SH) in which only 60% of the profit compensation has been undertaken by the controlling shareholder of the vendor who holds only 20.52% in such company upon completion, all other 11 precedent cases basically have the similar arrangements as the Profit Compensation Agreement where the new controlling shareholder shall compensate the A-share listed company the shortfall of the actual profits of the assets acquired by the A-share listed company against the profit committed by the new controlling shareholder for three years, and note that (a) 6 of the 11 precedent cases have the same compensation mechanism as the Profit Compensation Agreement; (b) 4 of them do not have the cash alternatives for the compensation shares that the undertakers are required to purchase the A-shares in the market to facilitate the repurchase of the compensation shares by the A-shares listed companies; and (c) one of them does not have impairment compensation. Based on the above, the entering into of the Profit Compensation Agreement by Yongda Investment, which forms part of the Proposed Spin-off, is in compliance with regulatory requirements in the PRC and the terms of which are in line with the A-share market practice.

9. Theoretical value of the Group based on market price of the A-share Listco

Upon Completion, the Group will hold (i) the automobile rental services business; and 61% interest in the A-share Listco. The A Shares closed at RMB13.28 on 21 April 2016, being the date of resumption of trading in the A Shares after publication of the announcement relating to the Asset Restructuring, representing a premium of 9.6% over the last closing price before suspension of trading in the A Shares. The A Shares closed at RMB12.91 as at the Latest Practicable Date. The Asset Restructuring has brought the A-share Listco to the market's attention and the surge in the A-share price might be due to the market expectation over the benefits to be brought about to the Group as a result of the Asset Restructuring.

We have performed a calculation of the theoretical value of the Group upon completion of the Asset Restructuring based on the sum of (i) the market value of the A Shares to be held by the Company; and (ii) book value of other assets and liabilities of the Group. Set out below is the calculation of the theoretical value of the Group following completion of the Asset Restructuring.

	RMB (million)
Market value of the A Shares to be held by the Company[(1)]	16,202.7
Book value of other assets and liabilities of the Group[(2)]	660.9
Market Price-related Value (as defined below)	16,863.6

Source: Bloomberg

Notes:

1. *Market value of the A Shares is calculated based on 1,255,049,744 A Shares to be held by the Company multiplies the closing price of the A Shares as at the Latest Practicable Date.*

2. *Book value of other assets and liabilities of the Group is calculated based on the consolidated net asset value attributable to the shareholders of Company as at 31 December 2015 of approximately RMB4,237.2 million less the unaudited consolidated net asset value of the Automobile Group as at 31 December 2015 as set out in Appendix II to the Circular.*

Based on the market value of the A Shares and the book value of other assets and liabilities of the Group as at 31 December 2015, the aggregate market value of the Group ("**Market Price-related Value**") as at 31 December 2015 was approximately RMB16,863.6 million as compared to the net asset value of the Group as at 31 December 2015 of RMB4,237.2 million and the market capitalisation of the Group of RMB5,422.6 million on 14 April 2016, the last trading day before publication of the announcement relating to the Asset Restructuring. However, there is no assurance that the closing price of the A Shares will remain at such high level after completion of the Asset Restructuring and therefore, the Market Price-related Value is for reference only.

We have identified listed companies in the PRC which are mainly engaged in the new passenger vehicle sales and services business that are broadly comparable to the Automobile Group with 90% or more segment revenue contributed by such business in their respective latest financial year. Set out below are the 5 PRC listed companies that we have identified as comparable companies to the Automobile Group, which indicates the prevailing market valuation of the Automobile Group's peers in the A-share market. The selected comparable listed companies, in our view, are exhaustive, fair and representative samples for comparison.

TABLE 4: COMPARABLE PRC LISTED COMPANIES OF THE AUTOMOBILE GROUP

Company name (stock code)	Principal activities	Market capitalisation (RMB million) *(1)*	P/E ratio (times) *(2)*	P/B ratio (times) *(3)*
China Grand Automotive Services Co Ltd (600297.SH)	The company is an auto dealership, and sells various brands of vehicles, provides automobile services & financing, and conducts vehicle trade-ins.	69,470.1	34.94	3.31
Pangda Automobile Trade Co Ltd (601258.SH)	The company sells, repairs and provides maintenance services for cars and construction machinery.	19,958.7	84.66	1.61
Shanghai Shenhua Holdings Co Ltd (600653.SH)	The company is an investment holding company. Through its subsidiaries, the company trades automobiles, manufactures motor vehicle parts, and develops real estate. The company also has operation in travel and food and entertainment industry.	8,096.9	152.82	4.47
Wuhu Yaxia Automobile Corporation (002607.SZ)	The company sells passenger cars and provides after-sale services.	4,711.4	312.08	5.73
Sinomach Automobile Co Ltd (600335.SH)	The company operates in the car wholesale and retail business.	10,479.6	21.80	1.90
		Mean	**121.26**	**3.40**
		Median	**84.66**	**3.31**
		Maximum	**312.08**	**5.73**
		Minimum	**21.80**	**1.61**
		The Company	**10.25**	**1.27**
		The Automobile Group	**23.51**(4)	**3.36**(4)

Source: Bloomberg and websites of Shenzhen Stock Exchange and Shanghai Stock Exchange
Notes:

1. *The market capitalisation is calculated based on the closing prices of the respective companies on 14 April 2016, being the date of the Share Issuance and Asset Purchase Agreement.*
2. *The P/E ratios are calculated based on the market capitalisation divided by the consolidated net profit attributable to shareholders for the latest financial year ended 31 December 2015.*
3. *The P/B ratios are calculated based on the market capitalisation divided by the consolidated net asset value attributable to shareholders as at the latest financial year end.*
4. *The P/E and P/B ratios of the Automobile Group are calculated based on the Consideration under the Share Issuance and Asset Purchase Agreement.*

The P/E ratios and the P/B ratios for these PRC comparable listed companies range from 21.80 times to 312.08 times and from 1.61 times to 5.73 times respectively. The P/E and P/B ratios of the Automobile Group fall within the ranges of these PRC comparable listed companies. Shareholders should note that the P/E and P/B ratios are and will continue to be affected to varying extent by changes in, inter alia, market economic, political, industry, monetary and other general macroeconomic conditions as well as company-specific factors and, accordingly, the above historical P/E and P/B ratios should be taken as a reference only.

10. Financial effects

(a) Equity attributable to the Shareholders

The equity interest of the Company in Automobile Group will reduce from 100% to 81.06% upon completion of the Asset Restructuring Agreements and will be further diluted to not less than approximately 60.92% upon completion of the Proposed Placement (assuming no further A-Shares other than the Consideration Shares and the Placing Shares will be issued after the Latest Practicable Date). The Automobile Group will become an indirect non wholly-owned subsidiary of the Company held through its interests in the A-share Listco. As a result, Automobile Group will continue to be consolidated in the consolidated financial statements of the Group.

Pursuant to the current accounting policy adopted by the Group, the transactions contemplated under the Asset Restructuring Agreements do not result in the change in control over the Automobile Group. Therefore the AG Appraised Value of RMB12,015 million has not been accounted for in the pro forma consolidated balance sheet of the Group. As at 31 December 2015, the Group's equity attributable to the Shareholders amounted to RMB4,237.2 million or RMB2.86 per Share. Based on the unaudited pro forma consolidated balance sheet of the Group as set out in Appendix III to the Circular, the pro forma equity attributable to the Shareholders would decline to RMB3,176.4 million or RMB2.15 per Share immediately after completion of the Asset Restructuring Agreements. The dilution of the equity attributable to the Shareholders as a result of the Automobile Group Disposal and the A-share Listco Acquisition is substantially a non-cash item as the AG Appraised Value, which represents 3.4 times the net asset value of the Automobile Group, would not be fully reflected in the books of the Group upon completion of the Asset Restructuring Agreements. Should the underlying fair value of the 81.06% equity interest of the Company in the Automobile Group be fully reflected in the pro forma consolidated balance sheet of the Group, the pro forma equity attributable to the Shareholders would increase immediately following completion of the Asset Restructuring Agreements.

Upon completion of the Proposed Placement, the pro forma equity attributable to the Shareholders would increase to RMB5,348.2 million or RMB3.61 per Share.

(b) Earnings

As illustrated in the pro forma consolidated income statement of the Group as set out in Appendix III to the Circular, the pro forma loss attributable to the Shareholders would be RMB949.2 million upon completion of the Asset Restructuring Agreements as compared to the profit attributable to the Shareholders of RMB524.5 million for the year ended 31 December 2015. The variance represents the estimated loss of approximately RMB1,473.7 million to be recognised by the Group from the completion of the Asset Restructuring Agreements, which will be calculated based on (i) the fair value of the shares that are deemed to have been issued by Automobile Group of approximately RMB1,109.7 million; (ii) net consideration paid for the Asset Restructuring of approximately RMB258.9 million; (iii) the sharing of 18.94% of pro forma profit with the non-controlling shareholders of approximately RMB96.7 million; and (iv) the professional fees arising from the Asset Restructuring. The pro forma loss attributable to the Shareholders would increase further by approximately RMB102.8 million to approximately RMB1,052.0 million upon completion of the Proposed Placement due to the sharing with the non-controlling shareholders for a further deemed disposal of 20.14% interest. Shareholders should note that the exact amount of gain or loss arising from the Asset Restructuring would be subject to audit upon completion and such amount may be different from the one mentioned above.

As set out in the letter from the Board, the estimated loss for illustration purpose is an one-off extraordinary item and is not related to the results of the Company's ordinary business operations. The amount mentioned will not be taken into consideration when determining the dividend (if any) of the Company for the year ending 31 December 2016, and is not expected to have any adverse impact on the Company's dividend policy going forward. Considering (i) the one-off estimated loss arising from the Asset Restructuring will not be taken into consideration when determining the dividend of the Company for the upcoming year end as advised by the Directors; (ii) the Asset Restructuring would in turn provide access to a separate fund raising platform with favourable valuation for the Company; and (iii) the pro forma equity attributable to the Shareholders would increase substantially to RMB5,348.2 million upon completion of the Proposed Placement, we are of the view that the decline in pro forma earnings caused by the one-off estimated loss would be outweighed by the potential benefits of the Proposed Spin-off.

(c) Gearing

As at 31 December 2015, the Group had net debt position of RMB4,266.9 million, representing total debt of RMB7,036.9 million less total cash and cash equivalents of RMB2,770.0 million. Accordingly, the Group's gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 50.2% as of 31 December 2015. We set out below the gearing of the Group based on the unaudited pro forma consolidated balance sheet of the Group as set out in Appendix III to the Circular.

	The Group	**Pro forma Group**	
	As at 31 December 2015	Immediately after completion of the Asset Restructuring Agreements	Immediately after completion of the Asset Restructuring Agreements and the Proposed Placement
Net debt/(cash) (RMB million)	4,266.9	4,534.3	(415.7)
Total equity (RMB million)	4,237.2	3,176.4	5,348.2
Gearing ratio	50.2%	58.8%	N/A

As set out above, the net debt position of the Group would increase to RMB4,534.3 million upon completion of the Asset Restructuring Agreements, and turn into net cash position of RMB415.7 million upon completion of the Proposed Placement. Based on the Shareholders' pro forma equity as discussed in the sub-section (a) headed "Equity attributable to the Shareholders" in this section above, the gearing ratio of the Group will increase to approximately 58.8% immediately after completion of the Asset Restructuring Agreements. However, should the underlying fair value of the Automobile Group be fully reflected in the pro forma consolidated balance sheet of the Group, the pro forma equity attributable to the Shareholders could be increased and result in a decline of the Group's gearing immediately after completion of the Asset Restructuring Agreements. As shown in the above, it is expected that the Group would turn into a net cash position upon completion of the Proposed Placement.

(d) Working capital

As at 31 December 2015, the Group's working capital, being current assets less current liabilities, was approximately RMB67.3 million and the current ratio was approximately 1.01. Based on the pro forma consolidated balance sheet as set out in the Appendix III to the Circular, the Group's working capital and current ratio would both improved significantly to RMB4,749.9 million and 1.43 respectively upon completion of the Proposed Placement, which is expected to raise RMB5 billion.

We have reviewed the working capital statement set out in Appendix I to the Circular and the working capital projection of (i) the Group (excluding the Automobile Group) which has taken into account the cash balances and facilities available to the Group (excluding the Automobile Group); and (ii) the Automobile Group and concur with the Directors that each of the Group (excluding the Automobile Group) and the Automobile Group will have sufficient working capital after the Proposed Spin-off.

DISCUSSION AND ANALYSIS

The Company, through its subsidiaries, has been a passenger vehicle retailer and comprehensive service (including after-sales, automobile rental and other related services) provider in the PRC focused on luxury and ultra-luxury brands since its listing in July 2012. In 2013, the Group extended its business to finance leasing and repair services through a chain of service outlets for luxury vehicles. The Group's profitability has been stable in the past three years in a range of RMB500 million to RMB600 million a year with a dividend payout ratio of 30%. Despite a stable track record, the Share price has been trading below its initial public offer price, HK$6.60, since November 2014. It closed in a range of HK$3.56 – 5.84 since the beginning of 2016, representing a historical P/E ratio of 8.37 – 13.73 times. Subsequent to its listing, the Company raised RMB1 billion from the issue of convertible bonds which carry an interest rate of 1.5% per annum and are convertible into the Shares at HK$7.958 per Share. As at the Latest Practicable Date, none of such convertible bonds has been exercised and, if all bondholders exercise the redemption rights after July 2017 or when it falls due in July 2019, the Company has to redeem the convertible bond in full provided that no bondholder exercises the convertible bonds by such time. Other than the issue of convertible bonds in 2014, the Company has been unable to raise further funds from the equity market through share placements or issues since its listing at a price acceptable to the Company.

The principal objective of the Proposed Spin-off is to enable the Group to gain access to the PRC equity market at a favorable valuation. The management of the Group has decided to spin-off the

Automobile Group (i.e. the 4S Dealership Businesses and the Finance Leasing Business) to the A-share Listco and the remaining Group will continue to conduct the automobile rental service business. Immediately following the Proposed Spin-off, the Company, through A-share Listco, intends to raise up to RMB5.0 billion at not less than RMB9.77 per Placing Share (subject to adjustment) which is equivalent to the New Issue Price. As stated in the letter from the Board, all placees as well as their ultimate beneficial owners are expected to be third parties independent of the Company. The proceeds will be used by the A-share Listco mainly for the development of the Finance Leasing Business, as well as for the repayment of borrowings from banks and Yongda Investment. The Group's Finance Leasing Business has demonstrated a remarkable growth with revenue increasing from RMB52.6 million in 2014 to RMB126.7 million in 2015 and the management of the Group is optimistic about the future prospects of retail automobile finance in China.

The Proposed Spin-off involves (i) the A-share Listco Acquisition and the Automobile Group Disposal; (ii) the acquisition of the existing A-Shares by Yongda Investment from Shanghai Qinshuolai; (iii) the acquisition of the A-share Listco Assets by Yongda Investment and onward transfer to Mr. Hu; and (iv) the provision of guarantee of the Committed Net Profits of the Automobile Group to the A-share Listco. The transactions are inter-conditional upon each other. **The interests of the Company's controlling shareholder and connected persons are the same as the minority Shareholders so no shareholders are required to abstain from voting as regards the Proposed Spin-off.**

The consideration for the Automobile Group Disposal is determined with reference to the AG Appraised Value, which will be settled by way of issuance of Consideration Shares by the A-share Listco at the New Issue Price (i.e. RMB9.77). We have discussed with the AG PRC Valuer the methodologies, bases and assumptions adopted in the valuation which we consider are in line with market practice for similar valuations. We have carried out our own analysis to assess the value of the Automobile Group by researching comparable peers listed in Hong Kong. The P/E ratio of the Automobile Group is higher than the P/E ratios of 5 out of the 7 listed comparable companies and its P/B ratio is above all the listed comparable companies. Based on the AG Appraised Value and our analysis, we consider the amount of the Consideration to be reasonable.

The New Issue Price is the best price available to Yongda Investment under the applicable PRC regulation which requires the PRC listed companies to issue new shares at a price no less than 90% of the volume weighted average price for the 120, 60 or 20 trading days preceding the pricing date. Immediately after the issuance of the Consideration Shares, Yongda Investment will be interested in 79.33% of the A-share Listco.

In addition to the Consideration Shares, a further 1.73% interests (as enlarged by the Consideration Shares) will be acquired from the controlling shareholder of the A-share Listco at RMB12.12 per A Share (i.e the Purchase Price). Unlike the New Issue Price, the Purchase Price is not subject to any PRC regulatory requirements. Such share transfer (including the Purchase Price) has been agreed between the parties after arm's length negotiations. The acquisition will increase Yongda Investment's interest in the A-share Listco to 81.06%. The Purchase Price is determined based on the closing price of the A Shares on the last trading day before the date of the Asset Restructuring Agreements.

Upon completion of the Proposed Placement, Yongda Investment's interest in the A-share Listco will be diluted to not less than 60.92%, subject to finalization of the issue price of the Placing

Shares which will not be less than (i) RMB9.77, which is equivalent to the New Issue Price or (ii) a price equivalent to 90% of the volume weighted average price for the 20 trading days preceding the pricing date which will fall under the period from the date of the announcement of the results of the shareholders' general meeting of the A-share Listco in relation to the Asset Restructuring till the CSRC approves the Asset Restructuring, whichever is lower. The issue price of the Placing Shares, which may be higher than (i) and (ii) (as the case may be), will be finalized after arm's length negotiations between the A-share Listco and the placees.

The A-share Listco Assets will be acquired by Yongda Investment at a consideration equivalent to the A-share Listco Assets Appraised Value adjusted for the dividend declared for 2015. The consideration, which represents 1.04 times the net asset value of the A-share Listco as at 31 December 2015, will be settled in cash. We have discussed with the A-share Listco Assets PRC Valuer the methodologies, bases and assumptions adopted in the valuation which we consider are in line with market practice for similar valuations. Two listed comparable companies in the PRC are used to cross-check with the A-share Listco Assets Appraised Value. The valuation multiples represented by the consideration for the disposal of the A-share Listco Assets compare favourably with the two listed comparable companies. On this basis, we consider consideration for the disposal of the A-share Listco Assets to be reasonable.

The A-share Listco Assets will be disposed by Yongda Investment to Mr. Hu, the ultimate controlling shareholder of the A-share Listco, at a consideration to be determined by the parties. As stated in the letter from the Board, the lowest consideration for the transfer of the A-share Listed Assets could be zero. According to the management of the Group, the difference between the onward transfer price and the A-share Listco Assets Appraised Value represents in effect compensation to Mr. Hu for his loss of control over the A-share Listco, i.e. the premium for the A-share listed shell. We have researched the market precedents and note premiums ranging from RMB526.9 million to RMB1,048.6 million on a 100% basis were paid by the buyers for obtaining control over A-shares listed companies since the beginning of 2015. The maximum premium payable by Yongda Investment to the controlling shareholder of A-share Listco would be RMB612.9 million for obtaining a 81.06% interest in the A-share Listco or RMB756.1 million on a 100% basis, which is in line with the market precedents set out in Table 3. Although the difference between the price Yongda Investment will pay for the A-share Listco Assets and the possibly nil consideration it may receive for their sale may seem to penalize the Company, this is in effect the price for the possibility of tapping the A-share market for up to RMB5 billion. Independent Shareholders should bear in mind that the interests of the Group's controlling Shareholder and its concert parties, who have made their decision, are the same as their own in this regard.

The profit compensation and impairment compensation under the Profit Compensation Agreement in respect of the Asset Restructuring are in compliance with the regulatory requirements of the CSRC and thus form part and partial of the Proposed Spin-off. The Committed Net Profits of the Automobile Group for the years ending 31 December 2016, 2017 and 2018 are about the same as the projected income used in arriving at the AG Appraised Value which is, in turn, used to determine the Consideration. The compensation mechanism under the Profit Compensation Agreement is in line with the market precedents set out in Table 3.

Based on the proforma financial information in Appendix III to the Circular, the Proposed Spin-off will not result in the change in control over the Automobile Group and the net assets of the Group and the Automobile Group will continue to be consolidated using the existing book values with adjustments made for the deemed disposal of the Automobile Group against its historical investment cost. Accordingly, the AG Appraised Value of RMB12,015 million has not been accounted for in the proforma consolidated balance sheet of the Group and the equity attributable to the Shareholders will decrease by RMB1,060.8 million or RMB0.71 per Share or 25.0% to RMB3,176.4 million or RMB2.15 per Share immediately after completion of the Asset Restructuring Agreements. However, the dilution is substantially a non-cash item and the proforma equity attributable to the Shareholders would increase following completion of the Asset Restructuring Agreements should the AG Appraised Value, which represents 3.4 times the net asset value of the Automobile Group, be reflected in the books of the Group. Upon completion of the Proposed Placement, the proforma equity attributable to the Shareholders would increase to RMB5,348.2 million or RMB3.61 per Share.

The Proposed Spin-off will incur an estimated loss of RMB1,473.7 million to be recognized by the Group based on the sum of (i) the fair value of the deemed disposal of the Automobile Group; (ii) net cash consideration payable for the Asset Restructuring; (iii) the sharing of 18.94% of pro forma profit with the non-controlling shareholders; and (iv) the professional fees arising from the Asset Restructuring. Shareholders should note that the actual loss would be subject to audit upon completion of the Asset Restructuring Agreements and may be different from the estimated loss above. The estimated loss is a one-off extraordinary item and is not related to the operating results of the Group. On this basis, the Board does not intend not to take it into consideration when determining the dividend (if any) of the Company for the year ending 31 December 2016 and the loss is not expected to have any adverse impact on the Company's dividend policy going forward.

We have reviewed the working capital statement set out in Appendix I to the Circular and the working capital projection of (i) the Group (excluding the Automobile Group) which has taken into account the cash balances and facilities available to the Group (excluding the Automobile Group); and (ii) the Automobile Group and concur with the Directors that each of the Group (excluding the Automobile Group) and the Automobile Group will have sufficient working capital after the Proposed Spin-off.

For illustration purpose, we have carried out an analysis to assess the market value of the Group upon completion of the Asset Restructuring Agreements in Table 4. As most of the assets will be held through the A-share Listco, a sum-of-the-parts valuation provides a general reference to the Group's market value. The A Shares resumed trading and closed at RMB13.28 on 21 April 2016, up 9.6% as compared to the closing price on the last trading day before the date of the Asset Restructuring Agreements. The A Shares closed at RMB12.91 as at the Latest Practicable Date. The surge in the A Share price might be due to the market expectation over the benefits to be brought about to the A-share Listco as a result of the Asset Restructuring. The Market Price-related Value amounted to RMB16,863.6 million, representing 5.3 times and 3.2 times the proforma equity attributable to Shareholders upon completion of the Asset Restructuring Agreements and the Proposed Placement respectively.

Under the Proposed Spin-off, no assured entitlement to the A Shares will be offered to the Shareholders. It is because, as stated in the letter from the Board, most Shareholders do not fall within the scope of qualified foreign institutional investors approved by CSRC or foreign strategic investors approved by MOFCOM for them to hold the A Shares. It would then be very difficult for the Company to offer assured entitlements to the A Shares to all Shareholders on a fair basis.

Based on the above analysis, we consider the terms of the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

OPINION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the transactions contemplated under Proposed Spin-off are fair and reasonable to the Shareholders and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Jenny Leung
Director

Ms. Jenny Leung is licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

THREE YEARS FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended December 31, 2015 has been disclosed on pages 58 to 140 of the annual report of the Group for the year ended December 31, 2013 (available from the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0411/LTN20140411051.pdf), pages 53 to 140 of the annual report of the Group for the year ended December 31, 2014 (available from the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0408/LTN20150408009.pdf), and pages 65 to 156 of the annual report of the Group for the year ended December 31, 2015 (available from the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0406/LTN201604061158.pdf), respectively, which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ydauto.com.cn).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors believe that, from 2015 and going forward, China's automobile market is expected to maintain a positive and stable growth trend, especially for the luxury and ultra-luxury automobile market, which is expected to maintain relatively fast growth. Extended services such as automobile repair, pre-owned vehicle, automobile decoration, care and maintenance, as well as after-market businesses such as automobile finance and insurance service and automobile rental are expected to have robust development with unlimited business opportunities after experiencing rapid growth over the past few years. The Company also noticed that the rapid development of new energy vehicles will bring along changes and new opportunities for the automobile industry.

The Group will continue to focus on the automobile industry and adhere to its "customer-oriented" belief and strive to pursue the spin-off listing in the Mainland A-share market and, at the same time, leverage on the financing platforms of the Hong Kong and Mainland capital markets, turning such advantages into a powerful driving force to realize the Group's development strategies. The Group intends to further consolidate its leading position in the automobile industry and ensure the profitability and sustainable development of our Company as well as realize a win-win situation for our shareholders, customers, employees and the community.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that, in the absence of unforeseeable circumstances, upon completion of the Proposed Spin-off and taking into account the internal resources of the Group, available banking facilities and on the assumption that majority of the existing revolving banking facilities can be revolved continuously, but without taking into account the net cash proceeds from the Proposed Placement, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

INDEBTEDNESS STATEMENT

As at April 19, 2016, being the latest practicable date for inclusion of information in this paragraph prior to the publication of this circular, the Group, being the Company and its subsidiaries without taking into account of the A-share Listco and its subsidiaries, had outstanding interest-bearing bank loans and other borrowings of approximately RMB8,161.88 million.

The following table sets forth a breakdown of the Group's borrowings as at April 19, 2016:

	As at April 19, 2016
	RMB'000
Bank loans	3,141,882
Other borrowings	1,148,848
Medium-term note	1,158,736
Short-term debenture	1,595,689
Convertible bonds	946,032
Amount due to non-controlling interests	127,564
Amount due to third parties	43,130
Total	8,161,881
Secured borrowings by the Group's assets	1,344,263
Unsecured borrowings	6,817,618
Total	8,161,881
Guaranteed borrowings by an independent third party	513,252
Unguaranteed borrowings	7,648,629
Total	8,161,881

The following table sets forth the maturity profile of the Group's borrowings as at April 19, 2016:

	As at April 19, 2016
	RMB'000
Carrying amount repayable:	
Within one year	6,808,771
More than one year, but not exceeding two years	1,218,144
More than two years, but not exceeding five years	98,316
More than five years	36,650
Total	8,161,880

As at April 19, 2016, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	As at April 19, 2016
	RMB'000
Land use rights	229,849
Property, plant and equipment (buildings and motor vehicles)	395,400
Inventories	976,292
Total	1,601,541

As at April 19, 2016, the Group had total bank facilities of approximately RMB10,027.3 million , of which RMB 4,290.7 million was utilized.

As at April 19, 2016, except as disclosed above and otherwise mentioned in this circular, the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since April 19, 2016.

According to the terms and conditions of the Material Asset Disposal Agreement, when the Company becomes a shareholder of the A-share Listco, i.e., by the time when the Consideration Shares have been registered in the name of Yongda Investment, there will be no assets or liabilities other than cash in the amount of approximately RMB612,900,000 in the A-share Listco's accounts. Such amount of cash represents the consideration payable by Yongda Investment to the A-share Listco for the transfer of the A-share Listco Assets. In other words, the assets and liabilities of the A-share Listco and its subsidiaries (other than cash in the amount of approximately RMB612,900,000) will not be consolidated into the Company's financial statements at any point of time. Therefore, the indebtedness statement of the Group as enlarged by the A-share Listco and its subsidiaries as at April 19, 2016 would be the same as the above mentioned in relation to the Group without taking into account of the A-share Listco and its subsidiaries.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 31 January 2016, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2015, being the date to which the latest audited consolidated financial statements of the Group have been made up.

The combined financial information of the Spin-off Group has been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The auditor has issued a qualified review report which states that:

"As explained in note 1 to the Combined Financial Information, during the Relevant Periods, the Automobile Group's two subsidiaries which are engaged in the automobile rental services and property development business and do not constitute part of the group to be spun off, namely, Yongda Automobile Rental Company Limited (formerly known as Yongda Automobile Rental Group Company Limited) and Shanghai Saitong Property Development Company Limited, have been accounted for as available-for-sale investments and measured at cost in the Combined Financial Information. The dividend income from the two subsidiaries have been recognized in the retained profits directly when the Spin-off Group's right to receive the dividends is established. This is not in accordance with IFRS 10 "Consolidated Financial Statements" which requires the Spin-off Group to incorporate the financial information of these two subsidiaries for the Relevant Periods in the Combined Financial Information and eliminate in full the transactions between the Spin-off Group and the two subsidiaries. Had these two subsidiaries been consolidated in the Combined Financial Information, the net assets as at 31 December 2013, 2014 and 2015 would have been increased by approximately RMB42,389,000, RMB45,808,000 and RMB13,312,0000 respectively, and the profit and total comprehensive income for the years ended 31 December 2013, 2014 and 2015 would have been increased by approximately RMB49,295,000, RMB43,678,000 and RMB51,600,000 respectively.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the Combined Financial Information of the Spin-off Group for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Combined Financial Information."

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE SPIN-OFF GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

	Year Ended December 31		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Revenue	25,891,911	32,790,682	35,465,671
Cost of sales and services	(23,711,528)	(30,181,245)	(32,562,748)
Gross profit	2,180,383	2,609,437	2,902,923
Other income and other gains and losses	238,951	344,100	427,685
Distribution and selling expenses	(943,793)	(1,271,278)	(1,484,722)
Administrative expenses	(455,603)	(613,013)	(699,427)
Finance costs	(209,135)	(338,342)	(404,457)
Share of profits of joint ventures	9,567	8,181	12,530
Share of profits of associates	651	651	3,066
Profit before tax	**821,021**	**739,736**	**757,598**
Income tax expense	(201,436)	(177,268)	(192,510)
Profit and total comprehensive income for the year	**619,585**	**562,468**	**565,088**
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	564,430	518,931	510,355
Non-controlling interests	55,155	43,537	54,733
	619,585	562,468	565,088

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION OF THE SPIN-OFF GROUP AT DECEMBER 31, 2013, 2014 AND 2015

	Year Ended December 31		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	1,879,286	2,769,153	3,091,835
Prepaid lease payments	374,502	578,739	978,275
Goodwill	104,927	286,624	286,624
Intangible assets	242,236	436,733	429,220
Deposits paid for acquisition of property, plant and equipment	75,991	100,534	118,683
Deposits paid for acquisition of land use rights	173,444	41,230	24,607
Deposits paid for acquisition of a subsidiary	35,380	—	—
Available-for-sale investments	50,000	50,000	74,174
Interests in joint ventures	66,571	76,246	80,109
Interests in associates	26,947	15,106	166,068
Finance lease receivables	32,556	467,969	207,719
Deferred tax assets	41,362	76,470	92,668
	3,103,202	4,898,804	5,549,982
Current assets			
Prepaid lease payments	9,515	15,285	28,504
Inventories	3,447,838	4,324,167	4,083,064
Finance lease receivables	55,681	357,144	569,926
Trade and other receivables	3,375,241	3,268,130	3,434,750
Amounts due from related parties	145,794	613,893	182,156
Cash in transit	81,628	72,125	99,817
Pledged bank deposits	965,221	1,515,013	1,138,209
Bank balances and cash	1,192,916	1,647,942	1,128,204
	9,273,834	11,813,699	10,664,630
Current liabilities			
Trade and other payables	3,623,850	4,903,931	4,595,942
Amounts due to related parties	1,729,828	3,878,626	3,311,850
Income tax liabilities	320,633	396,312	429,363
Borrowings	3,543,172	3,525,502	3,313,954
	9,217,483	12,704,371	11,651,109
Net current assets (liabilities)	56,351	(890,672)	(986,479)
Total asset less current liabilities	3,159,553	4,008,132	4,563,503
Non-current liabilities			
Borrowings	32,000	182,354	235,350
Other liabilities	11,609	103,053	200,340
Deferred tax liabilities	63,375	107,945	104,418
	106,984	393,352	540,108
Net assets	3,052,569	3,614,780	4,023,395
Capital and reserves			
Paid-in capital	1,430,000	1,666,625	1,832,125
Reserves	1,328,750	1,562,167	1,744,167
Equity attributable to the owner of the Company	2,758,750	3,228,792	3,576,292
Non-controlling interests	293,819	385,988	447,103
Total equity	3,052,569	3,614,780	4,023,395

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE SPIN-OFF GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

	Attributable to owners of the Company							
	Paid-in capital	Statutory surplus reserve	Special reserve	Share-based payments reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000 (note a)	RMB'000 (note c)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013	874,510	130,163	18,036	—	877,384	1,900,093	256,016	2,156,109
Profit for the year	—	—	—	—	564,430	564,430	55,155	619,585
Capital injection	555,490	—	—	—	—	555,490	66,218	621,708
Acquisition of non-controlling interests of subsidiaries	—	—	(86,226)	—	—	(86,226)	(44,829)	(131,055)
Acquisition of a subsidiary	—	—	—	—	—	—	14,337	14,337
Dividends from Retained Group (as defined in Note 1) (note d)	—	—	—	—	40,898	40,898	—	40,898
Transfer to statutory reserve	—	111,888	—	—	(111,888)	—	—	—
Dividends recognized as distributions	—	—	—	—	(199,044)	(199,044)	—	(199,044)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(53,078)	(53,078)
Deemed distribution to Yongda Investment (note b)	—	—	(16,891)	—	—	(16,891)	—	(16,891)
At December 31, 2013	1,430,000	242,051	(85,081)	—	1,171,780	2,758,750	293,819	3,052,569
Profit for the year	—	—	—	—	518,931	518,931	43,537	562,468
Capital injection	236,625	—	—	—	—	236,625	63,070	299,695
Acquisition of non-controlling interests of subsidiaries	—	—	4,966	—	—	4,966	(20,161)	(15,195)
Disposal of partial interests in subsidiaries without losing control	—	—	571	—	—	571	1,548	2,119
Recognition of equity-settled share-based payments	—	—	—	27,700	—	27,700	—	27,700
Acquisition of a subsidiary	—	—	—	—	—	—	32,643	32,643
Dividends from Retained Group (note d)	—	—	—	—	40,259	40,259	—	40,259
Transfer to statutory reserve	—	66,929	—	—	(66,929)	—	—	—
Dividends recognized as distributions	—	—	—	—	(327,866)	(327,866)	—	(327,866)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(28,468)	(28,468)
Deemed distribution to Yongda Investment (note b)	—	—	(31,144)	—	—	(31,144)	—	(31,144)
At December 31, 2014	1,666,625	308,980	(110,688)	27,700	1,336,175	3,228,792	385,988	3,614,780
Profit for the year	—	—	—	—	510,355	510,355	54,733	565,088
Capital injection	165,500	—	—	—	—	165,500	71,572	237,072
Acquisition of non-controlling interests of subsidiaries	—	—	826	—	—	826	(6,272)	(5,446)
Dividends from Retained Group (note d)	—	—	—	—	85,096	85,096	—	85,096
Recognition of equity-settled share-based payments	—	—	—	15,440	—	15,440	—	15,440
Transfer to statutory reserve	—	82,223	—	—	(82,223)	—	—	—
Dividends recognized as distributions	—	—	—	—	(364,622)	(364,622)	—	(364,622)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(58,918)	(58,918)
Deemed distribution to Yongda Investment (note b)	—	—	(90,466)	—	—	(90,466)	—	(90,466)
Acquisition of a subsidiary	—	—	25,371	—	—	25,371	—	25,371
At December 31, 2015	1,832,125	391,203	(174,957)	43,140	1,484,781	3,576,292	447,103	4,023,395

Notes:

a. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any, and/or (ii) in capital conversion.

b. During the three years ended December 31, 2015, part of 4S Dealership Business (as defined in Note 1 below) was operated by Yongda Investment. On December 31, 2015, Automobile Group entered into the business transfer agreement with Yongda Investment to acquire the 4S Dealership Business at consideration of RMB1. The net effect of net assets of such 4S Dealership Business acquired under common control has been treated as deemed distribution to (contribution from) Yongda Investment. Yongda Investment has collected, without reimbursing the Group, the net operating cash flow generated from the 4S Dealership Business (as defined in note 1 below). In the opinion of the management, since Yongda Investment were under the common control of the Company, such collection should be reflected as if they were transaction with shareholders and therefore the collection by related party was treated as deemed distribution to shareholders of the Group. Also Yongda Investment has settled, without charging the Group, the net operating cash flow used in the 4S Dealership Business (as defined in note 1 below), such settlement should be reflected as if they were transaction with shareholders and treated as deemed contribution from shareholders.

c. The special reserve mainly consisted of:

(i) an amount of RMB17,744,000 as deemed contribution from Yongda Investment representing the net effect of net assets of such 4S Dealership Business acquired under common control in 2012;

(ii) an amount of RMB292,000 representing the difference between the fair value of the consideration received and the carrying amount of the non-controlling interests upon disposal of partial interests in subsidiaries in 2012;

(iii) a reduction of reserve of approximately RMB86,226,000 representing the difference between the consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in 2013;

(iv) an amount of RMB16,891,000 as deemed distribution to Yongda Investment representing the net effect of net assets of such 4S Dealership Business acquired under common control in 2013;

(v) an amount of RMB571,000 representing the difference between the consideration received and the carrying amount of the non-controlling interests upon disposal of partial interests in subsidiaries in 2014,

(vi) an amount of RMB4,966,000 representing the difference between the fair value of the consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in 2014;

(vii) an amount of RMB31,144,000 as deemed distribution to Yongda Investment representing the net effect of net assets of such 4S Dealership Business acquired under common control in 2014;

(viii) an amount of RMB826,000 representing the difference between the fair value of the consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in 2015, and;

(ix) an amount of RMB90,466,000 as deemed distribution to Yongda Investment representing net effect of net assets of such 4S Dealership Business acquired under common control in 2015.

(x) an amount of RMB25,371,000 as deemed contribution from an intermediate holding company, Grouprich International Investment Holdings Limited ("Grouprich"), relating to the acquisition of 30% equity interests in Wuxi Baozun Automobile Sales and Services Co., Ltd. ("Wuxi Baozun"). The Group completed the acquisition of 100% equity interests in Wuxi Baozun in 2014 and 30% of consideration amounting to RMB25,371,000 was paid by Grouprich in 2015. In order to present a complete picture of the 4S Dealership Business (as defined in Note 1 below), assuming that the 100% equity interests of Wuxi Baozun had been acquired by Automobile Group, thus the contribution by Grouprich is recognised in special reserve.

d. In accordance with the basis set out in Note 1 below, the dividends on Retained Group have been recognized in the retained profits directly when the Spin-off Group's right to receive the dividends is established.

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF THE SPIN-OFF GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	821,021	739,736	757,598
Adjustments for:			
Finance costs	240,371	370,130	437,169
Interest income	(17,482)	(20,291)	(13,271)
Depreciation of property, plant and equipment	136,252	215,601	273,669
Release of prepaid lease payments	9,395	12,895	14,454
Amortization of intangible assets	—	7,219	12,552
Share-based payment expenses	—	27,700	15,440
Loss on disposal of property, plant and equipment	7,094	2,820	10,448
Gain on bargain purchase	(20,195)	—	—
Gain on disposal of interest in an associate	—	(8,195)	—
Impairment loss on trade and other receivables	—	—	8,020
Gain on disposal of a subsidiary	718	(7,656)	—
Gain on subsequent adjustment to acquisition consideration	—	(3,311)	—
Gain on disposal of partial interest of joint ventures	—	(67)	—
Deemed contribution of 4S Dealership Business incurred by Grouprich	—	—	25,371
Share of profits of associates	(651)	(651)	(3,066)
Share of profits of joint ventures	(9,567)	(8,181)	(12,530)
Operating cash flows before movements in working capital	1,166,956	1,327,749	1,525,854
(Increase) decrease in inventories	(583,198)	(614,683)	241,103
(Increase) decrease in trade and other receivables	(657,450)	83,575	52,504
(Increase) decrease in finance lease receivables	(88,237)	(736,876)	47,468
(Increase) decrease in cash in transit	(29,333)	9,503	(27,692)
Increase in other liabilities	11,609	91,444	97,287
Increase (decrease) in trade and other payables	313,919	665,338	(242,105)
(Increase) decrease in amounts due from related parties	(3,001)	16,856	(7,208)
Increase (decrease) in amounts due to related parties	14	(1,686)	293
Withdrawal of pledged bank deposits	854,469	957,277	1,515,013
Placement of pledged bank deposits	(904,615)	(1,444,410)	(1,138,209)
Cash from operations	81,132	354,087	2,064,308
Income taxes paid	(88,072)	(139,071)	(179,185)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(6,940)	215,016	1,885,123

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF THE SPIN-OFF GROUP (continued)
FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Additions to and deposits paid for property, plant and equipment	(722,515)	(841,773)	(818,341)
Purchase of intangible assets	(11,941)	(36,184)	(46,758)
Purchase of available-for-sale investments	—	—	(174,874)
Additions to and deposits paid for prepaid land lease payments	(168,699)	(19,399)	(410,586)
Proceeds on disposal of property, plant and equipment, land use rights and intangible assets	112,035	167,285	182,513
Advance to related parties	(32,250)	(303,184)	(432,553)
Advance to independent third parties	—	(25,100)	—
Advance to non-controlling shareholders	(14,250)	(10,868)	(32,000)
Collection of advance to non-controlling shareholders	—	14,250	5,750
Collection of advance to related parties	3,012	137,200	425,779
Acquisition of subsidiaries	(489,545)	(365,438)	(6,564)
Proceeds on disposal of a subsidiary	3,166	4,692	—
Interest received	17,482	20,291	13,271
Dividend received from available-for-sale investments	—	—	94,125
Dividend received from joint ventures	9,324	3,133	8,667
Dividend received from associates	2,091	2,237	2,804
Investment in a joint venture	(26,400)	(8,000)	—
Deposits paid for acquisition of an entity	(35,380)	—	—
Proceeds from partial disposal of a joint venture	—	3,440	—
Collection of deposits paid for acquisition of an entity	—	1,400	—
NET CASH USED IN INVESTING ACTIVITIES	(1,353,870)	(1,256,018)	(1,188,767)

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF THE SPIN-OFF GROUP (continued) FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
Capital injection by Yongda Investment	555,490	236,625	165,500
New bank borrowings raised	9,520,113	13,961,014	22,360,615
Repayment of bank borrowings	(9,489,283)	(14,164,889)	(22,519,167)
Capital injection by non-controlling shareholders	66,218	63,070	71,572
Acquisition of non-controlling interests of subsidiaries	(71,055)	(75,195)	(5,446)
Advance from non-controlling shareholders	91,730	32,954	2,997
Advance from related parties	2,459,144	7,473,360	7,474,324
Prepayment of advance from non-controlling shareholders	—	—	(900)
Prepayment of advance from related parties	(1,009,055)	(5,513,510)	(8,269,004)
Interest paid	(294,560)	(321,707)	(238,368)
Placement of time deposits pledged for borrowings	—	(100,000)	—
Withdrawal of time deposits pledged for borrowings	—	100,000	—
Placement of pledged bank deposits pledged for borrowings	(7,944)	—	—
Withdrawal of pledged bank deposits pledged for borrowings	—	7,944	—
Placement of deposits to entities controlled by suppliers for borrowings	(19,200)	(51,775)	—
Withdrawal of deposits to entities controlled by suppliers for borrowings	—	—	14,680
Dividends paid as distribution	—	(84,779)	(113,825)
Dividends paid to non-controlling shareholders	(55,696)	(38,059)	(58,918)
Dividends paid to Shanghai Yongda Group Company Limited	(4,047)	—	(9,688)
Proceeds from partial disposal of subsidiaries without losing control	—	2,119	—
Payment for business combination under common control	(16,891)	(31,144)	(90,466)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,724,964	1,496,028	(1,216,094)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	364,154	455,026	(519,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	828,762	1,192,916	1,647,942
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	1,192,916	1,647,942	1,128,204

NOTES TO THE COMBINED FINANCIAL INFORMATION OF THE SPIN-OFF GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

1. GENERAL INFORMATION

On April 14, 2016, the Company announced that Shanghai Yongda Investment Holdings Group Company Limited* (上海永達投資控股集團有限公司, the "Yongda Investment"), the Company's indirect wholly owned subsidiary and the direct sole shareholder of Shanghai Yongda Automobile Group Co., Ltd.* (上海永達汽車集團有限公司, the "Automobile Group"), entered into the Share Issuance and Asset Purchase Agreement, the Share Transfer Agreement, the Material Asset Disposal Agreement and the Profit Compensation Agreement with Suzhou Yangtze New Materials Co., Ltd.* (the "A-share Listco"), a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange of the PRC, in connection with the proposed spin-off of Automobile Group together with its subsidiaries by way of a separate listing on the Shenzhen Stock Exchange (the "Proposed Spin-off").

As at December 31, 2015, the following businesses of the Group was primarily conducted by Automobile Group and its subsidiaries: (a) part of the Group's (i) new passenger vehicle sales business, (ii) after-sales services business; (iii) distribution of automobile finance and insurance products and (iv) other ancillary business (collectively, the "4S Dealership Businesses"); and (b) the entirety of the Group's automobile rental service business (the "Automobile Rental Business"), which is conducted by Yongda Automobile Rental Company Limited* (上海永達汽車租賃有限公司), formerly known as Yongda Automobile Rental Group Company Limited* (上海永達汽車租賃集團股份有限公司) ("the Yongda Automobile Rental") and its subsidiaries. As at December 31, 2015, Yongda Automobile Rental was a wholly owned subsidiary of Automobile Group. Other than Automobile Group and its subsidiaries, the remaining Group is primarily engaged in the following businesses:(a) part of the Group's 4S Dealership Businesses, which are currently held and conducted by several indirect wholly owned subsidiaries of the Company other than Automobile Group and its subsidiaries, including Yongsheng Finance Leasing Co, Ltd.* (永昇融資租賃有限公司), Shanghai Pengshun International Trading Co, Ltd.* (上海鵬順國際貿易有限公司), Shanghai Yongda Finance Leasing Co., Ltd.* (上海永達融資租賃有限公司), Shanghai Baozen Automobile Sales and Services Co., Ltd.* (上海寶誠汽車銷售服務有限公司), Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd.* (上海寶誠中環汽車銷售服務有限公司), Shanghai Baozen Shenjiang Automobile Sales and Services Co., Ltd.* (上海寶誠申江汽車銷售服務有限公司), Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd.* (上海永達汽車浦東銷售服務有限公司) and Shanghai Yongda Aocheng Automobile Services Co., Ltd.* (上海永達奧誠汽車銷售服務有限公司); and (b) finance leasing business (the "Finance Leasing Business"), which is conducted by Shanghai Yongda Finance Leasing Company Limited* (上海永達融資租賃有限公司) (the "Yongda Finance Leasing") and Yongsheng Finance Leasing Company Limited* (永昇融資租賃有限公司) (the "Yongsheng Finance Leasing").

As the first step of the Proposed Spin-off, the Company conducted a series of internal restructuring (the "Internal Restructuring"), consisting of the following assets and/or equity transfers: (a) transfer of all of the Group's businesses other than the Automobile Rental Business (namely, 4S Dealership Businesses and Finance Leasing Business, collectively, the "Spin-off Businesses"), either by way of assets transfer or transfer of equity interests in the relevant subsidiaries of the Company, to Automobile Group and its subsidiaries (together, the "Spin-off Group"); and (b) transfer of the entire equity interests in the entities engaged in the automobile rental services and property development, namely, Yongda Automobile Rental and its subsidiaries and Shanghai Saitong Property Development Company Limited* (上海賽通房地產發展有限公司, the "Shanghai Saitong") from Automobile Group to Yongda Investment. The Internal Restructuring was completed as of the report date.

NOTES TO THE COMBINED FINANCIAL INFORMATION OF THE SPIN-OFF GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

1. GENERAL INFORMATION (continued)

The unaudited Combined Financial Information for each of the three years ended December 31, 2015 comprises (i) the financial performance and financial position of the Spin-off Group, and (ii) the assets, liabilities and results directly attributable to the 4S Dealership Businesses and Finance Leasing Business operated by the Spin-off Group. For the three years ended December 31, 2015, Automobile Group had 100% equity interests in Yongda Automobile Rental and Shanghai Saitong, which are part of the remaining Group (i.e., excluding the A-share Listco and the Spin-off Group) (the "Retained Group") and were disposed to Yongda Investment as part of Internal Restructuring subsequent to the end of the reporting period. As a result, in order to present a complete picture of the 4S Dealership Business, the Spin-off Group's interests in Yongda Automobile Rental and Shanghai Saitong from the Spin-off Group have been accounted for available-for-sale investments that is measured at cost in the Combined Financial Information with carrying amount of RMB50,000,000 at December 31, 2013, 2014 and 2015 and the dividends from Yongda Automobile Rental and Shanghai Saitong have been recognized in the retained profits directly when the Spin-off Group's right to receive the dividends is established.

Pursuant to the Share Issuance and Asset Purchase Agreement, the A-share Listco will issue the consideration shares (the "Consideration Shares") to satisfy the consideration for the disposal of 100% equity interests in the Automobile Group held by Yongda Investment to the A-share Listco in exchange for the issuance of the Consideration Shares by the A-share Listco at an issue price of RMB9.77 per Consideration Share. Based on the Consideration of RMB12,000 million and the issue price per Consideration Share of RMB9.77, and assuming that there is no change to the dividend or share capital of the A-share Listco from the Latest Practicable Date to the date when the Consideration Shares are issued (other than the payment by the A-share Listco of its dividend for the year ended December 31, 2015 in a total amount of RMB16,002,000), it is expected that the A-share Listco will issue approximately 1,228,249,744 Consideration Shares to Yongda Investment to satisfy the Consideration.

As of the date of issuance of this report, the Automobile Group has already discontinued the automobile rental business that is operated by Yongda Automobile Rental and the property development business that will be commenced and operated by Shanghai Saitong subsequent to the Internal Restructuring. Upon completion of the Proposed Spin-off, it is expected that (i) Automobile Group will become a direct wholly owned subsidiary of the A-share Listco and remain as an indirect non-wholly owned subsidiary of the Company; and (ii) Yongda Investment will become the controlling shareholder of the A-share Listco, and will hold approximately 81.06% A shares in the A-share Listco as enlarged by the allotment and issue of the Consideration Shares. The Group will continue the Spin-off Businesses through the Spin-off Group and the Retained Group will continue to conduct the automobile rental business through Yongda Automobile Rental and its subsidiaries. Accordingly, the financial results of Automobile Group will continue to be accounted in the consolidated financial statements of the Group after completion of the Proposed Spin-off.

2. BASIS OF PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

All of the inter-company balances, transactions and the related cash flows among the Spin-off Group directly attributable to the 4S Dealership Businesses and Finance Leasing Business have been eliminated.

NOTES TO THE COMBINED FINANCIAL INFORMATION OF THE SPIN-OFF GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2015

2. BASIS OF PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION (continued)

The unaudited Combined Financial Information have been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with, among other things, the spin-off of the 4S Dealership Businesses and Finance Leasing Business operated by the Spin-off Group.

The unaudited Combined Financial Information of the 4S Dealership Businesses and Finance Leasing Business for each of the three years ended December 31, 2015 has been prepared using the same accounting policies as those adopted by the Company in the preparation of the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2015, which conform with International Financial Reporting Standards ("IFRSs").

The unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Auditing Standards 1 "Presentation of Financial Statements" nor an interim report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. It should be read in connection with the Group's relevant published annual financial statements.

As at 31 December 2015, the Spin-off Group's current liabilities exceeded its current assets by RMB 986,479,000. The Directors are of the opinion that, together with the presently available banking facilities, and the internal financial resources and renewed loan facilities of the Spin-off Group, the Spin-off Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the unaudited Combined Financial Information. Hence, the unaudited Combined Financial Information has been prepared on a going concern basis.

3. SUBSEQUENT EVENT

On April 8, 2016, Automobile Group entered into a strategic cooperation agreement (the "Agreement") with two individuals. Pursuant to the agreement, Automobile Group has agreed to: (i) acquire and such two individuals has agreed to transfer its 100% equity interest in JS Baozun Investment Group Co., Ltd.* (江蘇寶尊投資集團有限公司) ("JS Baozun") at a consideration of RMB274.09 million; and (ii) make capital contribution to JS Baozun for the acquisition of the remaining equity interest (the "Remaining Equity") in the 18 subsidiaries owned by such two individuals, at a total consideration of RMB489.91 million, which is equivalent to the capital contribution made to JS Baozun by Shanghai Yongda Automobile (the acquisition of the Target Equity and the Remaining Equity collectively referred to as the "Acquisition"). Upon completion of the Acquisition, JS Baozun and the 18 subsidiaries will become indirect wholly-owned subsidiaries of the Company.

** The English name of the entities established in the People's Republic of China mentioned above are translated for identification purpose only.*

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

The following is the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Group, which have been prepared on the basis as stated in the notes set out below for the purpose of illustrating the effect of the very substantial acquisition in relation to the proposed subscription of shares in Suzhou Yangtze New Materials Co., Ltd. and the very substantial disposal in relation to the proposed disposal of 100% equity interests in Shanghai Yongda Automobile Group Co., Ltd. (the "Automobile Group") to Suzhou Yangtze New Materials Co., Ltd. (the "Very Substantial Acquisition and Disposal" or the "Transaction") as if the Very Substantial Acquisition and Disposal were completed on December 31, 2015 for the unaudited pro forma consolidated statement of financial position, and as if the Very Substantial Acquisition and Disposal were completed on January 1, 2015 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at December 31, 2015 or at any future date or the results and cash flows of the Group for the year ended December 31, 2015 or for any future period.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended December 31, 2015 as disclosed in the 2015 annual report of the Company, and other financial information included elsewhere in the Circular.

In addition, the following additional pro forma information regarding the scenario as if the proposed placement of no more than 511,770,726 shares in Suzhou Yangtze New Materials Co., Ltd. to no more than 10 designated investors in PRC as planned by management of the A-share Listco upon completion of the Transaction (the "Proposed Placement") was completed concurrently together with the Transaction is prepared by the directors of the Company voluntarily for illustrative purpose only, to illustrate the effect of the completion of the Transaction and the Proposed Placement concurrently for further information of the investors and other users of this Circular. The Company would like to draw to your attention that (i) the completion of the Transaction and Proposed Placement by the A-Share Listco is not inter-conditional; (ii) the Proposed Placement is not legally binding nor underwritten; and (iii) as detailed in section Proposed Placement under Letter From the Board included in this Circular, the Proposed Placement is still subject to further approval by the shareholders of the A-Share Listco and CSRC, therefore, such Proposed Placement may or may not be approved by the relevant parties or eventuated upon completion of the Transaction, and even if it is eventuated, the Company cannot guarantee you that the final offer price or offer size may be as illustrated in the following table.

Unaudited pro forma consolidated statement of financial position

	Unaudited pro forma financial information prepared under rule 14.68 and rule 14.69 of the Listing Rules				Additional pro forma information (see above for details)	
	The Group at December 31, 2015	Pro forma adjustments in respect of the Very Substantial Acquisition and Disposal		Unaudited pro forma The Group at December 31, 2015	Pro forma adjustments as if the Proposed Placement by the A-share Listco would have been carried out and completed as at December 31, 2015	Unaudited pro forma The Group at December 31, 2015
	RMB'000 (Audited) Note 1	RMB'000 Note 2	RMB'000 Note 3	RMB'000 (Unaudited) A	RMB'000 Note 4 B	RMB'000 (Unaudited) A+B
Non-current assets						
Property, plant and equipment	3,578,068			3,578,068		3,578,068
Prepaid lease payments	978,275			978,275		978,275
Goodwill	286,624			286,624		286,624
Intangible assets	530,053			530,053		530,053
Deposits paid for acquisition of property, plant and equipment	118,683			118,683		118,683
Deposits paid for acquisition of land use rights	24,607			24,607		24,607
Available-for-sale investments	91,845			91,845		91,845
Interests in joint ventures	80,109			80,109		80,109
Interests in associates	166,068			166,068		166,068
Finance lease receivables	207,719			207,719		207,719
Deferred tax assets	92,756			92,756		92,756
	6,154,807			6,154,807		6,154,807
Current assets						
Prepaid lease payments	28,504			28,504		28,504
Inventories	4,083,064			4,083,064		4,083,064
Finance lease receivables	569,926			569,926		569,926
Trade and other receivables	3,533,562			3,533,562		3,533,562
Amounts due from related parties	67,382			67,382		67,382
Cash in transit	99,817			99,817		99,817
Pledged bank deposits	1,138,209			1,138,209		1,138,209
Bank balances and cash	1,531,993	(258,916)	(8,462)	1,264,615	4,950,000	6,214,615
	11,052,457			10,785,079		15,735,079
Current liabilities						
Trade and other payables	4,682,769			4,682,769		4,682,769
Amounts due to related parties	2,508			2,508		2,508
Income tax liabilities	442,789			442,789		442,789
Borrowings	3,902,214			3,902,214		3,902,214
Short-term debenture	797,422			797,422		797,422
Medium-term note	1,157,472			1,157,472		1,157,472
	10,985,174			10,985,174		10,985,174
Net current assets	67,283			(200,095)		4,749,905
Total asset less current liabilities	6,222,090			5,954,712		10,904,712
Non-current liabilities						
Borrowings	250,928			250,928		250,928
Convertible bonds	928,911			928,911		928,911
Other liabilities	337,398			337,398		337,398
Deferred tax liabilities	104,418			104,418		104,418
	1,621,655			1,621,655		1,621,655
Net assets	4,600,435			4,333,057		9,283,057
Capital and reserves						
Share capital	12,065			12,065		12,065
Reserves	4,225,130	(1,052,349)	(8,462)	3,164,319	2,171,856	5,336,175
Equity attributable to owners of the Company	4,237,195			3,176,384		5,348,240
Non-controlling interests	363,240	793,433		1,156,673	2,778,144	3,934,817
Total equity	4,600,435			4,333,057		9,283,057

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

	Unaudited pro forma financial information prepared under rule 14.68 and rule 14.69 of the Listing Rules				Additional pro forma information (see above for details)	
	The Group for the year ended December 31, 2015	Pro forma adjustments in respect of the Very Substantial Acquisition and Disposal		Unaudited pro forma The Group at December 31, 2015	Pro forma adjustments as if the Proposed Placement by the A-share Listco would have been carried out and completed as at January 1, 2015	Unaudited pro forma The Group for the year ended December 31, 2015
	RMB'000 (Audited) Note 1	RMB'000 Note 5	RMB'000 Note 3	RMB'000 (Unaudited) A	RMB'000 Note 6 B	RMB'000 (Unaudited) A+B
Revenue	35,657,593			35,657,593		35,657,593
Cost of sales and services	(32,630,645)			(32,630,645)		(32,630,645)
Gross profit	3,026,948			3,026,948		3,026,948
Other income and other gains and losses	414,569			414,569		414,569
Other expenses	—	(1,368,577)	(8,462)	(1,377,039)		(1,377,039)
Distribution and selling expenses	(1,503,417)			(1,503,417)		(1,503,417)
Administrative expenses	(730,091)			(730,091)		(730,091)
Finance costs	(447,070)			(447,070)		(447,070)
Share of profits of joint ventures	12,530			12,530		12,530
Share of profits of associates	3,066			3,066		3,066
Profit (loss) before tax	776,535			(600,504)		(600,504)
Income tax expense	(209,201)			(209,201)		(209,201)
Net profit (loss) for the year	567,334			(809,705)		(809,705)
Profit (loss) and total comprehensive income for the year attributable to:						
Owners of the Company	524,468	(1,465,238)	(8,462)	(949,232)	(102,785)	(1,052,017)
Non-controlling interests	42,866	96,661		139,527	102,785	242,312
	567,334			(809,705)		(809,705)

Unaudited pro forma consolidated statement of cash flows

	Unaudited pro forma financial information prepared under rule 14.68 and rule 14.69 of the Listing Rules				Additional pro forma information (see above for details)	
	The Group for the year ended December 31, 2015	Pro forma adjustments in respect of the Very Substantial Acquisition and Disposal		Unaudited pro forma The Group at December 31, 2015	Pro forma adjustments as if the Proposed Placement by the A-share Listco would have been carried out and completed as at January 1, 2015	Unaudited pro forma The Group for the year ended December 31, 2015
	RMB'000 (Audited) Note 1	RMB'000 Note 7	RMB'000 Note 8	RMB'000 (Unaudited) A	RMB'000 Note 9 B	RMB'000 (Unaudited) A+B
OPERATING ACTIVITIES						
Profit (loss) before tax	776,535			776,535		776,535
Adjustments for:						
Finance costs	447,070			447,070		447,070
Interest income	(13,271)			(13,271)		(13,271)
Depreciation of property, plant and equipment	366,283			366,283		366,283
Release of prepaid lease payments	14,454			14,454		14,454
Amortization of intangible assets	12,552			12,552		12,552
Share-based payment expenses	16,012			16,012		16,012
Loss on disposal of property, plant and equipment	10,749			10,749		10,749
Impairment loss on available-for-sale investments	14,030			14,030		14,030
Impairment loss on trade and other receivables	8,020			8,020		8,020
Share of profits of associates	(3,066)			(3,066)		(3,066)
Share of profits of joint ventures	(12,530)			(12,530)		(12,530)
Expenses relating to the Asset Restructuring	—		(8,462)	(8,462)		(8,462)
Operating cash flows before movements in working capital	1,636,838			1,628,376		1,628,376
Decrease in inventories	241,103			241,103		241,103
Increase in trade and other receivables	(143,401)			(143,401)		(143,401)
Decrease in finance lease receivables	47,468			47,468		47,468
Increase in cash in transit	(27,692)			(27,692)		(27,692)
Increase in other liabilities	235,795			235,795		235,795
Decrease in trade and other payables	(218,844)			(218,844)		(218,844)
Decrease in amounts due from related parties	7,313			7,313		7,313
Increase in amounts due to related parties	826			826		826
Withdrawal of pledged bank deposits	1,515,013			1,515,013		1,515,013
Placement of pledged bank deposits	(1,138,209)			(1,138,209)		(1,138,209)
Cash from operations	2,156,210			2,147,748		2,147,748
Income taxes paid	(188,047)			(188,047)		(188,047)
NET CASH FROM OPERATING ACTIVITIES	1,968,163			1,959,701		1,959,701
INVESTING ACTIVITIES						
Additions to and deposits paid for property, plant and equipment	(1,026,680)			(1,026,680)		(1,026,680)
Payment relating to the Assets Restructuring	—	(258,916)		(258,916)		(258,916)
Purchase of intangible assets	(46,758)			(46,758)		(46,758)
Purchase of available-for-sale investments	(105,875)			(105,875)		(105,875)
Additions to and deposits paid for prepaid land lease payments	(410,586)			(410,586)		(410,586)
Proceeds on disposal of property, plant and equipment, land use rights and intangible assets	244,166			244,166		244,166
Advance to related parties	(67,264)			(67,264)		(67,264)
Advance to non-controlling shareholders	(32,000)			(32,000)		(32,000)
Collection of advance to non-controlling shareholders	5,750			5,750		5,750
Collection of advance to related parties	30,443			30,443		30,443
Acquisition of subsidiaries	(36,290)			(36,290)		(36,290)
Interest received	13,271			13,271		13,271
Dividend received from joint ventures	8,667			8,667		8,667
Dividend received from associates	2,804			2,804		2,804
Investment in associates	(150,700)			(150,700)		(150,700)
NET CASH USED IN INVESTING ACTIVITIES	(1,571,052)			(1,829,968)		(1,829,968)

Unaudited pro forma consolidated statement of cash flows (continued)

	Unaudited pro forma financial information prepared under rule 14.68 and rule 14.69 of the Listing Rules				Additional pro forma information (see above for details)	
	The Group for the year ended December 31, 2015	Pro forma adjustments in respect of the Very Substantial Acquisition and Disposal		Unaudited pro forma The Group at December 31, 2015	Pro forma adjustments as if the Proposed Placement by the A-share Listco would have been carried out and completed as at January 1, 2015	Unaudited pro forma The Group for the year ended December 31, 2015
	RMB'000 (Audited) Note 1	RMB'000 Note 7	RMB'000 Note 8	RMB'000 (Unaudited) A	RMB'000 Note 9 B	RMB'000 (Unaudited) A+B
FINANCING ACTIVITIES						
New bank borrowings raised	23,286,419			23,286,419		23,286,419
Repayment of bank borrowings	(24,187,764)			(24,187,764)		(24,187,764)
Proceeds on issue of short-term debenture	800,000			800,000		800,000
Transaction costs arising from issue of medium-term note	(2,819)			(2,819)		(2,819)
Transaction costs arising from issue of convertible bonds	(16,912)			(16,912)		(16,912)
Transaction costs arising from issue of short-term debenture	(2,200)			(2,200)		(2,200)
Capital injection by non-controlling shareholders	40,072			40,072		40,072
Acquisition of non-controlling interests of subsidiaries	(5,446)			(5,446)		(5,446)
Advance from non-controlling shareholders	2,998			2,998		2,998
Prepayment of advance from non-controlling shareholders	(900)			(900)		(900)
Proceeds received from issue of shares of a subsidiary	—			—	5,000,000	5,000,000
Cost directly attributable to issue of shares of a subsidiary	—			—	(50,000)	(50,000)
Interest paid	(476,367)			(476,367)		(476,367)
Withdrawal of deposits to entities controlled by suppliers for borrowings	14,680			14,680		14,680
Dividends paid as distribution	(148,002)			(148,002)		(148,002)
Dividends paid to non-controlling shareholders	(33,406)			(33,406)		(33,406)
Dividends paid to Shanghai Yongda Group Company Limited	(9,688)			(9,688)		(9,688)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(739,335)			(739,335)		4,210,665
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(342,224)			(609,602)		4,340,398
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	1,874,217			1,874,217		1,874,217
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	1,531,993			1,264,615		6,214,615

Notes:

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at December 31, 2015, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended December 31, 2015, as set out in the published annual report of China Yongda Automobile Services Holdings Limited for the year ended December 31, 2015.

2. Pursuant to the Share Issuance and Asset Purchase Agreement with the A-share Listco, Yongda Investment disposed 100% interests in the Automobile Group at the Consideration that is to be satisfied by allotment and issue of the consideration shares (the "Consideration Shares") by the A-share Listco to Yongda Investment. The consideration shares to be issued will be adjusted in case of any declaration of dividend, right issue, change of share capital, issuance of additional share, or placing by the A-share Listco. If the Very Substantial Acquisition and Disposal were to complete on December 31, 2015, the A-share Listco would have issued approximately 1,228,249,744 Consideration Shares to Yongda Investment. In addition, pursuant to the Share Transfer Agreement between Yongda Investment and Shanghai Qinshuolai, the controlling shareholder of the A-share Listco, Yongda Investment conditionally agreed to purchase, and Shanghai Qinshuolai conditionally agreed to sell, 26,800,000 A-shares in the A-share Listco for a total cash consideration of RMB324,816,000.

Upon completion of the Very Substantial Acquisition and Disposal, it is currently expected that (i) Automobile Group will become a direct wholly owned subsidiary of the A-share Listco; and (ii) Yongda Investment will become the controlling shareholder of the A-share Listco. As a result, the Automobile Group will continue to be a subsidiary of the Group after completion of the Very Substantial Acquisition and Disposal. However, the Automobile Group will become a non-wholly owned subsidiary of Yongda Investment after the completion of the Very Substantial Acquisition and Disposal, while it was a 100% owned subsidiary of Yongda Investment before the Very Substantial Acquisition and Disposal.

The adjustment represents the pro forma impact of transfer of the equity which was originally attributable to the Company and now to non-controlling shareholders of the A-share Listco as if the Very Substantial Acquisition and Disposal were completed on December 31, 2015 and is calculated as follows:

			RMB'000
Equity interest disposed and became held by non-controlling shareholders	*(note a)*		*793,433*
Add: Cash consideration paid	*(note b)*	*871,816*	
Less: Cash of the A-share Listco	*(note c)*	*(612,900)*	
Subtotal of net cash consideration paid			*258,916*
Total equity transferred from the shareholders of the Company to non-controlling shareholders of the A-share Listco			***1,052,349***

(a) Before the Very Substantial Acquisition and Disposal, as of December 31, 2015, the A-share Listco has total 320,040,000 shares in issue. As mentioned above, 1,228,249,744 Consideration Shares would be issued to Yongda Investment upon completion of the Very Substantial Acquisition and Disposal. Assuming the Very Substantial Acquisition and Disposal was completed at December 31, 2015, the total number of shares outstanding of the A-share Listco would have been 1,548,289,744 shares, among which Yongda Investment would have 1,255,049,744 (including the Consideration Shares and 26,800,000 shares purchased from Shanghai Qinshuolai). Accordingly, Yongda Investment's interest in the A-share Listco and the Automobile Group would become 81.06% upon completion of the Very Substantial Acquisition and Disposal. In another word, 18.94% of interest in Automobile Group would be transferred and became held by non-controlling shareholders of the A-share Listco.

The amount of non-controlling interest transferred is calculated based on the carrying amount of Automobile Group's net assets attributable to the Company (RMB 3,576,292,000 as set out in Appendix II of this Circular) and carrying amount of the A-share Lisco's net assets (mainly representing cash balance of RMB612,900,000, details are explained in note (c) below) as of December 31, 2015 multiplying the abovementioned 18.94%.

(b) Pursuant to the Material Asset Disposal Agreement, the A-share Listco conditionally agreed to sell, and Yongda Investment conditionally agreed to purchase, the A-share Listco Assets for a total cash consideration of RMB612,900,000, and Yongda Investment in turn conditionally agreed to sell, and Mr. Hu Weilin, the ultimate controlling shareholder of the A-share Listco conditionally agreed to purchase, the A-share Listco Assets at a consideration to be determined with reference to, among others, a post-completion audit of the A-share Listco Assets. The following formula has been disclosed on page 12 in the Circular to determine the consideration, RMB612,900,000 – (A × B) – C, which is subject to determination by the Company and the relevant parties.

In the formula, A × B represents the profit attributable to Yongda Investment in the A-share Listco Assets during the transition period from December 31, 2015 to completion of the Material Asset Disposal Agreement. Considering the unaudited consolidated pro forma financial information is prepared as if the Very Substantial Acquisition and Disposal have taken place on December 31, 2015 for the consolidated statement of financial position, or January 1, 2015 for the consolidated statement of profit and loss and cash flows, i.e. all transactions would have completed on the same date, therefore, the profit during the transition period is not considered in the pro forma adjustment. C represents consideration paid to Mr. Hu Weilin with reference to similar asset restructuring transactions in the PRC. The Company currently expects the amount of C to fall within the range of RMB454 million to RMB547 million based on public information available to the Company. The exact amount of C will be finalised by the Company and Mr. Hu Weilin through further negotiation.

For the pro forma purpose, the Directors consider the maximum amount within the range above, i.e. RMB547 million appropriate. Therefore, based on the formula, the consideration for the transfer of the A-share Listco Assets by Yongda Investment to Mr. Hu Weilin is estimated to be RMB65,900,000, (RMB612,900,000 – RMB547,000,000). As a result, the total cash consideration to be paid of RMB871,816,000 is calculated, for the pro form purpose, based on the RMB612,900,000 stated in the Material Assets Disposal Agreement, plus the RMB324,816,000 stated in the Share Issuance and Asset Purchase Agreement for the subscription of 26,800,000 A shares, less the RMB65,900,000 cash consideration received from Mr. Hu Weilin mentioned above.

(c) As mentioned in (b) above, pursuant to the Material Asset Disposal Agreement, Yongda Investment would acquire the A-share Listco Assets and dispose them to Mr. Hu Weilin at the same time. Assuming the Very Substantial Acquisition and Disposal was completed on December 31, 2015, A-share Listco would only have cash balance of RMB 612,900,000 on December 31, 2015 when it became a subsidiary of the Group and was consolidated in the Group's financial statements.

The actual amount of equity transferred between shareholders of the Company and non-controlling shareholders of the A-share Listco may be different from the above pro forma financial information as the percentage of interest transferred and became held by the non-controlling shareholders of the A-share Listco and the amount of cash consideration to be paid as of the actual completion date of the Very Substantial Acquisition and Disposal may be different from the figures used in the above pro forma adjustments.

3. The adjustment represents estimated legal and professional fees of RMB8,462,000 directly attributable to the Share Issuance and Asset Purchase Agreement and Share Transfer Agreement and Material Asset Disposal Agreement. The adjustment is not expected to have a continuing effect on the Group.

4. The adjustment represents the estimated net proceeds from the Proposed Placement which is based on 511,770,726 shares at RMB 9.77 per share, after deducting the estimated transaction costs of RMB50,000,000. Assuming the Proposed Placement was completed on December 31, 2015, a further 20.14% interest in the Automobile Group will be deemed to be disposed to non-controlling shareholders of the A-share Listco, which represents the difference between the percentage of non-controlling interests of the A-share Listco immediate after the completion of the Very Substantial Acquisition and Disposal but before the Proposed Placement (18.94% as set out in note 2(a) above), and the percentage of non-controlling interests of the A-share Listco after the Very Substantial Acquisition and Disposal and the Proposed Placement (39.08%, which is calculated based on the total number of shares held by non-controlling shareholders of the A-share Listco divided by total number of shares outstanding of the A-share Listco as if the Very Substantial Acquisition and Disposal and Proposed Placement were completed on December 31, 2015. Details are set out on Page 22 of this Circular.). The amount of non-controlling interests of the A-share Listco included in this adjustment of RMB2,778,144,000 is calculated based on the summation of Automobile Group's carrying value attributable to the Company as at December 31, 2015 (RMB 3,576,292,000 as set out in Appendix II of this Circular), the net proceeds of RMB 4,950,000,000 from the Proposed Placement and the A-share Listco's net assets as at December 31, 2015 (mainly representing cash balance RMB 612,900,000) multiplying the 20.14% interest disposed, plus the portion of the net proceeds from the Proposed Placement that are shared with the non-controlling interests immediate before completion of the Proposed Placement, i.e. the net proceeds of RMB 4,950,000,000 multiplying 18.94%.

5. The adjustment represents the deemed transaction costs on acquisition of A-share Listco which does not qualified as an asset and profit sharing between the Company and the non-controlling shareholders in the Automobile Group for the year ended December 31, 2015 as if the Very Substantial Acquisition and Disposal were completed on January 1, 2015 and is calculated as follows:

		RMB'000
Deemed transaction costs on acquisition of the A-share Listco which does not qualified as an asset		
Fair value of the shares that are deemed to have been issued by Automobile Group		*1,109,661*
Add: Net cash consideration paid		*258,916*
Total transaction costs on acquisition of the A-share Listco which does not qualified as an asset	*(note a)*	***1,368,577***
Profit sharing between the Company and the non-controlling shareholders in the Automobile Group		
Automobile Group's Net profits attributable to the Company 2015	*(note b)*	*510,355*
Percentage of non-controlling interests	*(note c)*	*18.94%*
Profit attributable to non-controlling interests		*96,661*

(a) After the completion of the Very Substantial Acquisition and Disposal, the indirect holding by the Company in 100% equity interests in the Automobile Group would effectively exchange to approximately 81.06% equity interests in the A-share Listco, and A-share Listco would become an indirect non-wholly owned subsidiary of the Company. Prior to the Very Substantial Acquisition and Disposal, the A-share Listco is principally engaged in research, production and sale of organic coating boards and related substrates as well as construction materials and after the Very Substantial Acquisition and Disposal, the A-share Listco would discontinue its existing business. As a result, the acquisition of A-share Listco does not constitute a business combination under IFRS 3 "Business Combinations" and would be accounted for in the Group's consolidated financial statements as an acquisition of asset representing an A-share listing status, together with a deemed issue of shares by the Automobile Group. This deemed issue of shares by the Automobile Group is accounted for as an equity-settled share-based payment transaction whereby the Automobile Group has received the net assets of A-share Listco, generally cash, together with the listing status of the A-share Listco. As the listing status does not qualify for recognition as an asset, and therefore would be expensed in profit or loss as listing expense, which is calculated based on the fair value of the shares that are deemed to have been issued by the Automobile Group of RMB1,109,661,000 plus the net cash consideration of RMB258,916,000 paid (the net cash consideration paid at January 1, 2015 is deemed the same as the one at December 31, 2015, as explained in note 2). The fair value of the shares that are deemed to have been issued by Automobile Group represents 18.94% (which is the non-controlling interests immediate after the completion of the Very Substantial Acquisition and Disposal but before the Proposed Placement, as set out in note 2(a) above) of the fair value of Automobile Group as of 1 January 2015. The fair value of the Automobile Group as of January 1, 2015 is calculated based on the market capitalization of the Company as of January 1, 2015 (RMB 5,954,706,000) less the carrying amount of Yongda Automobile Rental's net assets as of January 1, 2015 (RMB95,882,000), based on the assumption (i) no lack of liquidity discount is applied to the market capitalization of the Company as of January 1, 2015, and (ii) the carrying amount of Yongda Automobile Rental's net assets as of January 1, 2015 is used as its fair value.

In addition, pursuant to the Profit Compensation Agreement, the committed net profits of Automobile Group for each of the three years ending December 31, 2016, 2017 and 2018 are RMB800 million, RMB1,000 million and RMB1,200 million, respectively. Any compensation to be paid under the Profit Compensation Agreement will be settled by the repurchase of the Compensation Shares by the A-share Listco in priority and the shortfall will be settled by Yongda Investment in cash. Details are set out in other sections of the Circular. The fair value of such contingent consideration is not expected to be material pursuant to an independent valuation developed based on all current information available to the Company.

The actual amount of loss from the Transaction may be different from the above pro forma loss as the amount of net cash consideration paid and the fair value of the Automobile Group as of the actual completion date of the Very Substantial Acquisition and Disposal may be different from the figures used in the pro forma adjustments.

The adjustment explained in note 5(a) is not expected to have a continuing effect on the Group.

(b) The amount is extracted from the reviewed combined financial information of the Automobile Group as set out in Appendix II to this Circular.

(c) Details are set out in 2(a).

The adjustment explained in note 5(b) and 5(c) is expected to have a continuing effect on the Group.

6. The adjustment represents the pro forma profit sharing between the Company and the non-controlling shareholders in the Automobile Group for the further 20.14% interest disposed. As explained in note 4, assuming the Proposed Placement was completed on January 1, 2015, a further 20.14% interest in the Automobile Group will be deemed to be disposed to non-controlling shareholders of the A-share Listco. The adjustment is calculated based on the net profit of RMB 510,355,000 of the Automobile Group attributable to the Company for the year ended December 31, 2015 (note 5(b)) multiplying by 20.14%. The adjustment is expected to have a continuing effect on the Group.

7. The adjustment represents the net cash consideration payment of RMB 258,916,000 as explained in note 5(a). The adjustment is not expected to have a continuing effect on the Group.

8. The adjustment represents the payment of legal and professional fees of RMB8,462,000 directly attributable to the Share Issuance and Asset Purchase Agreement, Share Transfer Agreement and the Material Asset Disposal Agreement. The adjustment is not expected to have a continuing effect on the Group.

9. The adjustment represents the estimated net proceeds from the Proposed Placement of RMB5 billion, net of direct transaction costs of RMB50,000,000, as explained in note 4. The adjustment is not expected to have a continuing effect on the Group.

10. No adjustment has been made to reflect any trading results, cash flows or other transactions of the Group entered into subsequent to December 31, 2015.

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPLIANCE OF PRO FORMA FINANCIAL INFORMAITON

TO THE DIRECTORS OF CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at December 31, 2015, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015, the pro forma consolidated statement of cash flows for the year ended December 31, 2015 and related notes as set out on pages III-1 to III-8 of the circular issued by the Company dated June 2, 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-8 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial acquisition in relation to the proposed subscription of shares in Suzhou Yangtze New Materials Co., Ltd. and the very substantial disposal in relation to the proposed disposal of 100% equity interests in Shanghai Yongda Automobile Group Co., Ltd. (the "Automobile Group") to Suzhou Yangtze New Materials Co., Ltd. (the "Very Substantial Acquisition and Disposal") on the Group's financial position as at December 31, 2015 and the Group's financial performance and cash flows for the year ended December 31, 2015 as if the Very Substantial Acquisition and Disposal had taken place at December 31, 2015 and January 1, 2015 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended December 31, 2015, on which an auditor's report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2015 or January 1, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 2, 2016

For further financial information of the Spin-off Group and the Retained Group, please refer to the section headed "Management Discussion and Analysis" set out on pages 9 to 31 of the annual report of the Group for the year ended December 31, 2013 (available from the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0411/LTN20140411051.pdf), pages 8 to 24 of the annual report of the Group for the year ended December 31, 2014 (available from the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0408/LTN20150408009.pdf), and pages 6 to 24 of the annual report of the Group for the year ended December 31, 2015 (available from the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0406/LTN201604061158.pdf), respectively, which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ydauto.com.cn).

PART I—MANAGEMENT DISCUSSION AND ANALYSIS OF THE SPIN-OFF GROUP

The management discussion and analysis of the Spin-off Group as set out below is based on a summary of the business and financial information for the three years ended December 31, 2015 relating to all of the Company's businesses other than the automobile rental business, which mainly consist of the 4S Dealership Businesses and the Finance Leasing Business to be operated by the Spin-off Group after completion of the Proposed Spin-off.

For the year ended December 31, 2015

A. Business overview

1. Stable Growth in new vehicle sales and fast growth in after-sales services

   Despite a slowdown in the overall automobile sales market, the sales volume of new vehicles witnessed a stable growth in 2015 and reached 116,439 units, representing a 12.4% increase compared to the same period in 2014, among which, the sales volume of luxury and ultra-luxury brand new vehicles reached 68,664 units in 2015, representing a 14.0% increase compared to the same period in 2014.

   In 2015, the Spin-off Group actively seized the opportunities brought by the rapid development of internet technology and the increase in the amount and frequency of online spending of customers, promoted and sold various after-sales products and services to its customers through the self-owned booking platform system for after-sales services as well as third party internet platforms, such as Tmall. This method helped to expand external customers inflow and offer flexibilities for customers, and accordingly, achieved good results. Meanwhile, the Spin-off Group launched the vehicle delivery and collection service with differentiated and customized services, which further increased customer dependency and achieved good results. Through the above measures and the continued improvement of internal business processes, the utilization rate of the maintenance workforce and average revenue contribution of after-sales services provided by maintenance staff recorded a rapid growth in 2015.

2. Rapid growth of the pre-owned vehicle business

   The Spin-off Group vigorously promoted the development of the pre-owned vehicle business and strived to build the most influential brand of pre-owned vehicle chain group in China. In 2015, the Spin-off Group launched official website for "Yongda pre-owned vehicle mall" and WeChat platform, which closed the loop for online and offline transactions using big data system as a tool and with offline chain outlets to provide impetus to the offline-to-online ("**O2O**") interactive business. The Spin-off Group has also expanded the functions of mobile access to satisfy the demand of different customers. The Spin-off Group actively promoted the construction and operation of the chain outlets of "Yongda pre-owned vehicle mall", and has commenced the operations of 10 outlets in Zhabei, Longdong, Yuqiao, Zhonghuan, Songjiang, Qingpu, Jiading, Qibao, Nanhui and Changshu in the Shanghai and Jiangsu region. The offline outlet chain covers assessment services, acquisition services, extended services, agency services, and replacement services, which does not only a good customer experience center, but also the carrier of offline integrated business services.

Furthermore, the Spin-off Group fully deployed pre-owned vehicle ERP system across the Group's nationwide network and implemented standardized business management. The Spin-off Group launched the 12-12 Yongda Pre-owned Vehicle Carnival throughout China, aiming at promoting the brand effect.

3. Rapid Development of the Automobile Finance Business

In 2015, the automobile finance business of the Group witnessed a remarkable development. Both the business scale and probability increased significantly as compared to last year. In respect of the automobile finance agency business, the permeability rate of the Group's automobile finance agency business in 2015 increased by 73% compared to the same period of 2014.

With respect to the proprietary business, the finance leasing services segment maintained its sound momentum of growth in 2015. Along with the steady growth in the scale of the finance leasing business, the business structure of the automobile finance business has been further improved. The business from the retail channels accounted for 82.0%, which not only reduced the risk of the finance leasing assets, but also strengthened the connection with the end customers through financial means.

In particular, the contribution margin ratio of the above automobile finance agency and proprietary finance leasing business increased to 15.1% in 2015 from 10.9% for the year 2014, representing an increase of 38.5% as compared to 2014.

4. Commence the Exploration of the New Energy Vehicles Industry

The Spin-off Group obtained authorization from three major domestic new energy vehicles brands (namely, Beijing Automobile Group, JAC and DENZA). The Spin-off Group completed the preparation of the new energy vehicles experience center. The Spin-off Group also proactively planned its new energy vehicles sales and service outlets in Shanghai and other regions of China as well as carried forward the relevant works for professional team reserves and industry research.

5. Built an Automobile Industry Ecosystem by Taking Advantage of "Internet+"

The Spin-off Group laid foundations and put forward a transformative concept in the automobile e-commerce domain by taking advantage of "Internet + automobile" in 2014 and gradually created the rudimentary form of "Yongda Auto Life services e-commerce platform" through the efficient integration of the online and offline businesses in 2015. The Company has already conducted strategic cooperation with major internet giants to lay a solid foundation for its internet e-commerce expansion.

In 2015, the Spin-off Group supplemented its offline business channels by taking advantage of the strengths of the internet platforms in order to further strengthen its offline channels. The Spin-off Group began to establish its O2O customer service platform with the principle of "focus on the customer". Meanwhile, it has built a management model of members loyalty and created an exclusive e-commerce ecosystem system for customers (i.e., "Yongda Auto Life services e-commerce platform") by services integration within the Spin-off Group's system.

In 2015, the Spin-off Group has broken through the previous pattern of individual offline physical entity operation by cooperating with reputable internet companies such as Alibaba Automobile, Uber, E Daijia, Bitauto and Youxinpai. In particular, the Spin-off Group has furthered its strategic cooperation with Alibaba Automobile in 2015, by launching its special new vehicle sales activities of Chevrolet Epica at its online franchise store during the Alibaba Automobile Festival in August, pioneered the full payment online mode of automobile purchase and broke down the previous regional sales restrictions with free distribution throughout the country. In addition, the Spin-off Group sold out approximately 2,000 units within 13 days and the online payment amounted to over RMB120 million during the Alibaba Automobile Festival.

6. Continuous and Active Expansion of Network

In 2015, the Company obtained authorization to open 6 new passenger vehicles sales and services outlets focusing mainly on luxury and ultra-luxury brands, including 3 Volvo 4S dealerships, 1 DENZA 4S dealership, 1 Aston Martin 4S dealership and 1 Buick 4S dealership, particularly the Spin-off Group opened 3 Volvo 4S dealerships and obtained authorization to open 1 DENZA electric vehicles 4S dealership in Southern China, which strengthened its outlet network in Southern China.

In 2015, the Spin-off Group opened 21 new passenger vehicle sales and services outlets mainly for luxury and ultra-luxury brands, including 6 BMW 4S dealerships, 3 Audi 4S dealerships, 2 Jaguar/Land Rover 4S dealerships, 2 Lincoln 4S dealerships, 3 Volvo 4S dealerships, 1 Infiniti 4S dealership, 1 Lexus 4S dealership, 1 DENZA electric vehicles 4S dealership, 1 FAW-Volkswagen 4S dealership and 1 Ford 4S dealership.

In 2015, the Spin-off Group opened 10 "Auto Repair (車易修)" luxury automobile maintenance and repair centers located in Shanghai, Guangdong, Jiangsu and Chongqing, respectively.

In 2015, the Spin-off Group actively expanded the network of pre-owned vehicle and passenger vehicle comprehensive showrooms by establishing 8 pre-owned vehicle comprehensive showrooms and 2 passenger vehicle comprehensive showrooms.

The Spin-off Group has a total of 195 outlets opened and authorized to open, which are located across 4 municipalities and 56 cities in 18 provinces in China as of December 31, 2015.

B. Financial overview

Revenue

Revenue of passenger vehicle sales from the passenger vehicle sales and services segment was RMB31,230.2 million in 2015, a 6.9% increase from RMB29,203.6 million in 2014, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB25,226.3 million in 2015, a 5.6% increase from RMB23,891.3 million in 2014.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB4,135.5 million in 2015, a 16.9% increase from RMB3,537.7 million in 2014.

Revenue from the finance leasing services segment was RMB126.7 million in 2015, a 140.8% increase from RMB52.6 million in 2014.

Cost of Sales and Services

Cost of sales and services for the passenger vehicle sales and services segment was RMB30,276.1 million in 2015, an increase of 7.1% from RMB28,256.6 million in 2014, which was generally in line with the growth in revenue from passenger vehicle sales.

Cost of after-sales services for the passenger vehicle sales and services segment was RMB2,251.5 million in 2015, a 17.4% increase from RMB1,917.8 million in 2014, which was generally in line with the growth in revenue from after-sales services.

Cost of sales and services for the finance leasing services segment was RMB36.0 million in 2015, a 141.6% increase from RMB14.9 million in 2014, which was generally in line with the growth in revenue from finance leasing services.

Gross Profit and Gross Profit Margin

Gross profit of passenger vehicle sales from the passenger vehicle sales and services segment was RMB954.1 million in 2015, a 0.7% increase from RMB947.0 million in 2014. Gross profit margin for passenger vehicle sales slightly decreased to 3.06% in 2015 from 3.24% in 2014.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB1,883.9 million in 2015, an increase of 16.3% from RMB1,619.8 million in 2014. Gross profit margin for after-sales services was 45.56% in 2015, which remained basically flat compared to 45.79% in 2014.

Gross profit from the finance leasing services segment in 2015 was RMB90.7 million, an increase of 140.5% from RMB37.7 million in 2014. Gross profit margin for finance leasing services was 71.60% in 2015, which remained basically flat compared to 71.70% in 2014.

Other Income and Other Gains and Losses

The increase of other income and other gains and losses was primarily due to the increase of revenue of after-market finance and insurance services from passenger vehicle sales and services segment.

Distribution and Selling Expenses

The increase of distribution and selling expenses was primarily due to the expansion of sales and services network and sales scale. The increase of distribution and selling expenses as a percentage of revenue was primarily due to the newly opened outlets in 2015, which were still in the early development stage.

Administrative Expenses

The increase of administrative expenses was primarily due to the expansion of sales and services network and sales scale. The administrative expenses as a percentage of revenue remained basically flat compared 2014.

Finance Costs

The increase of finance costs was primarily due to the increased average balance of financing as a result of the expansion in sales and services network and business scale.

Capital Expenditures and Investment

The Spin-off Group's capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, land use rights and intangible assets. In 2015, the total capital expenditures on purchase of property, plant and equipment, land use rights and intangible assets amounted to RMB1,275.7 million.

Borrowings and Bonds

The Spin-off Group obtained borrowings consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies and bonds to fund its working capital and network expansion. As of December 31, 2015, the outstanding amount of the borrowings and bonds amounted to RMB 3,549.3 million, a 4.28% decrease from RMB 3,707.9 million as of December 31, 2014. The following table sets forth the maturity profile of the borrowings and bonds as of December 31, 2015:

	As of December 31, 2015
	(RMB in million)
Within one year	3,314.0
One year to two years	150.9
Two to five years	59.8
More than five years	24.8
Total	3,549.5

As of December 31, 2015, certain of the Spin-off Group's borrowings were secured by mortgages or pledges over its assets. The assets subject to these mortgages or pledges as of December 31, 2015 are about RMB1,031.5 million.

Out of the Spin-off Group's borrowings for the year ended December 31, 2015, RMB2,159 million were fixed-rate borrowings and RMB1,390 million were variable-rate borrowings.

As of December 31, 2015, the Spin-off Group's gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 71.2%. The net debt was total debt net of cash and cash equivalents, pledged bank deposits and cash in transit.

Contingent Liabilities

As of December 31, 2015, the Spin-off Group did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

The Spin-off Group is exposed to interest rate risk resulting from fluctuations in the interest rate on its borrowings. Certain of the borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China or London Interbank Offered Rate. Increases in interest rates could result in an increase in the cost of borrowing. If this occurs, it could adversely affect the finance costs, profit and the Spin-off Group's financial condition. The Spin-off Group does not currently use any derivative financial instruments to hedge its exposure to interest rate risk.

Except for a part of bank borrowings denominated in U.S. dollars, substantially all of the Spin-off Group's revenue, costs and expenses are denominated in Renminbi. The Spin-off Group also uses Renminbi as its reporting currency. The Spin-off Group believes its operations currently are not subject to any significant direct foreign exchange risk. The Spin-off Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Financial Risk Management Objectives and Policies

The Spin-off Group's major financial instruments include trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, other liabilities and borrowings. The Spin-off Group adopts certain policies to mitigate risks associated with these financial instruments, including interest rate risk, credit risk and liquidity risk.

With respect to the interest rate risk, it is the Spin-off Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Spin-off Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The Spin-off Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Spin-off Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

In order to further minimize the credit risk, the Spin-off Group delegates teams to deal with suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. In addition, the Spin-off Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In the management of liquidity risk, the Spin-off Group monitors and maintains an adequate level of cash and cash equivalents to finance the Spin-off Group's operations and mitigate the effects of fluctuations in cash flows. The Spin-off Group monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

C. Prospects and future plans

The Spin-off Group will continue to focus on the automobile industry and adhere to its "customer-oriented" belief. Firstly, the Spin-off Group will achieve continuing efficiency improvement of the traditional automobile sales and service business on the basis of refinement in operation and management. Secondly, relying on the competitive edge of industry-finance integration and setting automobile finance business as the focus of near term strategic development, the Spin-off Group will proactively develop proprietary business such as finance leasing and small loan businesses while expanding the automobile finance agency business, and continue to enhance the permeability of automobile finance by leveraging on the development of internet technology. In addition, the Spin-off Group will also rely on the competitive edge of its supply chain and proactively develop the new energy vehicles business such as sales and service, charging platform operation, battery gradient utilization and other aspects so that the Spin-off Group can meet the new development trend of the automobile industry in the future.

D. Other information

In 2015, the remuneration of the Spin-off Group's employees includes salaries and allowances. The Spin-off Group provides training to its staff to enhance technical and product knowledge. The Spin-off Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

For the year ended December 31, 2014

A. Business overview

1. Faster Growth in New Vehicle Sales and rapid development of after-sales services

   Despite the challenging market environment, driven by the overall growth in the passenger vehicles market and the additional sales from the Spin-off Group's newly opened outlets and outlets through mergers and acquisitions, the Spin-off Group's sales volume of passenger vehicles reached 103,602 units in 2014, representing a 26.5% increase compared to 2013, among which, the sales volume of luxury and ultra-luxury brand passenger vehicles reached 60,237 units in 2014, representing a 42.3% increase compared to 2013.

   The repair and maintenance services continued its fast growth in 2014, particularly for the luxury and ultra-luxury brands. This was mainly due to the fact that the Spin-off Group continued to enhance the quality and customer satisfaction through the "one-stop shop" repair and maintenance services; strengthened marketing and promotion via its well-known "Yongda" brand; enhanced cooperation with insurance companies to boost the proportion of the accident car repair business; and effectively increased its efficiency of repair and maintenance services and lowered costs through the improvement of repair and maintenance processes and management, and the centralised procurement of spare parts.

2. Proactive Promotion of Pre-owned Vehicle Business

During 2014, the Spin-off Group put great efforts into promoting the development of the pre-owned vehicle business. The Spin-off Group established a new public e-commerce platform through the joint venture with BitAuto.com and Youxinpai to create an O2O e-commerce business layout with the adoption of a nationwide B2C/C2B retail business mode and the coordination with offline service experience; accelerated the construction of high end boutique showrooms for pre-owned vehicles to form a business pattern with high end positioning and chained operation; extended the construction of Yongda's self-owned pre-owned vehicle outlets and established an operation pattern of brand chained operation; issued Yongda authentication standards for pre-owned vehicles and implemented 168 professional inspection and quality standards under seven major categories in order to expand its brand influence; achieved effective bundling between pre-owned vehicles and finance, insurance, extended warranty, supplies, maintenance and repair and other services, and enhanced the additional value of the pre-owned vehicles retail business. Meanwhile, the Spin-off Group actively implemented the connection between the pre-owned vehicle business and the strong internet marketing channels, such as BitAutocom and Tmall, to lay a solid foundation for achieving the restructuring and upgrading of business.

3. Rapid Development of Finance Leasing and automobile finance and insurance business

The rapid development of finance leasing business was mainly due to the recruitment of professional management personnel, and the reconstruction of corresponding organisational structure and management procedures during the first half of the year; on the other hand, it was also due to the full utilization of the Spin-off Group's advantages in respect of the passenger vehicle sales channels and resources over the years.

The Spin-off Group fully examined the cooperating organisations with respect to automobile finance and insurance during 2014 for the purpose of seeking the best partners in various areas including product structure, service efficiency and regional coverage, so as to effectively enhance the penetration rate of automobile finance and insurance and relevant incomes from these services.

4. Creation of the E-commerce Platform—"Yongda Automobiles World"

Along with the rapid development of domestic e-commerce in various industries, the reliance on e-commerce platforms for automobiles by customers is increasing. Therefore, the Spin-off Group adhered to the concept of enhancing the customer experience to create the e-commerce platform "Yongda Automobiles World", and to gradually satisfy all kinds of vehicles usage demand via closed-loop e-commerce business in the future.

5. Continuous and Steady Expansion of Network

In 2014, the Spin-off Group obtained authorisation to open 14 new passenger vehicles sales and services outlets focusing mainly on luxury and ultra-luxury brands, including one BMW 4S dealership, three BMW authorized repair centres, one Jaguar/Land Rover 4S dealership, one Porsche 4S dealership, one Bentley 4S dealership, one Volvo 4S dealership, one Infiniti 4S dealership, one Lincoln 4S dealership, one Buick 4S dealership, one Volkswagen 4S dealership, one Shanghai-Volkswagen 4S dealership and one Skoda 4S dealership.

In 2014, the Spin-off Group opened 18 new passenger vehicle sales and services outlets mainly for luxury and ultra-luxury brands, including three BMW 4S dealerships, one BMW pre-owned vehicle centre, one Audi 4S dealership, three Jaguar/Land Rover 4S dealerships, one Porsche 4S dealership, one Cadillac 4S dealership, one Lincoln 4S dealership, one Infiniti 4S dealership, one Shanghai-Volkswagen 4S dealership, one Ford 4S dealership, one Morgan 4S dealership, one BMW authorized repair center and two Cadillac city showrooms.

In 2014, the Spin-off Group continued to actively implement the low-cost mergers and acquisitions strategy, captured the mergers and acquisitions opportunities in the market and successfully acquired ten 4S dealerships and city showroom for luxury brands. Moreover, the Spin-off Group also acquired additional equity interests of two Porsche 4S dealerships.

In 2014, the Spin-off Group's first "Auto Repair (車易修)" outlet achieved a good start for its business development and accumulated valuable experience for the operation and management of new "Auto Repair (車易修)" outlets in the future. Meanwhile, the Spin-off Group opened four new "Auto Repair (車易修)" outlets, among which, two of them were located in Shanghai, one in Shenzhen and one in Changsha, Hunan.

B. Financial overview

Revenue

Revenue from passenger vehicle sales was RMB29,074.1 million in 2014, a 25.1% increase from RMB23,243.1 million in 2013, which was primarily due to (i) continuous growth of the overall demand for passenger vehicles in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) the continued increase in revenue of the outlets opened in prior years; and (iii) the growth of passenger vehicle sales resulting from newly opened outlets and acquired outlets in 2013 and 2014. Despite the increased proportion of entry-level and domestically manufactured models leading to a decrease in average selling prices of luxury and ultra-luxury brands of passenger vehicles, the proportion of revenue from luxury and ultra-luxury brands of passenger vehicle sales continued to increase, which resulted in the overall average selling price of the passenger vehicles in 2014 remaining in line with that of 2013.

Revenue from after-sales services was RMB3,537.4 million in 2014, a 36.9% increase from RMB2,583.6 million in 2013, which was primarily due to (i) continuous enhancement of the quality and customer satisfaction of the "one-stop shop" repair and maintenance services; (ii) strengthened marketing and promotion leveraging on the well-known "Yongda" brand; (iii) the reinforcement of cooperation with insurance companies to promote the proportion of accident car repair business; (iv) innovative efforts and launch of various comprehensive, diversified and value-added automobile extended products and services; (v) continuing effort in enhancing service efficiency; and (vi) the increase in revenue of after-sales services from the newly opened and acquired outlets in 2013 and 2014.

Revenue from finance leasing services was RMB52.6 million in 2014, representing an increase of RMB49.0 million compared to RMB3.6 million in 2013.

Cost of Sales and Services

Cost of sales and services for passenger vehicle sales was RMB28,127.1 million in 2014, an increase of 26.3% from RMB22,276.1 million in 2013, which was generally in line with the growth in revenue from passenger vehicle sales.

Cost of sales and services for after-sales services was RMB1,917.6 million in 2014, a 39.3% increase from RMB1,376.3 million in 2013, which was generally in line with the growth in revenue from after-sales services.

Cost of sales and services for finance leasing services was RMB14.9 million in 2014, representing an increase of RMB14.4 million compared to RMB0.5 million in 2013, which was the finance cost arising from the borrowings of Shanghai Yongda Finance Leasing Company Limited.

Gross Profit and Gross Profit Margin

Gross profit from passenger vehicle sales was RMB947.0 million in 2014, a 2.1% decrease from RMB966.9 million in 2013. Affected by the intense competition in passenger vehicle sales market and decline in retail price in 2014, gross profit margin for passenger vehicle sales decreased to 3.26% in 2014 from 4.16% in 2013.

Gross profit from after-sales services was RMB1,619.8 million in 2014, an increase of 34.2% from RMB1,207.3 million in 2013. Gross profit margin for after-sales services was 45.79% in 2014, which remained basically flat compared to 46.73% in 2013.

Gross profit from finance leasing services in 2014 was RMB37.7 million, representing an increase of RMB34.6 million compared to RMB3.1 million in 2013. Gross profit margin for finance leasing services was 71.70% in 2014.

Other Income and Other Gains and Losses

The increase of other income and other gains and losses was primarily due to the increase of revenue generated from aftermarket finance services including insurance and finance.

Distribution and Selling Expenses

The increase of distribution and selling expenses was primarily due to the expansion of sales and services network and sales scale. The increase of distribution and selling expenses as a percentage of revenue was primarily due to the newly opened outlets in 2014 were still in the early development stage.

Administrative Expenses

The increase of administrative expenses was primarily due to the expansion of sales and services network and sales scale. The increase of administrative expenses as a percentage of revenue was primarily due to the newly opened outlets in 2014, which were still in the early development stage.

Finance Costs

The increase of finance costs was primarily due to the increased finance balance as a result of the expansion in sales and services network and business scale.

Capital Expenditures and Investment

The capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, land use rights and intangible assets, as well as the acquisition of subsidiaries. In 2014, the capital expenditures of purchase of property, plant and equipment, land use rights and intangible assets amounted to RMB 897.3 million and the expenditures on acquisition of subsidiaries amounted to RMB 364.0 million.

Borrowings and Bonds

The Spin-off Group obtained borrowings consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies and bonds issuance to fund its working capital and network expansion. As of December 31, 2014, the outstanding amount of borrowings and bonds amounted to RMB 3,707.9 million, a 3.7% increase from RMB 3,575.2 million as of December 31, 2013, which was primarily due to (i) increase in borrowings as a result of capital expenditures and mergers and acquisitions in 2014 and borrowings brought in by the acquired or merged outlets as well; and (ii) the expansion of sales scale resulting in the increase of working capital borrowings. The following table sets forth the maturity profile of the borrowings and bonds as of December 31, 2014:

	As of December 31, 2014
	(RMB in million)
Within one year	3,525.5
One year to two years	152.4
Two to five years	18.8
More than five years	11.3
Total	3,708.0

As of December 31, 2014, certain of its borrowings were secured by mortgages or pledges over the Spin-off Group's assets. The assets subject to these mortgages or pledges as of December 31, 2014 amounted to RMB 875.6 million.

Out of the Spin-off Group's borrowings for the year ended December 31, 2014, RMB1,809 million were fixed-rate borrowings and RMB1,899 million were variable-rate borrowings.

As of December 31, 2014, the Spin-off Group's gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 73.3%. The net debt was total debt net of cash and cash equivalents, pledged bank deposits and cash in transit.

Contingent Liabilities

As of December 31, 2014, the Spin-off Group did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

The Spin-off Group is exposed to interest rate risk resulting from fluctuations in the interest rate on its borrowings. Certain of the Spin-off Group's borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China or London Interbank Offered Rate. Increases in interest rates could result in an increase in the cost of borrowing. If this occurs, it could adversely affect its finance costs, profit and its financial condition. The Spin-off Group does not currently use any derivative financial instruments to hedge its exposure to interest rate risk.

Except for a part of bank borrowings denominated in U.S. dollars, substantially all of the revenue, costs and expenses are denominated in Renminbi. The Spin-off Group also uses Renminbi as its reporting currency. The Spin-off Group believes its operations currently are not subject to any significant direct foreign exchange risk. The Spin-off Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Financial Risk Management Objectives and Policies

The Spin-off Group's major financial instruments include trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, other liabilities and borrowings. The Spin-off Group adopts certain policies to mitigate risks associated with these financial instruments, including interest rate risk, credit risk and liquidity risk.

With respect to the interest rate risk, it is the Spin-off Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Spin-off Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The Spin-off Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Spin-off Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

In order to further minimise the credit risk, the Spin-off Group delegates teams to deal with suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. In addition, the Spin-off Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In the management of liquidity risk, the Spin-off Group monitors and maintains an adequate level of cash and cash equivalents to finance the Spin-off Group's operations and mitigate the effects of fluctuations in cash flows. The Spin-off Group monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

C. Prospects and future plans

From the year of 2015 to the future, in light of the progress of domestic urbanization and strong demand for upgrading and updating vehicle ownership within the society, China's automobile market is expected to maintain a fast-growing and stable development, especially for the luxury and ultra-luxury automobile market, which is expected to maintain fast growth. The Spin-off Group also realised that after experiencing the rapid growth over the past few years, extended services such as automobile maintenance and repair, pre-owned vehicles, automobile decoration, care and maintenance, as well as after-market businesses such as automobile finance and insurance service and automobile rental are expected to have robust development with unlimited business opportunities. Therefore, the Spin-off Group will adhere to the operating concept of "Introducing Auto Life" and keep developing the Spin-off Group into a leading retailer and services provider of luxury and ultra-luxury passenger vehicles offering premium customer experience in China. At the same time, the Spin-off Group will rely on the well-established industrial chain of automobile services to reconstruct a brand new business mode of "Automobile + Finance + Internet".

D. Other information

In 2014, the remuneration of the Spin-off Group's employees includes salaries and allowances. The Spin-off Group provides training to its staff to enhance technical and product knowledge. The Spin-off Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

For the year ended December 31, 2013

A. Business overview

1. Accelerated Growth in Passenger Vehicle Sales and Fast-growing After-market Business

   The market for passenger vehicles has been recovering since the fourth quarter of 2012 and has accelerated its growth in 2013. The retail price has generally remained stable with an upward trend. Despite the challenging market environment, sales volume of passenger vehicles reached 81,882 units in 2013, representing a 17.2% increase compared to 2012, among which, the sales volume of luxury and ultra-luxury brand passenger vehicles reached 42,324 units in 2013, representing a 24.3% increase compared to 2012.

   The repair and maintenance services have continued fast growth in 2013, particularly in the luxury and ultra-luxury segment, as a result of the Spin-off Group's fast-growing customer base, particularly customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demand for after-sales services. To meet customers' needs, the Spin-off Group created its own "Auto Repair (車易修)" brand in 2013 and planned to establish its luxury automobile maintenance and repair service network under this brand, in order to provide more convenient, professional, competitive and diversified selection of after-sales services for luxury automobile consumers in addition to its existing 4S dealerships. The first "Auto Repair (車易修)" luxury automobile maintenance and repair center commenced operations on Hutai Road in Shanghai in 2013.

2. Continuous Expansion of the Network

   In 2013, the Spin-off Group continued to build its strong and long-term strategic relationships with leading manufacturers of luxury and ultra-luxury passenger vehicles.

   In 2013, including its first self-owned "Auto Repair (車易修)" luxury automobile maintenance and repair center, the Spin-off Group has opened 19 new passenger vehicle sales and services outlets mainly for luxury and ultra-luxury brands, including three BMW 4S dealerships, one BMW city showroom, three Audi 4S dealerships, five Jaguar/Land Rover 4S dealerships, one Porsche 4S dealership, one Bentley 4S dealership, one Cadillac 4S dealership, one Cadillac city showroom, and one luxury custom-modified vehicle brand 4S dealership. Furthermore, its first self-owned luxury automobile maintenance and repair center under the "Auto Repair (車易修)" brand has commenced operation in Shanghai in December 2013.

In 2013, the Spin-off Group actively captured the mergers and acquisitions opportunities in the market and made substantial progress in such area. The Spin-off Group successfully acquired seven 4S dealerships and one authorised service center for luxury brands at relatively low costs. Moreover, the Spin-off Group also acquired 49% of equity interests in each of the two Jaguar/Land Rover 4S dealerships in Shanghai (the Company originally owned 51% of equity interests in each of these two Jaguar/Land Rover 4S dealerships). After the acquisition, the Spin-off Group owns 100% of equity interests of these two Jaguar/Land Rover 4S dealerships.

As of December 31, 2013, the Spin-off Group has opened and has been authorized by manufacturers to open in total 131 outlets which are located across 3 municipalities and 41 cities in 13 provinces in China.

3. Striving for Innovation and the Embarkation into the Finance Leasing Sector

In 2013, Yongda Finance Leasing commenced its operation after obtaining the approval from MOFCOM, which laid a milestone of the Spin-off Group's efforts in providing financing products and services to its customers. In 2013, through business integration and consolidation within a relatively short period of time, the Spin-off Group's finance leasing business has achieved extensive development in Shanghai region and initially established reputation in the industry. Through training and guidance conducted at outlets, promotion of standardized products, strict risk control and the building of professional teams, the Spin-off Group was able to better meet its customers' needs and achieved a relatively fast business development. The penetration ratio resulting from the synergies of the automobile sales industry and financial industry in the form of automobile finance leasing is over 40% in mature markets such as Europe and America. In China, automobile finance leasing is still at its preliminary stage and has great potential for future development and profitability. Automobile finance leasing covers a comprehensive industry chain of passenger vehicle sales services. The Spin-off Group expects to gain revenue and increase profit from the automobile finance leasing business in the areas of new passenger vehicles sales and interest earnings. The Spin-off Group also expects revenue gain and profits from the automobile finance leasing business in the areas of maintenance and repair services, automobile extended products and services, insurance and pre-owned vehicle businesses.

B. Financial overview

Revenue

Revenue from passenger vehicle sales was RMB23,243.1 million in 2013, a 19.6% increase from RMB19,440.2 million in 2012, primarily due to (i) the overall demand for passenger vehicles continuing to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) the continued increase in revenue of the dealerships opened in prior years; and (iii) the growth of passenger vehicle sales resulting from the increase in the number of newly opened outlets and acquired outlets in 2013. Despite the increased proportion of entry-level models and domestically manufactured models leading to a slight decrease in average selling prices of ultra-luxury and luxury brands and mid- to high-end brands passenger vehicles, the proportion of revenue from ultra-luxury and luxury brands passenger vehicle sales continued to increase, resulting in an approximately 2.0% increase in overall average selling price of the Spin-off Group's passenger vehicles in 2013 compared to 2012.

Revenue from after-sales services was RMB2,587.3 million in 2013, a 26.3% increase from RMB2,048.6 million in 2012, primarily due to (i) the growing customer base, particularly the customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demands for after-sales services; (ii) the "one-stop shop" comprehensive automobile-related quality services which achieved a high degree of customer recognition and in turn increased customer retention rates and continuous consumption, as well as attracted new customers through referrals; (iii) more referrals by insurance companies as a result of strengthened cooperation; (iv) innovative efforts and launching of various comprehensive, diversified and value-added automobile extended products and services; (v) continuing effort in enhancing service efficiency; and (vi) the increase in the number of newly opened and acquired outlets in 2013.

Cost of Sales and Services

Cost of sales and services for passenger vehicle sales was generally in line with the growth of passenger vehicle sales. Cost of sales and services for after-sales services increased at a slower pace compared to the increase of revenue from after-sales services.

Gross Profit and Gross Profit Margin

Gross profit margin for passenger vehicle sales increased to 4.2% in 2013 from 4.0% in 2012, primarily because the passenger vehicle market has remained stable with an upward trend since the fourth quarter of 2012, and an increased proportion of sales revenue from the sales of passenger vehicle brands which have higher profit margins.

Gross profit margin for after-sales services increased to 46.8% in 2013 from 44.5% in 2012, primarily due to (i) the increased proportion of after-sales services provided to luxury and ultra-luxury passenger vehicles, which have higher gross profit margin; (ii) continuing focus on providing comprehensive, diversified and value-added automobile extended products and services; (iii) an increase of revenue from accident car repair business referrals by insurance companies; and (iv) continuing efforts in cost control and centralised purchases, as well as the introduction of new suppliers who can meet the strict quality control requirements at lower cost.

Other Income and Other Gains and Losses

The decrease of other income and other gains and losses was primarily due to the decrease in government grants

Distribution and Selling Expenses

Increase of distribution and selling expenses was primarily due to the expansion of the sales and services network and sales scale. Decrease of distribution and selling expenses as a percentage of the revenue was primarily because the outlets newly opened in 2013 were still at the initial development stage.

Administrative Expenses

Increase of administrative expenses was primarily due to the expansion of sales and services network and sales scale. Increase of administrative expenses as a percentage of revenue was primarily because the outlets newly opened in 2013 were still at the initial development stage.

Capital Expenditures and Investment

The capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, land use rights and intangible assets, as well as the acquisition of subsidiaries. In 2013, the capital expenditures of purchase of property, plant and equipment, land use rights and intangible assets amounted to RMB 938.5 million and the expenditures on acquisition of subsidiaries amounted to RMB 489.5 million.

Borrowings and Bonds

The Spin-off Group obtained borrowings consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies and bonds issuance to fund its working capital and network expansion. As of December 31, 2013, the outstanding amount of borrowings and bonds amounted to RMB 3,575.2 million, a 4.3% increase from RMB 3,428.1 million as of December 31, 2012. The following table sets forth the maturity profile of the borrowings and bonds as of December 31, 2013:

	As of December 31, 2013
	(RMB in million)
Within one year	3,543.2
One year to two years	32.0
Two to five years	0
More than five years	0
Total	3,575.2

As of December 31, 2013, certain of the Spin-off Group's borrowings were secured by mortgages or pledges over the Spin-off Group's assets. The assets subject to these mortgages or pledges as of December 31, 2013 amounted to RMB 821.5 million.

Out of the Spin-off Group's borrowings for the year ended December 31, 2013, RMB1,255 million were fixed-rate borrowings and RMB2,320 million were variable-rate borrowings.

As of December 31, 2013, the Spin-off Group's gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 70.1%. The net debt was total debt net of cash and cash equivalents, pledged bank deposits and cash in transit.

Contingent Liabilities

As of December 31, 2013, the Spin-off Group did not have any material contingent liabilities or guarantees.

Interest Rate Risk and Foreign Exchange Risk

The Spin-off Group is exposed to interest rate risk resulting from fluctuations in the interest rate on its borrowings. Certain of the Spin-off Group's borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China or London Interbank Offered Rate. Increases in interest rates could result in an increase in the cost of borrowing. If this occurs, it could adversely affect its finance costs, profit and its financial condition. The Spin-off Group does not currently use any derivative financial instruments to hedge its exposure to interest rate risk.

Except for a part of bank borrowings denominated in U.S. dollars, substantially all of the revenue, costs and expenses are denominated in Renminbi. The Spin-off Group also uses Renminbi as its reporting currency. The Spin-off Group believes its operations currently are not subject to any significant direct foreign exchange risk. The Spin-off Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Financial Risk Management Objectives and Policies

The Spin-off Group's major financial instruments include trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, other liabilities and borrowings. The Spin-off Group adopts certain policies to mitigate risks associated with these financial instruments, including interest rate risk, credit risk and liquidity risk.

With respect to the interest rate risk, it is the Spin-off Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk. The Spin-off Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The Spin-off Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Spin-off Group's exposure on an ongoing basis and will consider hedging the interest rate should the need.

In order to further minimise the credit risk, the Spin-off Group delegates teams to deal with suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. In addition, the Spin-off Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In the management of liquidity risk, the Spin-off Group monitors and maintains an adequate level of cash and cash equivalents to finance the Spin-off Group's operations and mitigate the effects of fluctuations in cash flows. The Spin-off Group monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

C. Prospects and future plans

To proactively capture market opportunities, the Spin-off Group's core concept for 2014 and afterwards is designed to develop the Spin-off Group into a leading retailer of luxury and ultra-luxury passenger vehicles and auto life services provider offering premium customer experience in China.

Therefore, the Spin-off Group will plan its financial services and continue to pay close attention to the sectors of Internet and new energy vehicles as well as the redevelopment and utilisation of 4S dealerships, while strengthening the passenger vehicle sales services. The Spin-off Group will implement its core concept through the measures set out below.

D. Other information

In 2013, the remuneration of the Spin-off Group's employees includes salaries and allowances. The Spin-off Group provides training to its staff to enhance technical and product knowledge. The Spin-off Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

PART II—MANAGEMENT DISCUSSION AND ANALYSIS OF THE RETAINED GROUP

The management discussion and analysis of the Retained Group as set out below is based on a summary of the business and financial information for the three years ended December 31, 2015 relating to the Company's automobile rental business to be operated by the Retained Group after completion of the Proposed Spin-off.

For the year ended December 31, 2015

A. Business overview

In view of the room for development and opportunities in the automobile rental market, in terms of network layout, the Retained Group proactively conducted the layout of rental networks in provinces and cities outside Shanghai since 2015 and have achieved preliminary results. As of the end of 2015, the Retained Group has set up automobile rental companies or commenced automobile rental operations in a number of cities, such as Guangzhou, Shenzhen, Chengdu, Hangzhou, Nanjing, Qingdao, Hefei, Fuzhou and Wuxi and at the same time proactively prepared for the establishment of new rental companies in more than ten cities across the country. Meanwhile, the Retained Group actively explored opportunities for cooperation with companies with established customer base and relevant licenses in the markets across the country, such as Beijing, Tianjin, Yunnan and Hainan.

With respect to the advantageous businesses such as long-term rental and high-end business and conference limousine services, the Retained Group actively introduced professional talents to ensure and improve the market share. In 2015, the Retained Group obtained long-term rental and business and conference automobile rental business from certain renowned companies and institutions, and undertook the automobile rental business for certain major sports and cultural events. At the end of 2015, the Retained Group reached a strategic cooperation agreement with Samsung Group in respect of enterprise automobile rental business of a number of Korea-invested enterprises in China, including Samsung. With respect to the online automobile rental reservation business, the Retained Group established a specialized operating entity, built partnerships with famous domestic online automobile rental reservation platforms, injected the vehicles and drivers into such platforms and expanded its platform business. Given the rapid development of new energy vehicles in China, the Retained Group entered into strategic cooperation agreement with Foxconn and China Telecom, pursuant to which all parties agreed to explore the construction of "4G+Internet of vehicles + intelligent vehicle charging station + electric vehicles timeshare rental services network construction", which has great market potential in Shanghai and Eastern China.

As of December 31, 2015, the Retained Group has opened a total of 30 outlets.

B. Financial overview

Revenue from the automobile rental services segment was RMB330.2 million in 2015, a 20.5% increase from RMB273.9 million in 2014.

Cost of sales and services for the automobile rental services segment was RMB221.7 million in 2015, a 11.3% increase from RMB199.2 million in 2014, which increased at a relatively lower pace compared to the increase in revenue from automobile rental services.

Gross profit from the automobile rental services segment was RMB108.5 million in 2015, an increase of 45.2% compared to RMB74.7 million in 2014. Gross profit margin for automobile rental services was 32.85% in 2015, representing an increase compared to 27.27% in 2014.

Capital Expenditures and Investment

The Retained Group's capital expenditures comprised primarily expenditures on the purchase of vehicles and license plates. In 2015, the total capital expenditures amounted to RMB208.3 million.

Borrowings and Bonds

The Retained Group obtained borrowings consisting of bank loans, bonds and convertible bonds. As of December 31, 2015, the outstanding amount of the borrowings, bonds and convertible bonds amounted to RMB 3,487.6 million, a 3.1% increase from RMB 3,384.0 million as of December 31, 2014. The following table sets forth the maturity profile of its borrowings and bonds as of December 31, 2015:

	As of December 31, 2015
	(RMB in million)
Within one year	2,543.2
One year to two years	12.5
Two to five years	932.0
More than five years	0
Total	**3,487.7**

As of December 31, 2015, certain of the Retained Group's borrowings were secured by mortgages or pledges over its assets. The assets subject to these mortgages or pledges as of December 31, 2015 are about RMB54.5 million.

Out of the Retained Group's borrowings for the year ended December 31, 2015, RMB3,357 million were fixed-rate borrowings and RMB131 million were variable-rate borrowings.

The Retained Group does not have a separate balance sheet from that of the Group, and therefore, the concept of gearing ratio does not apply to the Retained Group on a standalone basis. As of December 31, 2015, the Group's gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 68.1%. The net debt was total debt net of cash and cash equivalents, pledged bank deposits and cash in transit.

Contingent Liabilities

As of December 31, 2015, the Retained Group did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

All of the Retained Group's revenue, costs and expenses are denominated in Renminbi. The Retained Group also uses Renminbi as its reporting currency. The Retained Group believes its operations currently are not subject to any significant direct foreign exchange risk. The Retained Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Financial Risk Management Objectives and Policies

The Retained Group's major financial instruments include trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, short-term debentures, medium-term notes, convertible bonds, other liabilities and borrowings. The Retained Group adopts certain policies to mitigate risks associated with these financial instruments, including interest rate risk, credit risk and liquidity risk.

With respect to the interest rate risk, it is the Retained Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk. The Retained Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates and London Interbank Offered Rate ("**LIBOR**").

The Retained Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Retained Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

In order to further minimise the credit risk, the Retained Group delegates teams to deal with suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. In addition, the Retained Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In the management of liquidity risk, the Retained Group monitors and maintains an adequate level of cash and cash equivalents to finance the Retained Group's operations and mitigate the effects of fluctuations in cash flows. The Retained Group monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

C. Prospects and future plans

The Retained Group will seize the development opportunities of automobile rental business, consolidate its long-term rental business and actively develop its commercial, conferences, short-term and internet automobile rental business.

D. Other information

In 2015, most of the chauffeurs and personnel for the Retained Group's automobile rental business are engaged through third-party agencies. The Company entered into service agreements with the third-party agencies and paid service fees for the services rendered by the chauffeurs and personnel. The third-party agencies pay remuneration and provide training to the chauffeurs and personnel.

For the year ended December 31, 2014

A. Business overview

In 2014, the revenue for the automobile rental services maintained a steady growth. Facing the opportunities for future development in rental market, the Retained Group mainly conducted the layout for network development and business structure. In 2014, apart from focusing on the business development in Shanghai, the Retained Group also set up branch companies in cities such as Chongqing, Suzhou and Guangzhou. In addition, the Retained Group also kept abreast of the automobile rental platform development and actively explored opportunities for cooperation.

Meanwhile, during 2014, the Retained Group actively expanded the network for automobile rental services by establishing seven branch companies for automobile rental services in more economically developed provinces and cities other than Shanghai.

B. Financial overview

Revenue from automobile rental services was RMB273.9 million in 2014, a 2.9% increase from RMB266.2 million in 2013.

Cost of sales and services for automobile rental services was RMB199.2 million in 2014, a 12.6% increase from RMB176.9 million in 2013, which increased at a relatively fast pace compared to the increase in revenue from the automobile rental services.

Gross profit from automobile rental services was RMB74.7 million in 2014, a decrease of 16.3% compared to RMB89.2 million in 2013. Affected by the intense market competition, the increase in costs such as salary, depreciation and fuel oil, gross profit margin for automobile rental services decreased from 33.53% in 2013 to 27.27% in 2014.

Capital Expenditures and Investment

The Retained Group's capital expenditures comprised primarily expenditures on the purchase of vehicles and license plates. In 2014, the total capital expenditures amounted to RMB225.0 million.

Borrowings and Bonds

The Retained Group obtained borrowings consisting of bank loans, bonds and convertible bonds. As of December 31, 2014, the outstanding amount of borrowings, bonds and convertible bonds amounted to RMB 3,384.0 million, a 123.6% increase from RMB1,513.3 million as of December 31, 2013.

In July 2014, the Company issued 1.5% USD settled convertible bonds due 2019 with an aggregate principal amount of RMB1 billion, and the funds raised will be used for establishment and acquisition of passenger vehicle sales and services outlets and replenishment of working capital.

The following table sets forth the maturity profile of the borrowings, bonds and the convertible bonds as of December 31, 2014:

	As of December 31, 2014
	(RMB in million)
Within one year	1,330.2
One year to two years	1,165.9
Two to five years	887.9
More than five years	0
Total	3,384.0

As of December 31, 2014, certain of the Retained Group's borrowings were secured by mortgages or pledges over the Retained Group's assets. The assets subject to these mortgages or pledges as of December 31, 2014 amounted to RMB106.9 million.

Out of the Retained Group's borrowings for the year ended December 31, 2014, RMB2,305 million were fixed-rate borrowings and RMB1,079 million were variable-rate borrowings.

The Retained Group does not have a separate balance sheet from that of the Group, and therefore, the concept of gearing ratio does not apply to the Retained Group on a standalone basis. As of December 31, 2014, the Group's gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 69.0%. The net debt was total debt net of cash and cash equivalents, pledged bank deposits and cash in transit.

Contingent Liabilities

As of December 31, 2014, the Retained Group did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

All of the Retained Group's revenue, costs and expenses are denominated in Renminbi. The Retained Group also uses Renminbi as its reporting currency. The Retained Group believes its operations currently are not subject to any significant direct foreign exchange risk. The Retained Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Financial Risk Management Objectives and Policies

The Retained Group's major financial instruments include trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, medium-term notes, convertible bonds, other liabilities and borrowings. The Retained Group adopts certain policies to mitigate risks associated with these financial instruments, including interest rate risk, credit risk and liquidity risk.

With respect to the interest rate risk, it is the Retained Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk. The Retained Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates and LIBOR.

The Retained Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Retained Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

In order to further minimise the credit risk, the Retained Group delegates teams to deal with suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. In addition, the Retained Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In the management of liquidity risk, the Retained Group monitors and maintains an adequate level of cash and cash equivalents to finance the Retained Group's operations and mitigate the effects of fluctuations in cash flows. The Retained Group monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

C. Prospects and future plans

The Retained Group plans to seize the opportunity for future development in China's automobile rental market and thoroughly explore the demand for automobile rental market in order to rapidly expand the automobile rental network in more economically developed cities other than Shanghai, which may enable the automobile rental business to become another major growth momentum for revenue and profit.

D. Other information

In 2014, most of the chauffeurs and personnel for the Retained Group's automobile rental business are engaged through third-party agencies. The Company entered into service agreements with the third-party agencies and paid service fees for the services rendered by the chauffeurs and personnel. The third-party agencies pay remuneration and provide training to the chauffeurs and personnel.

For the year ended December 31, 2013

A. Business overview

In 2013, through exploring new customers and expanding our fleet size, the automobile rental service has recorded a revenue of RMB266 million, representing a 19.3% increase compared to 2012. Although the Retained Group faces a higher labor cost and a temporary adverse impact on the tax reform by the PRC government to change business tax to value-added tax in 2012, its gross profit margin for automobile rental service was 33.5% for 2013 as compared to 36.5% for 2012, which has generally remained stable.

B. Financial overview

Revenue from automobile rental services was RMB266.2 million in 2013, a 19.3% increase from RMB223.1 million in 2012, primarily due to the efforts in developing new customers and expanded fleet size.

Cost of sales and services for automobile rental service was RMB176.9 million in 2013, a 24.9% increase from RMB141.7 million in 2012, which increased at a slightly faster pace compared to the increase of revenue from the automobile rental services.

Gross profit from automobile rental services was RMB89.2 million in 2013, an increase of 9.6% compared to RMB81.4 million in 2012. Gross profit margin for automobile rental services was 33.5% in 2013, a decrease compared to 36.5% in 2012, primarily due to higher labor costs and the temporary adverse impact of the tax reform by the PRC government to change business tax to value-added tax in 2012.

Capital Expenditures and Investment

The Retained Group's capital expenditures comprised primarily expenditures on the purchase of vehicles and license plates. In 2013, the total capital expenditures amounted to RMB89.2 million.

Borrowings and Bonds

The Retained Group obtained borrowings consisting of bank loans and bonds. As of December 31, 2013, the outstanding amount of borrowings amounted to RMB1,513.3 million, a 679.6% increase from RMB194.1 million as of December 31, 2012.

The following table sets forth the maturity profile of the borrowings and bonds as of December 31, 2013:

	As of December 31, 2013
	(RMB in million)
Within one year	344.2
One year to two years	12.9
Two to five years	1,156.1
More than five years	0
Total	1,513.2

As of December 31, 2013, certain of the Retained Group's borrowings were secured by mortgages or pledges over the Retained Group's assets. The assets subject to these mortgages or pledges as of December 31, 2013 amounted to RMB132.8 million.

Out of the Retained Group's borrowings for the year ended December 31, 2013, RMB1,244 million were fixed-rate borrowings and RMB269 million were variable-rate borrowings.

The Retained Group does not have a separate balance sheet from that of the Group, and therefore, the concept of gearing ratio does not apply to the Retained Group on a stand-alone basis. The Group's net debt to total equity ratio was 73.3% as of December 31, 2013. The net debt to total equity ratio is the net debt, which includes the indebtedness net of cash and pledged bank deposits, divided by total equity.

Contingent Liabilities

As of December 31, 2013, the Retained Group did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

All of the Retained Group's revenue, costs and expenses are denominated in Renminbi. The Retained Group also uses Renminbi as its reporting currency. The Retained Group believes its operations currently are not subject to any significant direct foreign exchange risk. The Retained Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Financial Risk Management Objectives and Policies

The Retained Group's major financial instruments include trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, medium-term notes, convertible bonds, other liabilities and borrowings. The Retained Group adopts certain policies to mitigate risks associated with these financial instruments, including interest rate risk, credit risk and liquidity risk.

With respect to the interest rate risk, it is the Retained Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk. The Retained Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates and LIBOR.

The Retained Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Retained Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

In order to further minimise the credit risk, the Retained Group delegates teams to deal with suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. In addition, the Retained Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In the management of liquidity risk, the Retained Group monitors and maintains an adequate level of cash and cash equivalents to finance the Retained Group's operations and mitigate the effects of fluctuations in cash flows. The Retained Group monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

C. Prospects and future plans

The Retained Group plans to seize opportunities driven by the continuing growth of China's automobile rental market and further expand its automobile rental network in China.

D. Other information

In 2013, most of the chauffeurs and personnel for the Retained Group's automobile rental business are engaged through third-party agencies. The Company entered into service agreements with the third-party agencies and paid service fees for the services rendered by the chauffeurs and personnel. The third-party agencies pay remuneration and provide training to the chauffeurs and personnel.

PART I—LETTER FROM THE BOARD

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

April 15, 2016

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTERESTS IN SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD. AND THE PROPOSED SUBSCRIPTION OF SHARES IN SUZHOU YANGTZE NEW MATERIALS CO., LTD. AND (2) PROPOSED SPIN-OFF OF SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD.

We refer to the valuation report dated April 14, 2016 (the "**Valuation Report**") prepared by Yinxin Asset Appraisal Co., Ltd. (銀信資產評估有限公司) (the "**Independent Valuer**") in relation to the valuation of the entire equity interest of Shanghai Yongda Automobile Group Co., Ltd. (the "**Automobile Group**"), the valuation of which, based on income approach using discounted cash flow method, constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We have reviewed and discussed the bases and assumptions upon which the valuation of the entire equity interest of Automobile Group has been made with the Independent Valuer, and reviewed the valuation for which the Independent Valuer is responsible. We have also considered the report from Deloitte Touche Tohmatsu dated April 15, 2016 regarding whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions set out in the Valuation Report. We have noted that the discounted future estimated cash flows does not involve the adoption of accounting policies.

On the basis of the foregoing, we are of the opinion that the Valuation Report and the valuation therein prepared by the Independent Valuer have been made after due and careful enquiry. We confirm that we have made the profit forecast after due and careful enquiry.

Yours faithfully,
On behalf of the Board
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

PART II—LETTER FROM DELOITTE

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

INDEPENDENT ASSURANCE REPORT ON CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN SHANGHAI YONGDA AUTOMOBILE GROUP CO., LTD. ("AUTOMOBILE GROUP"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED (THE "COMPANY")

The Board of Directors of the Company

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Yinxin Asset Appraisal Co., Ltd. dated 14 April 2016, in respect of the entire equity interest in Automobile Group as at 31 December 2015 (the "**Valuation**") is based. Automobile Group is a company established in the People's Republic of China and, together with its subsidiaries, is principally engaged in (i) new passenger vehicle sales business, (ii) after-sales services business; (iii) distribution of automobile finance and insurance products; and (iv) other ancillary business and the finance leasing business. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in an announcement dated 15 April 2016 to be issued by the Company in connection with the very substantial disposal and very substantial acquisition in relation to the proposed disposal of 100% equity interests in Automobile Group and the proposed subscription of shares in Suzhou Yangtze New Materials Co., Ltd. and proposed spin-off of Automobile Group (the "**Announcement**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and applying analytical procedures to financial data in the discounted future estimated cash flows. Our work does not constitute any valuation of Automobile Group.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Group and its associated corporation

As at the Latest Practicable Date, as far as is known to the Directors or the chief executive of the Group, the following persons had, or were deemed or taken to have, interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Group and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(i) Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On(1)	Founder of a discretionary trust	384,000,000 (long position)	25.946
	Interest of controlled corporation	267,080,000 (long position)	18.046
	Beneficial owner	1,803,000 (long position)	0.122
Mr. CAI Yingjie(2)	Interest of controlled corporation	108,288,000 (long position)	7.317
	Beneficial owner	674,500 (long position)	0.046
Mr. WANG Zhigao(3)	Interest of controlled corporation	57,160,000 (long position)	3.862
	Beneficial owner	910,500 (long position)	0.062
Mr. XU Yue	Beneficial owner	1,261,000 (long position)	0.085
Ms. CHEN Yi	Beneficial owner	900,000 (long position)	0.061

Notes:

(1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the "**Family Trust**"). Palace

Wonder Company Limited (栢麗萬得有限公司) ("**Palace Wonder**") is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) ("**Regency Valley**"), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family Trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 384,000,000 shares held by Palace Wonder.

(ii) Asset Link Investment Limited ("**Asset Link**") is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 267,080,000 shares held by Asset Link.

(iii) Mr. CHEUNG Tak On also holds 1,803,000 shares of the Company as beneficial owner.

(2) Mr. CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited ("**Ample Glory**") and he is deemed to be interested in the 108,288,000 shares held by Ample Glory. He also holds 674,500 shares of the Company as beneficial owner.

(3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited ("**Golden Rock**") and he is deemed to be interested in the 57,160,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

(ii) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Mr. XU Yue	Beneficial owner	3,000,000	0.203
Ms. CHEN Yi	Beneficial owner	1,300,000	0.088
Mr. WANG Liqun	Beneficial owner	200,000	0.014
Mr. WANG Zhiqiang[1]	Beneficial owner	200,000	0.014
Mr. Lyu Wei	Beneficial owner	200,000	0.014
Mr. CHEN Xianglin	Beneficial owner	200,000	0.014

(1) Mr. WANG Zhiqiang is interested in 200,000 share options granted to him by the Company, representing 0.014% of the total issued share capital of the Company. On May 8, 2015, Mr. WANG Zhiqiang resigned as an independent non-executive Director.

(b) Substantial Shareholders

Long positions in the Shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Palace Wonder[1]	Beneficial owner	384,000,000 (long position)	25.946
Regency Valley[1]	Interest of controlled corporation	384,000,000 (long position)	25.946
HSBC International Trustee Limited[1]	Trustee	385,913,568 (long position)	26.074
Asset Link[2]	Beneficial owner	267,080,000 (long position)	18.046
Ample Glory[3]	Beneficial owner	108,288,000 (long position)	7.317
Runda Holdings Limited ("**Runda Holdings**")[4]	Beneficial owner	76,800,000 (long position)	5.189
Sun Moon China Investment Company Limited ("**Sun Moon**")[4]	Beneficial owner	24,440,000 (long position)	1.651
	Interest of controlled corporation	76,800,000 (long position)	5.189
Mr. GU Mingchang[4]	Interest of controlled corporation	101,240,000 (long position)	6.840
Baring Private Equity Asia V Holding (7) Limited[5]	Beneficial owner	94,136,500 (long position)	6.360

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
The Baring Asia Private Equity Fund V, L.P.[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.360
Baring Private Equity Asia GP V, L.P.[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.360
Baring Private Equity Asia GP V Limited[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.360
Jean Eric SALATA[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.360

Notes:

(1) Palace Wonder is wholly-owned by Regency Valley, which is in turn wholly-owned by HSBC International Trustee Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. CHEUNG Tak On as settlor and protector with HSBC International Trustee Limited appointed as trustee on April 5, 2012. The beneficiary objects of the Family Trust are Mr. CHEUNG Tak On and certain of his family members. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 384,000,000 shares held by Palace Wonder.

(2) Asset Link is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 267,080,000 shares held by Asset Link.

(3) Ample Glory is wholly-owned by Mr. CAI Yingjie. Mr. CAI Yingjie is deemed to be interested in the 108,288,000 shares held by Ample Glory.

(4) Runda Holdings is wholly-owned by Sun Moon and Sun Moon is deemed to be interested in the 76,800,000 Shares held by Runda Holdings. Sun Moon is in turn wholly-owned by Mr. GU Mingchang, the brother of Ms. GU Lifang (being the wife of Mr. CHEUNG Tak On) and he is deemed to be interested in the 24,440,000 shares held by Sun Moon as well as 76,800,000 shares held by Runda Holdings.

(5) The Baring Asia Private Equity Fund V, L.P. approximately owns 99.35% of Baring Private Equity Asia V Holding (7) Limited. Baring Private Equity Asia GP V, L.P. is the general partner of The Baring Asia Private Equity Fund V, L.P. Jean Eric SALATA is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Each of Baring Private Equity Asia GP V Limited and Jean Eric SALATA is therefore deemed to be interested in 94,136,500 shares held by Baring Private Equity Asia V Holding (7) Limited. Jean Eric SALATA disclaims beneficial ownership of such shares, other than to the extent of his economic interest in such entities.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital.

3. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS

Pursuant to an equity transfer agreement dated December 30, 2015 entered into between Shanghai Yongda Enterprise Development Company Limited (上海永達企業發展有限公司, "**Yongda Enterprise**") and Shanghai Yongda Group Company Limited (上海永達 (集團) 股份有限公司, "**Yongda CLS**"), Yongda Enterprise acquired the entire equity interest in Shanghai Yongda Automobile Club Co., Ltd. (上海永達汽車俱樂部有限公司, "**Automobile Club**"), which is a direct wholly owned subsidiary of Yongda CLS. Yongda Enterprise is a wholly owned subsidiary of Automobile Group. Yongda CLS is ultimately controlled by several beneficial shareholders of the Company, including Mr. Cheung Tak On, Mr. Wan Zhanggen, Mr. Cai Yingjie, Mr. Gu Mingchang, Mr. Wang Zhigao, Mr. Qiao Suixiang and their family members. As of the date hereof, Mr. Cheung Tak On, Mr. Cai Yingjie and Mr. Wang Zhigao are Directors of the Company. Automobile Club does not currently conduct any business activities and only holds a value-added telecommunications business license in the PRC. The total consideration payable by Automobile Group was approximately RMB1.28 million, which is equivalent to the net assets value of Automobile Club based on its management accounts as at December 31, 2015.

In addition, Yongda CLS has transferred the domain name for one of the websites used by the Company, http://www.96818.com.cn, to Automobile Group at nil consideration. The relevant registration and filing procedures for the transfer were complete on May 5, 2016. The domain name was originally registered by Yongda CLS and was licensed by Yongda CLS for the Group's use in connection with its operations on a non-exclusive and royalty-free basis before the transfer.

Other than the above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since December 31, 2015 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. LITIGATION

No member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

6. COMPETING INTERESTS

Save as disclosed in the section headed "Our History and Reorganisation—Onshore Reorganisation" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group as of the Latest Practicable Date.

Prior to the issue of our 2015 annual report, we have received an annual written confirmation from our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, in respect of the compliance with the provisions of the deed of non-competition entered into between the Company and our controlling shareholders (the "**Deed of Non-competition**").

Our independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the financial year ended December 31, 2015 based on the information and confirmation provided by or obtained from the controlling shareholders, and were satisfied that our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:

Name	Qualification
Deloitte Touche Tohmatsu . .	Certified Public Accountants
Somerley Capital Limited . . .	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Grandall Law Firm (Shanghai)	Legal advisers as to PRC law

(collectively, the "**Experts**")

The reports from Deloitte set out in Appendices II and III to this circular and the letter from the Independent Financial Adviser set out on pages 31 to 64 of this circular were given as at the date of this circular for incorporation in this circular. The report from Deloitte set out in Appendix V to this circular was given on April 15, 2016 for incorporation in this circular. The PRC legal opinion issued by Grandall, the views and statements of which are referred to on page 24 of this circular, was given on May 23, 2016 and is not incorporated in this circular. Each of the Experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports, letter, or statements as the case may be, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the Experts is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts did not have, nor had had, any direct or indirect interest in any assets which have since December 31, 2015 (being the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Group or may be material:

(i) the subscription agreement dated June 24, 2014 entered into between the Company, DBS Bank Ltd. and UBS AG, Hong Kong Branch in relation to the issue of RMB1,000,000,000 1.5% USD settled convertible bonds due 2019;

(ii) the underwriting agreement dated June 4, 2015 entered into between Yongda Investment, Bank of Communications Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. in relation to the issue of short-term debentures of an aggregate registered amount of RMB1.6 billion in the PRC;

(iii) the strategic cooperation agreement dated April 8, 2016 entered into between Automobile Group and two individuals in relation to (i) the acquisition of 100% equity interests in JS Baozun at a consideration of RMB274.09 million; and (ii) the capital contribution to JS Baozun for the acquisition of the remaining equity interest in the 18 subsidiaries of JS Baozun owned by such two individuals at a total consideration of RMB489.91 million;

(iv) the Share Issuance and Asset Purchase Agreement;

(v) the Share Transfer Agreement;

(vi) the Material Asset Disposal Agreement; and

(vii) the Profit Compensation Agreement.

9. MISCELLANEOUS

(a) The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

(b) The head office of the Company is at 299 Ruijin Nan Road, Huangpu District, Shanghai PRC.

(c) The principal place of business of the Company in Hong Kong is at Unit 5708, 57/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

(d) The company secretary of the Company are Ms. Mok Ming Wai *(FCIS, FCS)*.

(e) The transfer office of the Company is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

(f) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the above head office and principal place of business of the Company in Hong Kong for a period of 14 days from the date of this circular during normal business hours:

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the annual reports of the Company for the three years ended December 31, 2015;

(e) the letter from the Independent Board Committee, the text of which is set out on page 30 of this circular;

(f) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 64 of this circular;

(g) the report on review of combined financial information of the Spin-off Group from Deloitte, the text of which is set out in Appendix II of this circular;

(h) the assurance report on the compliance of pro forma financial information of the Group after completion of the very substantial acquisition and disposal from Deloitte, the text of which is set out in Appendix III to this circular;

(i) each of (x) the assurance report from Deloitte to the Board on calculation of discounted future estimated cash flows in connection with the valuation of the entire equity interest in Automobile Group and (y) the letter from the Board confirming that the Valuation Report has been made after due and careful enquiry, the text of which is set out in Appendix V to this circular;

(j) the PRC legal opinion issued by Grandall, the views and statements of which are referred to on page 24 of this circular; and

(k) the written consents from the Experts referred to under the section headed "Expert and Consent" in this appendix.

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03669)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**Extraordinary General Meeting**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") will be held at Yongda International Tower, 2277 Longyang Road, Pudong New Area, Shanghai, PRC on Monday, June 20, 2016 at 10 a.m. to consider and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions. Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated June 2, 2016 (the "**Circular**"):–

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the following agreements (collectively, the "**Asset Restructuring Agreements**"), copies of which are tabled at the extraordinary general meeting and marked "A", "B", "C" and "D", respectively, and initialled by the chairman of the meeting for identification purpose:

(i) the Share Issuance and Asset Purchase Agreement dated April 14, 2016 entered into between Shanghai Yongda Investment Holdings Group Company Limited (上海永達投資控股集團有限公司) ("**Yongda Investment**") and Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (the "**A-share Listco**");

(ii) the Share Transfer Agreement dated April 14, 2016 entered into between Shanghai Qinshuolai Investment Co., Ltd. (上海勤碩來投資有限公司) and Yongda Investment;

(iii) the Material Asset Disposal Agreement dated April 14, 2016 entered into between Yongda Investment, the A-share Listco and Mr. Hu Weilin (胡衛林); and

(iv) the Profit Compensation Agreement dated April 14, 2016 entered into between Yongda Investment and the A-share Listco,

and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company ("**Directors**") be and are hereby authorised to exercise all powers which they consider necessary and do such other acts and things and execute such other documents as they shall think fit to implement the transactions contemplated under each of the Assets Restructuring Agreements."

2. "**THAT** subject to the relevant regulatory approvals being obtained in Hong Kong and the PRC,

   (a) the proposed spin-off of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) by way of a separate listing on the Shenzhen Stock Exchange (the "**Proposed Spin-off**") and all relevant documents or agreements in connection therewith or contemplated thereunder be and are hereby approved; and

   (b) the Directors be and are hereby authorised to implement the Proposed Spin-off and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed Spin-off, including, without limitation, the internal restructuring of the Company and the asset restructuring of the A-share Listco (as described in the Circular)."

By order of the Board
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

PRC, June 2, 2016

Registered office:	*Corporate Headquarter:*	*Principal place of business in Hong Kong:*
190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands	299 Ruijin Nan Road Huangpu District Shanghai PRC	Unit 5708, 57/F, The Center 99 Queen's Road Central Hong Kong

Notes:

(i). A shareholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.

(ii). In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii). In order to be valid, a form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the Extraordinary General Meeting (or any adjourned meeting thereof) if they so wish.

(iv). Shareholders whose names appear on the register of members of the Company at the close of business on June 17, 2016 Friday (the "**Record Date**") will be entitled to attend the Extraordinary General Meeting. In order to qualify for attending and voting at the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on the Record Date.

(v). Pursuant to Rule 13.39(4) of the Listing Rules, voting for all the resolutions set out in the notice of the Extraordinary General Meeting will be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

As at the date of this notice, the Board comprises (i) four executive directors, namely Mr. Cheung Tak On, Mr. Cai Yingjie, Mr. Xu Yue and Ms. Chen Yi; (ii) two non-executive directors, namely Mr. Wang Zhigao and Mr. Wang Liqun; and (iii) three independent non-executive directors, namely Mr. Lyu Wei, Mr. Chen Xianglin and Ms. Zhu Anna Dezhen.