CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

中國永達汽車服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：03669

2016

Interim Report

YONDA 永达汽车

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

INTERIM REPORT 2016

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. CHEUNG Tak On *(Chairman)*
Mr. CAI Yingjie *(Vice-chairman and Chief Executive Officer)*
Mr. WANG Zhigao *(Vice-chairman)*
Mr. XU Yue
Ms. CHEN Yi

Non-executive Director
Mr. WANG Liqun

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

CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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99 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

LEGAL ADVISERS TO HONG KONG LAW

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road, Hong Kong

COMPANY SECRETARY

Ms. MOK Ming Wai *(FCIS, FCS)*

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. MOK Ming Wai

AUDIT AND COMPLIANCE COMMITTEE

Ms. ZHU Anna Dezhen *(Chairman)*
Mr. LYU Wei
Mr. CHEN Xianglin

REMUNERATION COMMITTEE

Ms. ZHU Anna Dezhen *(Chairman)*
Mr. WANG Zhigao
Mr. LYU Wei

NOMINATION COMMITTEE

Mr. CHEUNG Tak On *(Chairman)*
Mr. CHEN Xianglin
Mr. LYU Wei

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

03669

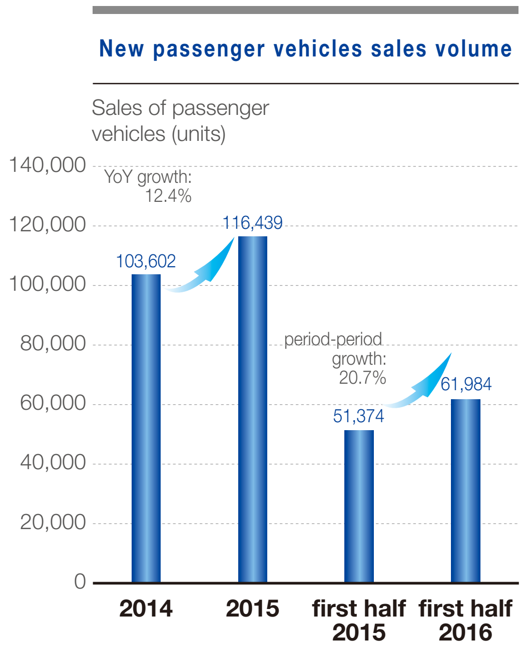
AUDITOR

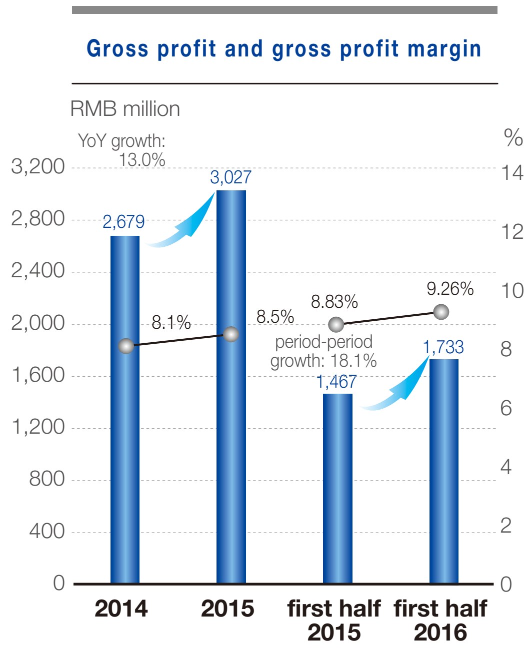
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

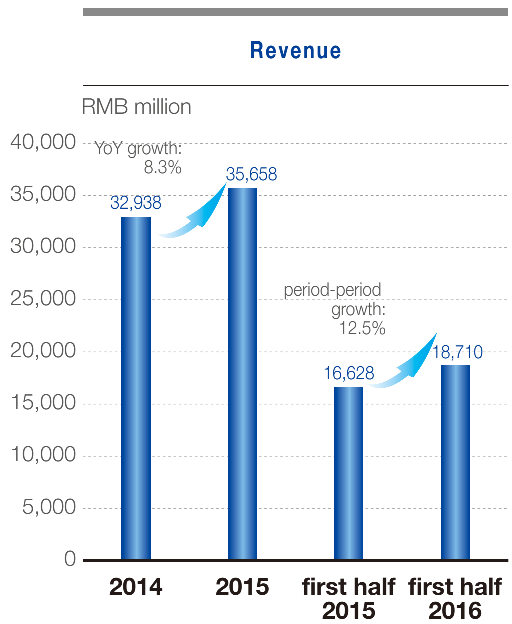
COMPANY WEBSITE

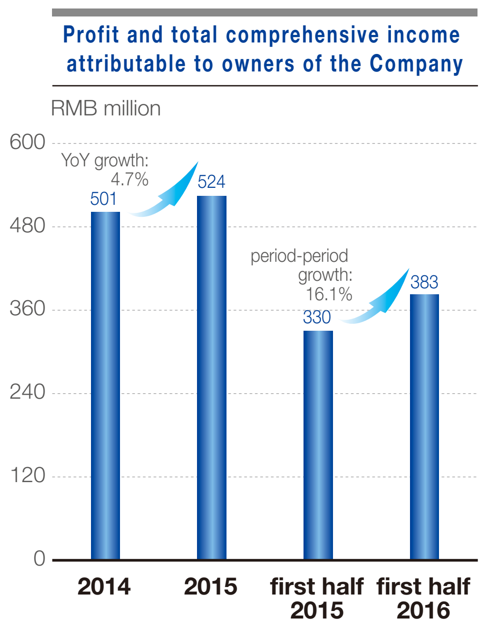
www.ydauto.com.cn

Financial Highlights









Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the report in the first half of 2016 of the Company and its subsidiaries (collectively referred to as "the Group", "we", or "us").

As a retailer of luxury vehicles and comprehensive service provider in China, the Group continued to consolidate its market leading position in China in the first half of 2016. In the first half of 2016, our consolidated revenue and gross profit were RMB18,990 million and RMB2,013 million, respectively, representing an increase of 13.0% and 22.3%, respectively, compared to the same period in 2015. Our net profit attributable to owners of the Company were RMB383 million, representing an increase of 16.1% over the same period in 2015.

I. THE MAIN RESULTS OF OPERATIONS DURING THE REPORTING PERIOD

1. the sales volume of new vehicles reached 61,984 units, representing an increase of 20.7% over the same period in 2015;

2. the revenue from after-sales services comprising mainly automobile maintenance and repair, amounted to RMB2,528 million, representing an increase of 30.4% over the same period in 2015;

3. the sales volume of the pre-owned vehicles for which we provided agency services reached 9,835 units, representing an increase of 39.6% over the same period in 2015;

4. the revenue from the finance and insurance agency services amounted to RMB285 million, representing an increase of 59.0%% over the same period in 2015; the finance leasing business achieved additional interest-bearing assets of RMB1,480 million, representing an increase of 115.4% as compared to the same period of 2015; and the net profit amounted to RMB28.07 million, representing an increase of 30.6% as compared to the same period of 2015;

5. the revenue from our automobile rental services reached RMB175 million, representing an increase of 13.8% as compared to the same period in 2015.

II. FUTURE PROSPECT

The Group is optimistic about the prospect of China’s luxury passenger vehicles market. At the operation and management level, we will take priority on the following five tasks:

1. to continue to promote refined management for each of our work streams, improve layout of network, enhance the efficiency of comprehensive operations by virtue of the internet information technology and build omni-channel service system with focus on customers;

2. to take full the advantage of the Group’s existing passenger vehicles sales and after-sales services channels, focus on developing automobile after-market services, such as automobile finance leasing, internet micro-finance across China, and finance and insurance agency, so as to derive key growth point of profit from automobile consumer finance industry;

3. to proactively promote our pre-owned vehicle business, and make continuous progress in brand building, construction of chained outlets, and enhancement of quality control;

4. to actively focus on and participate in the new energy automobile industry. Other than the existing authorization we obtained from BMW, Volvo and other high-end brands new energy vehicle, we have also obtained sales and services agency authorization from SAIC, BAIC BJEV, JAC and DENZA as well as other major domestic new energy vehicles brands. We will also actively focus on and participate in timeshare rental business for new energy vehicles, charging station layout and battery utilization business for new energy vehicle; and

5. to continue to strengthen team construction and enhance remuneration and performance management in order to maintain the Group’s core competitiveness.

With the collective efforts of our staff and support from various parties in the community, the Group has achieved stable development. In this regard, I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude.

CHEUNG Tak On
Chairman

August 30, 2016

Management Discussion and Analysis

MARKET REVIEW

During the first half of 2016, China's passenger vehicles maintained a relatively steady growth in sales volume as compared to 2015. According to China Association of Automobile Manufacturers, the sales volume of passenger vehicles in China was 11,040,000 units for the first half of 2016, representing an increase of 9.2% compared to the same period in 2015, among which, the sales volume of sport utility passenger vehicles recorded a faster growth at a growth rate of 44.3%, representing 34.9% of the passenger vehicle market share. In the first half of 2016, benefiting from the continuity of China's preferential policies on vehicle purchases, the sales volume of passenger vehicles nationwide accelerated notably at a fast growth rate. As the Chinese macro-economic conditions further stabilizes, it is expected that the sales volume of passenger vehicles in China will maintain a moderate growth in the second half of 2016.

In the first half of 2016, some of the manufacturers of luxury brand passenger vehicles took the initiative to reduce their sales volume growth targets for the first half of 2016 in order to stabilize retail prices of new vehicles and to reduce the inventories of dealers for the purpose of achieving a sustainable and sound growth in sales volume. As a result, in the first half of 2016, the channel inventories of luxury and ultra-luxury brand passenger vehicles in China experienced continuous reduction, the price of new vehicles tended to stabilize, and the overall growth for sales volume remained flat. However, in medium- to long-term, driven by the strong demand to update and upgrade products and the gradual increase in the penetration rate of automobile finance, it is anticipated that the growth of sales volume of luxury and ultra-luxury brand passenger vehicles in China will be notably faster than the overall growth of passenger vehicles in China, and that the proportion of sales volume of luxury and ultra-luxury brand passenger vehicles contributing to the sales volume of the passenger vehicles in China will further increase.

MARKET REVIEW (continued)

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security, vehicle ownership in China reached 184 million units for the first half of 2016. With the continuous rise in passenger vehicle ownership and the aging of vehicles in China, the after-sales services market for passenger vehicles in China has maintained its fast growing pace in the first half of 2016. According to the White Paper on Financial Services of China's Automobile Dealership Groups issued jointly by Deloitte Touche Tohmatsu and China CITIC Bank in December 2014, approximately 88% of the revenue of automobile dealers in China was derived from new vehicle sales, and approximately 12% was derived from after-market services, such as automobile repair and maintenance, finance and insurance services, and pre-owned vehicles services; and approximately 64% of the gross profit was derived from new vehicle sales, and less than 40% was derived from after-market services, such as automobile repair and maintenance, finance and insurance services, and pre-owned vehicles services. According to the 2015 annual report of AutoNation, the largest automobile dealer in the U.S., the revenue and gross profit generated from new vehicle sales in 2015 only accounted for 57% and 20% of its total revenue and gross profit, respectively, while the remaining revenue and gross profit were generated from after-market services, such as automobile repair and maintenance, accessories, finance and insurance services, and pre-owned vehicles services. On the basis of the foregoing, there is large room for growth and expansion for the Chinese after-market businesses, such as automobile repair and maintenance, accessories, finance, insurance services and pre-owned vehicles services.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 9,420,000 units in 2015. According to the data analysis of the same association, pre-owned vehicles in use for 3-6 years accounted for the largest portion of the transaction volume of pre-owned vehicles, representing 67% of the total transaction volume. With the increase in vehicle ownership in China and the speeding up of updating and upgrading of products, the pre-owned vehicle market in China has accelerated its growth. China Automobile Dealers Association forecasts that the transaction volume of pre-owned vehicles in China is expected to reach approximately 20 million units by 2020.

According to the data from the White Paper on Automobile Finance in China (2015) issued by Deloitte Touche Tohmatsu, the penetration rate of automobile consumer finance in China for 2014 was merely 20%, whereas the penetration rate of automobile finance in the U.S. was 84%. Benefiting from the higher level of acceptance of retail automobile finance among the younger generation and the wider variety of automobile finance products, it is expected that the penetration rate of retail automobile finance in China will rise further in the future, creating huge potential for growth. Deloitte Touche Tohmatsu forecasts in the White Paper on Automobile Finance in China (2015) that the penetration rate of retail automobile finance in China by 2020 will reach 50%, and the market size is expected to exceed RMB2 trillion.

Management Discussion and Analysis

MARKET REVIEW (continued)

According to Roland Berger, in terms of income, the highly fragmented long-term automobile rental market accounts for the largest portion of China's automobile rental market. In terms of income, the long-term automobile rental market increased from RMB7 billion in 2008 to RMB24 billion in 2013, representing a compound annual growth rate (CAGR) of 28%. Driven by factors such as increased car use by enterprises, financial optimization of enterprises and reform policies of government vehicles, the long-term automobile rental market in China will maintain a relatively fast growth with further integration in the future. According to the forecast by Deloitte Touche Tohmatsu in the White Paper on Automobile Finance in China (2015) as mentioned above, it is expected that the market size of China's automobile rental market by 2018 will amount to RMB58 billion.

Based on the latest data released by the Ministry of Industry and Information Technology, the production and sales volume of the new energy vehicles in 2015 in China reached 340,000 units and 330,000 units, respectively, representing a year-on-year increase of 334% and 343% respectively. In the first half of 2016, the sales volume of the new energy vehicles maintained high growth, representing a year-on-year increase of 127%, with the sales of pure electric vehicles accounted for 64% of the sales of new energy vehicles, becoming the leader in the new energy vehicle industry. With the rapid launch of competitive new energy vehicle models, more supportive national policies in place, and the continuous improvement of infrastructures, it is believed that the new energy vehicles business will enjoy great potential for growth in the future.

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved favorable growth in the first half of 2016. For the first half of 2016, our consolidated revenue and consolidated gross profit, taking into account the revenue from finance and insurance agency services, were RMB18,990 million and RMB2,013 million, respectively, representing an increase of 13.0% and 22.3%, respectively, compared to the same period in 2015. Taking into account the revenue from finance and insurance agency services, our consolidated gross profit margin for the first half of 2016 was 10.60%, representing an increase of 0.80 and 1.25 percentage points compared to 9.80% for the same period in 2015 and 9.35% for the second half of 2015, respectively. Our net profit and net profit attributable to owners of the Company for the first half of 2016 were RMB405 million and RMB383 million, respectively, representing an increase of 13.7% and 16.1%, respectively, as compared to the same period in 2015. Set forth below is a summary of major developments of our business for the first half of 2016:

BUSINESS REVIEW (continued)

Stable Growth in New Vehicle Sales

During the first half of 2016, the PRC passenger vehicle sales market maintained a steady growth. Against this backdrop, our sales volume of new vehicles witnessed a stable growth in the first half of 2016 and reached 61,984 units, representing a 20.7% increase compared to the same period in 2015, while the sales volume of luxury and ultra-luxury brand new vehicles reached 36,670 units in the first half of 2016, representing a 15.6% increase compared to the same period in 2015. Taking into account the revenue from finance and insurance agency services, our consolidated sales revenue of new vehicles from our passenger vehicle sales and services segment was RMB16,346 million in the first half of 2016, representing a 11.6 % increase compared to the same period in 2015, among which the consolidated sales revenue of luxury and ultra-luxury brand new vehicles reached RMB13,089 million, representing an 8.5% increase compared to the same period in 2015. The Group's consolidated gross profit margin for new vehicles from our passenger vehicle sales and services segment including the revenue from finance and insurance agency services was 4.70% in the first half of 2016, representing a slight increase as compared to 4.48% during the same period in 2015 and 4.29% for the second half of 2015.

With respect to the management and marketing of new vehicle sales, we further enhanced the retail rate of new vehicles and improved the penetration rate of our extended services business, such as services of automobile finance, automobile insurance and automobile accessories. We performed a comprehensive management on sales quality to improve the comprehensive profitability of new vehicle per unit and ensured a continuous growth in the consolidated gross profit of new vehicle sales. We also carried out the comprehensive management of new vehicle inventories and implemented sales price review based on vehicle model to ensure the continuous optimization of the inventory structure of new vehicle that effectively controlled inventories and reduced cost of sales. Meanwhile, we continued to explore innovative sales models and cooperated with various Internet-based platforms to explore potential customers. We also carried out efficient integration and sharing of enterprise resources within the Group and strengthened our cooperation with reputable corporations in the industry to enhance marketing capability and brand effect. In addition, we improved internal refined management and reinforced the effective use of customer resources, thus achieving the stable growth in new vehicle sales volume in the first half of 2016.

Fast Growth in After-sales Services

In the first half of 2016, our after-sales services business (including repair and maintenance services and automobile extended products and services) achieved healthy and rapid growth, recording a revenue of RMB 2,528 million, representing an increase of 30.4% compared to the same period in 2015, among which revenue from after-sales services for luxury and ultra-luxury brands reached RMB1,990 million, representing an increase of 29.1% compared to the same period in 2015. In the first half of 2016, our gross profit margin for after-sales services was 46.79%, which was almost flat as compared to 46.81% for the same period in 2015.

BUSINESS REVIEW (continued)

Fast Growth in After-sales Services (continued)

In respect of attracting and retaining customers, in the first half of 2016, we continued to strengthen the promotion of our self-owned after-sales service booking platform system and deepen the collaboration with third party internet platforms such as Tmall to actively promote and sell various after-sales products and services to our customers. To satisfy the customer demand and in response to market changes, in addition to strengthening the customized services such as the delivery and pick-up service, we also launched a series of customized services and products to loyal customers, which achieved good results and won the recognition of our customers, contributing to the increasing enhancement of our customer loyalty. During the first half of 2016, the per capita repair and maintenance service income and service efficiency of our repair and maintenance workforce were further increased through the continuous adjustment and optimization of internal business processes.

In respect of cost control, we further reduced the procurement cost of spare parts through expanding the variety of parallel imported space parts and optimizing the centralized procurement of spare parts. In particular, we improved the market coverage of our professional care and maintenance products series under our proprietary "QUICKACT" brand to meet the needs of various companies and customers. During the first half of 2016, the sales of our own "QUICKACT" brand care and maintenance products and parallel imported spare parts improved rapidly, which effectively increased the gross profit of the after-sales services business and enhanced our competitiveness. In addition, we made external selling efforts on parallel imported spare parts and our own "QUICKACT" brand professional care and maintenance products series, which achieved certain results.

In respect of improvement of repair and maintenance skills, we continued to update the data and improve the functions of the technical support platform for automobile repair and maintenance in order to ensure that our repair and maintenance staff would have more self-learning, communication and skill enhancement opportunities. The constantly improving training system would enable us to better identify and retain technical talents, further strengthen and stabilize our team of repair and maintenance personnel and maintain our leading position in technical ability in the industry.

BUSINESS REVIEW (continued)

Fast Growth in After-sales Services (continued)

We continued to actively develop and deploy our independent after-sales services business and achieved satisfactory performance in certain regions which consolidated and increased the market share of our after-sales services. For each of the extended services businesses that we have always valued, considerable improvements were made in automobile decoration and modifications services, which strengthened the overall after-sales services gross profit margin.

Rapid Growth of the Pre-owned Vehicle Business

During the first half of 2016, the sales volume of pre-owned vehicles effected by us were 9,835 units, representing an increase of 39.6% as compared to 7,046 units in the same period of 2015. The revenue from pre-owned vehicle agency service amounted to RMB48,960,000, representing an increase of 33.0% as compared to RMB36,800,000 in the same period of 2015.

In line with the industry development trend and with reference to the excellent experience in the established market, we strived to enhance the retailing ability of pre-owned vehicles by further strengthening the pre-owned vehicle replacement rate of our 4S outlets and business scale of pre-owned vehicles. Currently, we have established 75 pre-owned vehicle retail outlets across the country, including 26 business outlets certified by OEM brands, 34 4S sales outlets, and 15 Yongda pre-owned vehicle malls. The development of retail business will effectively promote the growth of high value-added products such as finance, insurance, extended warranty of pre-owned vehicles, as well as the after-sales services and replacement businesses, so as to perform better customer relationship management and form a perfect closed-loop business.

Yongda Pre-owned Vehicle Mall, the independent pre-owned vehicle chain brand under Yongda Group, is one of the leading pre-owned vehicle brands in China. Leveraging on the strategic branding management, Yongda Pre-owned Vehicle Mall will establish an all-process quality control system characterized with product standardization and processed management, and we strive to expand the business scale of the pre-owned vehicle chain operation in order to provide consumers with cost effective and quality assured professional pre-owned vehicle products and relevant extended services, and car-purchase experience characterized with "assured car-purchase, comfortable services and worry-free car use". We collaborated with TUV, a global leading German third-party testing institution, to launch the standardized testing system, established the regional repair and reconditioning center with centralized management, and implemented Yongda certified pre-owned vehicle system covering 178 items of 15 categories, which initially achieved a new business landscape combining pre-owned vehicle, internet and finance.

Sustainable Development of the Automobile Finance Business

During the first half of 2016, our Group has further enhanced the finance business layout. In particular, in view of the huge automobile consumption market and our substantial offline channels, the Group established the relevant finance and insurance business segment, improved the product portfolio, and made many breakthroughs against the specific consumption environment of automobile service. The contribution of finance and insurance business to the gross profit of the Group increased by 20.1% from 13.4% in the first half of 2015 to 16.1% for the same period of 2016, occupying a leading position within the industry.

BUSINESS REVIEW (continued)

Sustainable Development of the Automobile Finance Business (continued)

With respect to our automobile finance agency business, both the business scale and profitability increased significantly as compared to the same period last year. In respect of the scale of the automobile finance agency business, the penetration rate of the Group's automobile finance agency business exceeded 50%, much higher than the average penetration rate of the PRC automobile finance industry. In the first half of 2016, in terms of profitability, the total revenue generated from finance and insurance agency services of our passenger vehicle sales and services segment was RMB285 million, representing an increase of 59.0% as compared to the same period last year, among which, the revenue from finance agency service was RMB182 million, representing an increase of 83.4% as compared to RMB99 million; the revenue from insurance agency service was RMB103 million, representing an increase of 28.8% as compared to RMB80 million in the same period of last year.

With respect to our proprietary business, we obtained the business license of national online small loan in June 2016, forming a systematic industry finance service system in which the finance leasing service focuses on the vehicle sales and the small loan service satisfies the various after-sales service experience of our customers. According to our business data, our finance leasing business continued to maintain its strong growth momentum in the first half of 2016, creating additional interest-bearing assets of RMB1,480 million, representing an increase of 115.4% as compared to RMB687 million in the same period of 2015, with net profit of RMB28.07 million, representing an increase of 30.6% as compared to RMB21.49 million in the same period of 2015. For our product offerings, we took advantage of our Group's strong industrial chain to fully integrate the finance and automobile industry, which formed series of products, such as "favorable car purchase" and "preferential car maintenance" to satisfy the individual financial needs of customers and establish systematic advantages.

In 2016, in order to ensure the healthy and orderly development of finance industry, we actively innovated financing methods to explore diversified financing models. As a result, a multiple financing channel system was established exclusively for the proprietary finance service, which enable us to expand the business scale of proprietary finance service and implement cost control without further exerting pressure on the Group's demand for capital.

Sustainable Increase of Automobile Rental Services

In the first half of 2016, our automobile rental services recorded a revenue of RMB175 million, representing an increase of 13.8% as compared to the same period in 2015. In the first half of 2016, the gross profit margin of the automobile rental services was 24.36%, which was basically flat compared to the same period in 2015.

In the first half of 2016, the domestic automobile rental services industry developed by leaps and bounds, with many opportunities arising in Eastern China and the Shanghai market. With respect to the long-term rental business, we continued to maintain our existing predominance, with an increasing number of long-term rental contract customers ranging from the world's top 500 and large state-owned enterprises and private enterprises in finance, manufacturing, public utilities, media entertainment and high-tech sectors. In particular, the fleet size serving the Shanghai Disneyland Park increased by threefold. With respect to the short-term rental business for high-end businesses and conferences, we kept forging ahead to become the designated automobile service provider of numerous influential international conferences, major sports and cultural events such as the opening ceremony of Shanghai Disneyland Park, F1 Chinese Grand Prix in China, American Chamber of Commerce Independence Day Celebration, Huawei International User Conference, China Medical Exhibition and World Convention Summit. We have also officially stationed in China National Convention Center, the world's largest convention center located in the central business district, Hongqiao District, Shanghai, and achieved good economic returns and exciting marketing effect. During the first half of 2016, we launched the all-around vehicle steward service for government public vehicles and civil servant private cars in response to the public vehicle reform policy of Shanghai government, which will further strengthen our leading position in the sphere of automobile rental service in Shanghai.

BUSINESS REVIEW (continued)

Sustainable Increase of Automobile Rental Services (continued)

In the first half of 2016, we continued to conduct the layout of rental network in provinces and cities outside Shanghai. Currently, we have set up rental companies or developed operations in almost 20 cities. Meanwhile, we actively explored opportunities for cooperation with companies and agencies which have an established customer base and license resources in the markets across the country, including Beijing, Tianjin, Guangzhou, Shenzhen and Hainan.

Fast Growth in New Energy Automobile Industry

As the new energy automobile industry in China witnessed its first explosive growth in 2015, the industry maintained its fast development in 2016, with a target of production and sales volume of new energy vehicles of 700,000 units, which increased by 2.2 times as compared to the same period of 2015. In the first half of 2016, the sales volume of new energy vehicles reached 170,000 units, far below the annual target, due to the impact of the investigation on swindling subsidies, delay in the regional subsidies and the regulatory policies on import of batteries. However, driven by the industry favourable policies, as well as the concentrated implementation of new energy vehicle models by joint ventures and self-owned brands, it is expected that the production and sales of new energy vehicles will accelerate its growth and meet the annual target. Meanwhile, as new energy vehicles dealers, rental service companies and vehicle charging service providers also made good progress in production scale, it is expected that a consumption market for new energy vehicles with an annual sales volume of more than one million units will soon be developed in China.

We actively captured the industry trend and incorporated a new energy vehicle investment and development company in 2015. In 2016, we focused on exploring areas such as the sales services of new energy vehicles, timeshare rental services and charging station network layout of the new energy automobile industry, to make new energy vehicle industry one of the main focuses of our future operation.

With respect to the new energy vehicles sales and services, we obtained authorization from 4 major domestic new energy vehicles brands (namely, SAIC, BAIC BJEV, JAC and DENZA). The construction of 6 new energy vehicles experience centers in Shanghai and Guangzhou was completed and put into operation. We are also in the course of strategically placing our new energy vehicles sales and service outlets across China. It is expected that we will have over 20 new energy vehicles sales and service outlets by 2018, covering the key markets in China.

With respect to the new energy vehicle rental business, we entered into cooperation agreements or reached cooperation intentions with institutions, including China Telecom Networking Industry Base (中國電信車聯網產業基地), BAIC BJEV (北汽新能源) and Shanghai Beidou Jiaoda (上海北斗交大) to take advantage of their resources and jointly develop the market of timeshare rental. To date, we have made breakthrough in services platform, automobile management techniques and accumulation of customer base. Competitive service products are expected to be first launched in Shanghai in the second half of 2016.

With respect to charging station network layout, we also cooperated with a number of well-known companies within the industry in research and development of charging stations and operation of charging network, in order to expand the scale of intelligent charging services, on the basis of self-construction, joint construction or merging of networks.

BUSINESS REVIEW (continued)

Fast Growth in New Energy Automobile Industry (continued)

Further, we continued to recruit and equip our professional personnel, engage in market research, industry investing and financing, and building of the industry chain, to embrace the large scale development of the new energy automobile market in China in 2020.

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

We proposed a transformative concept in the automobile e-commerce domain by taking advantage of "Internet + automobile" in 2014, aiming at creating the "Yongda Auto Life Ecosystem". Internally, we improved operating efficiency and enhanced customer service experience by building online and offline channels, thus constructing our self-owned vertical e-commerce platform, building an automobile service industry ecosystem, and featuring customer loyalty, so as to close the loop for online to offline service platform ("O2O"). Externally, we cooperated with a number of large platforms and vertical e-commerce business, widening user entrance channels, so as to facilitate the connection with self-owned O2O platform, thus eventually forming an omni-channel O2O service platform.

By setting up the self-owned customer management system in the previous year, we completed the data consolidation of all brand customers in the first half of 2016. We basically realized the big data intelligent analysis on the information of users, by applying the core database of the system, based on actual business scenarios involving the business of new vehicles sales, after-sales services, pre-owned vehicles and automobile finance. The construction of the big data center of Yongda Automobile is expected to be primarily completed in the second half of this year, and the data modeling based on the consumption scenarios of users will be completed concurrently. We will, through the big data analysis platform, acquire a clear understanding of the users' needs, and promote the development and transformation of businesses.

In the first half of 2016, based on our existing customer base, we were committed to building a members loyalty system, for the purpose of building "永達汽車達人匯", an O2O member service platform specially designed for the users of Yongda Automobile. We provided our members with customized activities, care and value-added services through the online platform of "永達汽車達人匯", so as to enhance level of members' loyalty and continuously improve business indicators such as rate of repurchases of new vehicles and rate of returns to the factory. The online platform of "永達汽車達人匯" commenced trial operation in June 2016.

Through the cooperative exploration between us and other major internet platforms in 2015, and our learning from the successful cooperation in the previous year, especially the strong strategic cooperation with Alibaba Automobile, we established a stable online new vehicle sales model in the first half of 2016. In addition to vehicles of the middle- and low-end brands, the online sales of high-end brands, such as Cadillac, were initiated, drawing much attention from the automobile industry. With respect to automobile after-sales market, we built a Tmall after-sales service flagship store, transferring more online traffic to offline physical orders in the first half of 2016. This means that we not only developed new channels for new vehicles sales, but also changed the traditional single channel model of offline stores, for the purpose of securing additional customers for the Group.

BUSINESS REVIEW (continued)

Continuous Optimization and Improvement of Our Network

In the first half of 2016, we adhered to continuously optimize the structure of authorized network of manufacturers and actively promoted our strategy to develop self-owned outlets in relation to our outlets construction and layout.

In respect of developing our outlets authorized by manufactures, we continuously prioritized important market for the development of important brands and new energy brands under the "streamlining, modularization and intensification" principle. We focused on the functionality and scalability of our new outlets and further controlled our investment cost while planning to implement optimization and improvement measures by closing out, disposing of or otherwise transforming outlets without strong profit-making capability. In the first half of 2016, we obtained the authorization to open two new energy passenger vehicle 4S dealerships in Shanghai and successfully commenced business operations, which further expedited our layout in the new energy industry.

With respect to self-owned outlets construction, we paid more attention on the layout and development of pre-owned vehicles, comprehensive showrooms, comprehensive repair and maintenance, automobile finance and rental services, so that we could fully utilize the efficacy of our existing and future outlets. In the first half of 2016, we opened 12 branch companies for finance leasing services, six pre-owned vehicle comprehensive showrooms, three passenger vehicle comprehensive showrooms and two "Auto Repair (車易修)".

Meanwhile, we adhere to our low-cost acquisition and merger strategy and actively seized opportunities for mergers and acquisitions. In the first half of 2016, we successfully acquired 100% equity interests of JS Baozun Investment Group Co., Ltd. and its 18 4S dealership outlets mainly for luxury brands, including BMW, Cadillac and Buick.

We continued to operate our extensive network with the Yangtze River Delta as the center and have expanded our network to other regions in China, such as Northern China, Northeast China, Central China and Southern China. We have a total of 264 outlets opened and authorized to open, which are located across 4 municipalities and 60 cities in 18 provinces in China as of June 30, 2016, including 143 opened outlets with manufacturers' authorization, 107 opened self-owned outlets and 14 outlets with authorizations to be opened.

Continuously Improving Management Capability

We firmly adhered to management with integrity and preeminent culture, and integrated our automobile industry experience in the past twenty years with the demand of current industrial development so as to continuously achieve management innovation. In the first half of 2016, along with our continuous and steady business expansion, we continued to carry out our customer-oriented management concept, emphasized on customer service as the driving force of management, and increased our process efficiency and service standards from customers' perspective with the help of information technology. We emphasized on continuous improvement and innovation and continued to enhance our management through the following measures so as to create our core competitive edge:

BUSINESS REVIEW (continued)

Continuously Improving Management Capability (continued)

Channel Reforms: We continually promoted channel reforms which focus on customer contact and experience and implemented comprehensive channel development strategy. We also expanded the monotonic offline physical automobile sales and service outlets into channel outlets which consist of related automobile industrial chain, such as automobile sales and service, pre-owned vehicle, automobile finance and automobile lifestyle commodities such that our customers could enjoy the comprehensive one-stop Auto Life services. Meanwhile, we focused on constructing online mobile terminal entrance by establishing internet e-commerce platform to provide our customers with convenient scene-mode service experience.

Industry Convergence: Relying on our competitive edge in the automobile industry, we proactively developed our automobile finance business and pre-owned vehicle business to meet the industry demand. On the one hand, we will provide sales and service enterprises and end-customers with competitive automobile finance products along the downstream of automobile industrial chain so as to create a leading automobile industry finance brand. On the other hand, with a clear business-to-customer pre-owned vehicle position, we target to become a leading pre-owned vehicles retail service brand through online and offline efforts. We will close the loop for the client automotive service industry chain by way of automobile finance and pre-owned vehicle together with the original new vehicle and services.

Brand Building: We firmly believe in the principle of "brand is the life of an enterprise". With over twenty years' of our industry experience and persistence in management with integrity, we strive to achieve transformation from automobile authorized agency sales and service to self-owned service business. We speedily respond to customers' needs through a centralized customer service hotline, continuously improve our service quality and fully utilize the advantages of our large user base to shape us into a national leading passenger vehicle sales and service provider brand.

Organization Optimization: We strengthened our efforts in the introduction of external talents and cultivation of internal talents to satisfy business management needs resulting from industrial chain expansion. We also satisfied the young characteristics and consumption trend of our customer base through strengthening the reserve and cultivation of our young talents. Meanwhile, we combined the advantages of the industrial scale and diversified characteristics of the Group, adopted sub-brand division or regional management mode according to circumstances. With the coordination of remuneration and performance management and capital management, we reduced operation costs and improved management efficiency. On the basis of the aforesaid, we developed an organization form and response mechanism where enterprise and group management serves as our strong anchor and we present ourselves as the forerunner of a top-tier service team.

FINANCIAL REVIEW

Revenue

Our revenue was RMB18,709.5 million for the six months ended June 30, 2016, a 12.5% increase from RMB16,628.1 million for the six months ended June 30, 2015, which was primarily due to the rapid growth of our after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the six months ended June 30,					
	2016			2015		
	Amount *(RMB in thousands)*	**Sales Volume** *(Units)*	**Average Selling Price** *(RMB in thousands)*	Amount *(RMB in thousands)*	Sales Volume *(Units)*	Average Selling Price *(RMB in thousands)*
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	**12,847,991**	**36,670**	**350**	11,912,853	31,718	376
Mid to high end brands	**3,213,062**	**25,314**	**127**	2,559,458	19,656	130
Subtotal	**16,061,053**	**61,984**	**259**	14,472,311	51,374	282
After-sales services	**2,528,284**			1,938,945		
Automobile rental services	**174,980**			153,822		
Finance leasing services	**49,576**			63,044		
Less: inter-segment elimination	**(104,364)**			—		
Total	**18,709,529**			16,628,121		

The sales volume of passenger vehicle sales and services segment was 61,984 units for the six months ended June 30, 2016, a 20.7% increase from 51,374 units for the six months ended June 30, 2015, among which the sales volume of luxury and ultra-luxury brand passenger vehicles for the six months ended June 30, 2016 was 36,670 units, a 15.6% increase from 31,718 units for the six months ended June 30, 2015.

Revenue from passenger vehicle sales of the passenger vehicle sales and services segment was RMB16,061.1 million for the six months ended June 30, 2016, a 11.0% increase from RMB14,472.3 million for the six months ended June 30, 2015, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB12,848.0 million for the six months ended June 30, 2016, a 7.8% increase from RMB11,912.9 million for the six months ended June 30, 2015.

Revenue from after-sales services of the passenger vehicle sales and services segment was RMB2,528.3 million for the six months ended June 30, 2016, a 30.4% increase from RMB1,938.9 million for the six months ended June 30, 2015.

Revenue from the automobile rental services segment was RMB175.0 million for the six months ended June 30, 2016, a 13.8% increase from RMB153.8 million for the six months ended June 30, 2015.

Revenue from the finance leasing services segment was RMB49.6 million for the six months ended June 30, 2016, a 21.4% decrease from RMB63.0 million for the six months ended June 30, 2015.

FINANCIAL REVIEW (continued)

Cost of Sales and Services

Cost of sales and services was RMB16,977.0 million for the six months ended June 30, 2016, a 12.0% increase from RMB15,160.7 million for the six months ended June 30, 2015, which was generally in line with the growth of revenue.

Cost of sales and services for sales of passenger vehicles of the passenger vehicles sales and services segment was RMB15,577.6 million for the six months ended June 30, 2016, an increase of 11.3% from RMB13,994.7 million for the six months ended June 30, 2015, which was generally in line with the growth in revenue from passenger vehicle sales.

Cost of sales and services for after-sales services of the passenger vehicle sales and services segment was RMB1,345.2 million for the six months ended June 30, 2016, an increase of 30.4% from RMB1,031.3 million for the six months ended June 30, 2015, which was generally in line with the growth in revenue from after-sales services.

Cost of sales and services for automobile rental services segment was RMB132.4 million for the six months ended June 30, 2016, a 16.7% increase from RMB113.4 million for the six months ended June 30, 2015, which was generally in line with the growth in revenue from automobile rental services.

Cost of sales and services for finance leasing services segment was RMB10.1 million for the six months ended June 30, 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB1,732.5 million for the six months ended June 30, 2016, a 18.1% increase from RMB1,467.4 million for the six months ended June 30, 2015. Gross profit margin increased to 9.26% for the six months ended June 30, 2016 from 8.83% for the six months ended June 30, 2015.

Gross profit from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB483.5 million for the six months ended June 30, 2016, a 1.2% increase from RMB477.6 million for the six months ended June 30, 2015. Gross profit margin for passenger vehicle sales decreased to 3.01% for the six months ended June 30, 2016 from 3.30% for the six months ended June 30, 2015.

Gross profit from the after-sales services of the passenger vehicle sales and services segment was RMB1,183.1 million for the six months ended June 30, 2016, an increase of 30.4% from RMB907.6 million for the six months ended June 30, 2015. Gross profit margin for after-sales services was 46.79% for the six months ended June 30, 2016, which remained basically flat compared to 46.81% for the six months ended June 30, 2015.

Gross profit from the automobile rental services segment was RMB42.6 million for the six months ended June 30, 2016, an increase of 5.4% compared to RMB40.5 million for the six months ended June 30, 2015. Gross profit margin for the automobile rental services was 24.36% for the six months ended June 30, 2016, which remained basically flat compared to 26.30% for the six months ended June 30, 2015.

Gross profit from the finance leasing services segment for the six months ended June 30, 2016 was RMB39.5 million, representing a decrease of 5.4% compared to RMB41.8 million for the six months ended June 30, 2015. Gross profit margin for the finance leasing services was 79.64% for the six months ended June 30, 2016.

FINANCIAL REVIEW (continued)

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB314.0 million for the six months ended June 30, 2016, a 67.5% increase compared to RMB187.4 million for the six months ended June 30, 2015. The increase was primarily due to the 59.0% increase of revenue of our after-market finance and insurance services of our passenger vehicle sales and services segment, from RMB178.9 million for the six months ended June 30, 2015 to RMB285.0 million for the six months ended June 30, 2016.

Distribution and Selling Expenses

Distribution and selling expenses were RMB838.9 million for the six months ended June 30, 2016, a 28.8% increase from RMB651.5 million for the six months ended June 30, 2015, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of our revenue, our distribution and selling expenses increased from 3.92% for the six months ended June 30, 2015 to 4.48% for the six months ended June 30, 2016, which was primarily due to the fact that we opened outlets in 2015 and the first half of 2016 which were still in the initial development stage.

Administrative Expenses

Administrative expenses were RMB472.1 million for the six months ended June 30, 2016, a 48.0% increase compared to RMB319.1 million for the six months ended June 30, 2015, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the growth rate of our administrative expenses increased from 1.92% for the six months ended June 30, 2015 to 2.52% for the six months ended June 30, 2016, which was primarily due to the fact that our newly-opened outlets were still at the initial development stage in 2015 and the first half of 2016.

Finance Costs

Finance costs were RMB223.3 million for the six months ended June 30, 2016, an 8.1% increased from RMB206.5 million for the six months ended June 30, 2015, which was primarily due to the increased average balance of financing as a result of the expansion of our sales and services network and business scale. The finance costs rate was 1.19% for the six months ended June 30, 2016, representing a moderate decrease as compared to 1.24% for the six months ended June 30, 2015.

Profit before Tax

As a result of the foregoing, profit before tax was RMB524.7 million for the six months ended June 30, 2016, an 8.9% increase from RMB481.7 million for the six months ended June 30, 2015.

Income Tax Expense

Income tax expense was RMB120.1 million for the six months ended June 30, 2016, a 4.5% decrease compared to RMB125.7 million for the six months ended June 30, 2015. Our effective income tax rate was 22.9% for the six months ended June 30, 2016, a decrease compared to 26.1% for the six months ended June 30, 2015.

Profit and Total Comprehensive Income

As a result of the foregoing, profit and total comprehensive income was RMB404.7 million for the six months ended June 30, 2016, a 13.7% increase from RMB356.0 million for the six months ended June 30, 2015.

FINANCIAL REVIEW (continued)

Profit and Total Comprehensive Income Attributable to the Owners of the Company

As a result of the foregoing, profit and total comprehensive income attributable to the owners of the Company was RMB383.0 million for the six months ended June 30, 2016, a 16.1% increase from RMB330.0 million for the six months ended June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are payment for purchases of passenger vehicles, spare parts and accessories, funding for our working capital and ordinary recurring expenses, funding for the capital expenditures in connection with the establishment and acquisition of new outlets and repayment of our indebtedness. We maintain our liquidity through a combination of cash flows generated from our operating activities, capital injections, the issuance of bonds, bank loans and other borrowings. In the future, we believe that our capital expenditures and liquidity requirements are expected to be satisfied by a combination of cash flows generated from our operating activities, bank loans and other borrowings, as well as funds raised from capital markets from time to time.

For the six months ended June 30, 2016, our net cash used in operating activities was RMB112.3 million, a decrease of RMB230.2 million compared to net cash from operating activities of RMB117.9 million for the six months ended June 30, 2015, which was primarily due to an increase in the income tax of RMB357.9 million for the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

For the six months ended June 30, 2016, our net cash used in investing activities was RMB383.5 million, compared to net cash used in investing activities of RMB1,118.0 million for the six months ended June 30, 2015. This was primarily due to our payment for purchases of property, plant and equipment, land use rights and intangible assets, in the amount of RMB567.9 million, which was partially offset by the proceeds from disposals of property, plant and equipment in the amount of RMB149.6 million.

For the six months ended June 30, 2016, our net cash from financing activities was RMB630.6 million, compared to net cash from financing activities of RMB144.7 million for the six months ended June 30, 2015, which mainly comprised of the proceeds from the issuance of short-term debentures of RMB800 million, which was partially offset by payment of interest of RMB161.3 million and payment of dividends of RMB155.4 million.

Inventories and Inventory Prepayments

Our inventories mainly include passenger vehicles, spare parts and accessories. Inventory prepayments are prepayments made to suppliers for purchases of inventories, i.e., passenger vehicles, spare parts and accessories.

Our inventories were RMB4,912.0 million as of June 30, 2016, a 9.1% increase from RMB4,503.0 million as of June 30, 2015. Our inventories and inventory prepayments were RMB5,569.0 million as of June 30, 2016, representing a 9.0% increase from RMB5,107.4 million as of June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Inventories and Inventory Prepayments (continued)

The following table sets forth our average inventory turnover days and average inventory and inventory prepayments turnover days for the periods indicated:

	For the six months ended June 30,	
	2016	2015
Average inventory turnover days(1)	48.3	53.1
Average inventory and inventory prepayments turnover days(2)	55.4	60.5

Notes:

(1) The average inventory turnover days for the period is the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 183 days for the six months period.

(2) Average inventory and inventory prepayments turnover days for the period is the average of opening and closing inventories and inventory prepayments balances in aggregate divided by the cost of sales and services for that period and multiplied by 183 days for the six months period.

Capital Expenditures and Investment

Our capital expenditures comprised primarily of expenditures on the purchase of property, plant and equipment and intangible assets. For the six months ended June 30, 2016, our total capital expenditures on purchase of property, plant and equipment and intangible assets amounted to RMB567.9 million. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	For the six months ended June 30, 2016 *(RMB in millions)*
Expenditures on purchase of property, plant and equipment	537.2
Expenditures on purchase of intangible assets	30.7
Total	567.9

LIQUIDITY AND CAPITAL RESOURCES (continued)

Borrowings and Bonds

We obtained borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, issued bonds and convertible bonds to fund our working capital and needs for network expansion. As of June 30, 2016, the outstanding amount of our borrowings, bonds and convertible bonds amounted to RMB8,201.7 million, a 16.6% increase from RMB7,036.9 million as of December 31, 2015. The following table sets forth the maturity profile of our borrowings and bonds as of June 30, 2016:

	As of June 30, 2016 *(RMB in millions)*
Within one year	6,899.4
One year to two years	1,171.1
Two years to five years	109.5
More than five years	21.7
Total	8,201.7

As of June 30, 2016, our gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 70.2% (as of December 31, 2015: 68.1%). The net debt was total debt net of cash and cash equivalents, pledged bank deposits and cash in transit.

As of June 30, 2016, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets which were subject to these mortgages or pledges as of June 30, 2016 consisted of (i) inventories of RMB623.3 million; (ii) property, plant and equipment of RMB205.7 million; and (iii) land use rights of RMB180.0 million.

Contingent Liabilities

As of June 30, 2016, we did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in the interest rates on our borrowings. Certain of our borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China. Increases in interest rates could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our finance costs, profit and our financial condition. We do not currently use any derivative financial instruments to hedge our exposure to interest rate risk.

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

LIQUIDITY AND CAPITAL RESOURCES (continued)

Use of Proceeds

The net proceeds from our Company's initial public offering were approximately RMB1,013.2 million. The net proceeds have been utilized in the manner consistent with that disclosed in the prospectus of the Company dated June 29, 2012 under the section headed "Future Plans and Use of Proceeds".

In July 2014, we issued 1.5% U.S. dollar settled convertible bonds due 2019 with an aggregate principal amount of RMB1 billion, and the funds raised are used for establishment of and acquisitions of 4S dealerships and replenishment of working capital.

FUTURE PROSPECTS AND STRATEGIES

From the first half of 2016 and going forward, China's automobile market is expected to maintain a positive and stable growth trend as China's urbanization accelerates and consumption structure becomes more sophisticated, especially for the luxury and ultra-luxury automobile market, which is expected to maintain relatively fast growth. Extended services such as automobile repair and maintenance, 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 recent years. Meanwhile, the recent rapid development of new energy vehicles and gradual maturity of internet of vehicles and auto-pilot techniques will bring along great changes and new opportunities for the automobile industry.

Hence, we will continue to adhere to our "customer-oriented" belief and continue to focus on the automobile industry. Firstly, we will achieve continuing cost reduction and efficiency improvement of the traditional automobile sales and service business on the basis of refinement in operation and management as well as development of the national network. Secondly, we will make full use of the transition to more favourable policies of the automobile industry, focus on channels expansion of our self-owned business, including proprietary automobile finance products, certified pre-owned vehicle, parallel imported cars and parts as well as automobile maintenance, so as to maximize our channel value while at the same time satisfy our customers' personalized demands. Automobile finance and pre-owned vehicle would be the focus of our near term self-owned business strategic development. Relying on the competitive edge of industry-finance integration in our automobile finance business, we will utilize the multiple scenes of automobile sales and service industry and proactively develop our proprietary business such as finance leasing and small loan businesses while expanding our automobile finance agency business and continue to improve customer experience through the mobile interconnection solution. At the same time, we will integrate the scale effect of insurance agency business and the advantages of maintenance resources as well as expand new models such as after sale repair chain and concentrated sheet metal painting centers in the area. With respect to pre-owned vehicle, we will adhere to building our retail certified pre-owned vehicle brand and actively expand the regional network layout of offline pre-owned vehicle chain stores. Thirdly, we will seize the development opportunities of the automobile rental business, consolidate our long-term rental business and actively develop our commercial, conferences, short term and internet automobile rental business.

FUTURE PROSPECTS AND STRATEGIES (continued)

With the vigorous development of new energy vehicles industry in recent years, whilst pursuing the business layout as described above, we have made proactive layout and proactively develop the new energy vehicles business such as sales and service, rental, charging platform operation, battery gradient utilization and other aspects. At the same time, we also pay attention to the development trends in internet of vehicles and auto-pilot and begin to explore intelligent vehicle operation to serve as the core of the emerging business models.

We will constantly strive to carry out the "streamlining, modularization and intensification" development principle of self-built network, spare no effort to capture the counter-cyclical economic opportunity and leverage on the advantages in capital markets to seek merger and acquisition opportunities and rapidly expand and seize market share, so as to improve the channel coverage and responsiveness. We will also carry out channel strategy to upgrade offline physical automobile sales and service outlets into sharing channels, which consist of various businesses, including automobile sales and service, automobile finance, pre-owned vehicle and automobile rental businesses. We intend to construct mobile terminal entrance for the online "Auto Life Ecosystem" by taking advantage of the internet e-commerce platform to provide integrated online and offline services to our customers.

We will continue to pursue our initiatives in capital markets, and at the same time, leverage on the capital markets, turning such advantages into a powerful driving force to realize the Group's development strategies mentioned above. We will persistently pursue the "industry + capital" development concept, continuously upgrade and transform our existing businesses based on current efforts, accumulate the advantageous resources of social capital and enhance the strategic layout and development of new-emerging businesses, so that we can further consolidate our 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, employees, customers and the community.

Corporate Governance and Other Information

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

As at the date of this interim report, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

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 (柏麗萬得有限公司) ("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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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. LYU Wei	Beneficial owner	200,000	0.014
Mr. CHEN Xianglin	Beneficial owner	200,000	0.014
Ms. ZHU Anna Dezhen	Beneficial owner	200,000	0.014

Save as disclosed above, as at the date of this interim report, none of the directors or chief executives of the Company had or was deemed to have any 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 to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this interim report, the followings are the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests 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)	26.075
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
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
Mr. Jean Eric SALATA [5]	Interest of controlled corporation	94,136,500 (long position)	6.360

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in the shares and underlying shares of the Company (continued)

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, as at the date of this interim report, the directors and the chief executives of the Company were not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above or otherwise disclosed in this interim report, at no time during the reporting period and up to the date of this interim report was the Company or any of its subsidiaries, a party to any arrangement that would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONVERTIBLE BONDS

Pursuant to the announcement of the Company dated June 25, 2014 in relation to the proposed issue of the RMB1,000,000,000 1.5% USD settled convertible bonds due in 2019 (the "Bonds"), all conditions precedent under the subscription agreement have been satisfied (or waived) and completion of the subscription agreement took place on July 18, 2014. The net proceeds from the issue of the Bonds, after deduction of expenses, amounted to approximately RMB977,000,000, will be used by the Group for establishing and acquiring 4S dealerships, and working capital. Assuming full conversion of the Bonds at the initial conversion price of HK$7.958 per share, the Bonds would be convertible into approximately 158,259,610 ordinary shares of HK$0.01 each.

Approval was granted by the Hong Kong Stock Exchange for the listing of the Bonds and the conversion shares. For further details and principal terms of the Bonds, please refer to the above-mentioned announcement.

As at the date of this interim report, none of the conversion rights attached to the Bonds was exercised.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On June 25, 2014, the Company as borrower entered into a letter of credit facility agreement (the "Facility Agreement") with DBS Bank Ltd. in relation to the letter of credit issued to the trustee in an amount up to RMB1,025,000,000 as part of the credit-enhancement or guarantee arrangement for the Bonds.

The Facility Agreement contains, inter alia, covenants to the effect that Mr. CHEUNG Tak On (whether directly or indirectly, or as the beneficiary of a trust acting individually or together) shall beneficially own not less than 30% of the issued share capital having the right to cast votes in general meetings of the Company. A breach of such covenants will constitute an event of default under the Facility Agreement.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at June 30, 2016, we had 10,686 employees (as at June 30, 2015: 9,093 employees). The remuneration of our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our directors, and the directors' remuneration are subject to shareholders' approval at a general meeting of the Company. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of our Group.

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of the Group; (b) any supplier to the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the shareholders of the Company approved the Share Option Scheme, after which period no further share option shall be granted.

Under the Share Option Scheme, the remuneration committee of the Company (the "Remuneration Committee") will from time to time propose for the Board's approval for grant of share options and the number of share options to be granted to the relevant grantees. The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any new share option scheme of the Company which may be adopted hereafter must not, in aggregate, exceed 10 per cent of the total number of shares in issue as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time.

No option shall be granted to any Eligible Person if, at the relevant time of grant, the number of shares issued and to be issued upon exercise of all share options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1 per cent of the total number of shares in issue at such time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

The subscription price of share options is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of offer of the share options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of a share of the Company.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of a grant. Unless the Board determines otherwise, there is no minimum period for which an option must be held before it can be exercised. The Board shall specify in an offer letter a date by which a grantee must accept an offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of the option price of RMB1.00 shall be made upon acceptance of the offer.

SHARE OPTION SCHEME (continued)

Further details of the Share Option Scheme are set out in the circular of the Company dated September 5, 2013. Details of movements in the options granted under the Share Option Scheme during the six months period ended June 30, 2016 are as follows:

Category and Name of grantee	Outstanding as at January 1, 2016	Number of Share Options Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding as at June 30, 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options	Price of the Company's shares Immediately before the grant date of options	Weighted average price of the Company's shares Immediately before the exercise date	At exercise date of options
									HK$ per share			
Executive Directors												
XU Yue	3,000,000	0	–	–	–	3,000,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
CHEN Yi	1,300,000	0	–	–	–	1,300,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
Non-executive Director												
WANG Liqun	200,000	0	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
Independent Non-executive Directors												
LYU Wei	200,000	0	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
CHEN Xianglin	200,000	0	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
Other employees in aggregate	24,600,000	0	–	–	–	24,600,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
Other grantees/ participants in aggregate	200,000	0	–	–	–	200,000	December 24, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

Our employee pre-IPO incentive scheme (the "Employee Pre-IPO Incentive Scheme"), the details of which are set out in the paragraph headed "Employee Pre-IPO Incentive Scheme" in Appendix IV to our prospectus dated June 29, 2012, was conditionally approved and adopted by a resolution of the directors on April 3, 2012. Any employees, directors (other than independent non-executive directors) and members of the senior management of the Company, but excluding (a) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (b) any other person that the Board may determine from time to time, may participate in this scheme.

The Remuneration Committee has full power and authority to (a) propose, select or determine which beneficiary is entitled to an award; (b) determine the amount of the award for each selected beneficiary; and (c) make the relevant award to the beneficiaries under the Employee Pre-IPO Incentive Scheme. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited ("HSBC HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the "Scheme Shares") will be distributed to the beneficiary and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme. Under the Pre-IPO Employee Incentive Scheme, the total number of Shares underlying the restricted Shares to be granted from time to time must not be, in any event, exceed 5% of the number of the Shares in issue on such date without the Board's prior approval.

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to Shanghai Yongda Holding (Group) Limited ("Yongda Holding"), unless the board of directors of Yongda Holding request the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of HSBC HK Trustee, the articles of association of the Company and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

On August 30, 2013, the Board resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted share awards could be granted to eligible persons pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) and members of the senior management of the Group, but excluding (i) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (ii) any other person that the Board may determine from time to time. For further details of the amendments to the Employee Pre-IPO Incentive Scheme, please refer to the announcement of the Company dated August 30, 2013.

During the six months ended June 30, 2016, no award has been made pursuant to the Amended Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2016.

CHANGE IN DIRECTORATE AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Changes in directorate and information of directors and senior management of the Company, which are required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules are as follows:

Name of director/senior management	Details of changes in position/particulars
Mr. WANG Liqun	Ceased to be an independent director of Talkweb Information System Co., Ltd (拓維信息系統股份有限公司) (SZSE stock code: 002261) since June 2016
Ms. ZHANG Hong	Resigned as joint company secretary of the Company with effect from February 29, 2016

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules and has complied with the code provisions under the CG Code during the six months ended June 30, 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2016.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

AUDIT AND COMPLIANCE COMMITTEE

The audit and compliance committee of the Company (the "Audit and Compliance Committee") has three members comprising three independent non-executive directors, being Ms. ZHU Anna Dezhen (chairman), Mr. LYU Wei and Mr. CHEN Xianglin, with terms of reference in compliance with the Listing Rules.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2016. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2016 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Update on the Progress of the Proposed Spin-off

In relation to the proposed spin-off of Shanghai Yongda Automobile Group Co., Ltd. by way of a separate listing on the Shenzhen Stock Exchange, on August 4, 2016, the Company was informed by Suzhou Yangtze New Materials Co., Ltd. (the "A-share Listco") that, after careful consideration by the board of directors of the A-share Listco, the A-share Listco decided to temporarily withdraw the relevant application materials submitted to the China Securities Regulatory Committee in relation to the material asset disposal and share issuance for asset acquisition and proposed placement of shares and the relevant transactions contemplated thereunder. For further details, please refer to the announcement of the Company dated August 4, 2016.

Cancellation and Grant of Share Options

On July 26, 2016, the Board resolved to cancel the outstanding share options previously granted to certain individuals (the "Existing Grantees") to subscribe for a total of 29,700,000 shares at the exercise price of HK$6.950 per share with validity period from December 30, 2013 to December 29, 2018. On the same day, the Company granted a total of 35,000,000 share options under the share option scheme to the Existing Grantees, subject to their acceptance of cancellation of the outstanding options, and certain new grantees. For further details, please refer to the announcement of the Company dated July 26, 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2016 (for the six months ended June 30, 2015: nil) to the shareholders of the Company.

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

Hong Kong, August 30, 2016

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 68, which comprise the condensed consolidated statement of financial position as of June 30, 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 30, 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2016

		For the six months ended June 30,	
	NOTES	**2016**	2015
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	3	**18,709,529**	16,628,121
Cost of sales and services		**(16,976,995)**	(15,160,673)
Gross profit		**1,732,534**	1,467,448
Other income and other gains and losses	4	**314,005**	187,421
Distribution and selling expenses		**(838,892)**	(651,495)
Administrative expenses		**(472,086)**	(319,065)
Finance costs	5	**(223,307)**	(206,512)
Share of profits of joint ventures		**3,179**	3,472
Share of profits of associates		**9,303**	456
Profit before tax	6	**524,736**	481,725
Income tax expense	7	**(120,069)**	(125,678)
Profit and total comprehensive income for the period		**404,667**	356,047
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**383,014**	330,033
Non-controlling interests		**21,653**	26,014
		404,667	356,047
Earnings per share – basic and diluted	9	**RMB0.26**	RMB0.22

Condensed Consolidated Statement of Financial Position

At June 30, 2016

	NOTES	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**3,918,593**	3,578,068
Prepaid lease payments	10	**1,130,125**	978,275
Goodwill		**478,860**	286,624
Intangible assets		**829,443**	530,053
Deposits paid for acquisition of property, plant and equipment		**74,104**	118,683
Deposits paid for acquisition of land use rights		**—**	24,607
Available-for-sale investments	11	**91,782**	91,845
Interests in joint ventures		**73,198**	80,109
Interests in associates		**174,671**	166,068
Finance lease receivables	12	**231,518**	207,719
Deferred tax assets		**112,132**	92,756
		7,114,426	6,154,807
Current assets			
Prepaid lease payments	10	**32,888**	28,504
Inventories	13	**4,912,027**	4,083,064
Finance lease receivables	12	**645,520**	569,926
Trade and other receivables	14	**3,798,674**	3,533,562
Amounts due from related parties	27	**87,037**	67,382
Cash in transit		**124,284**	99,817
Pledged bank deposits		**659,943**	1,138,209
Bank balances and cash		**1,666,823**	1,531,993
		11,927,196	11,052,457
Current liabilities			
Trade and other payables	15	**5,189,377**	4,682,769
Amounts due to related parties	27	**498**	2,508
Income tax liabilities		**127,944**	442,789
Borrowings	16	**4,143,291**	3,902,214
Short-term debentures	17	**1,596,756**	797,422
Medium-term note	18	**1,159,368**	1,157,472
		12,217,234	10,985,174

Condensed Consolidated Statement of Financial Position

At June 30, 2016

	NOTES	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Net current (liabilities) assets		**(290,038)**	67,283
Total asset less current liabilities		**6,824,388**	6,222,090
Non-current liabilities			
Borrowings	16	**348,704**	250,928
Convertible bonds	19	**953,585**	928,911
Other liabilities	15	**379,382**	337,398
Deferred tax liabilities		**190,721**	104,418
		1,872,392	1,621,655
Net assets		**4,951,996**	4,600,435
Capital and reserves			
Share capital	20	**12,065**	12,065
Reserves		**4,465,852**	4,225,130
Equity attributable to owners of the Company		**4,477,917**	4,237,195
Non-controlling interests		**474,079**	363,240
Total equity		**4,951,996**	4,600,435

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

	Attributable to owners of the Company									
	Issued share capital	Share premium	Statutory surplus reserve	Share-based payments reserve	Convertible bond reserve	Special reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000* (note)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015 (audited)	12,065	1,207,885	347,765	28,272	62,490	253,250	1,932,164	3,843,891	331,799	4,175,690
Profit for the period	–	–	–	–	–	–	330,033	330,033	26,014	356,047
Capital injection	–	–	–	–	–	–	–	–	21,050	21,050
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	(15)	–	(15)	(585)	(600)
Recognition of equity-settled share-based payments	–	–	–	8,006	–	–	–	8,006	–	8,006
Dividends recognized as distribution *(Note 8)*	–	(148,002)	–	–	–	–	–	(148,002)	–	(148,002)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(19,486)	(19,486)
At June 30, 2015 (unaudited)	12,065	1,059,883	347,765	36,278	62,490	253,235	2,262,197	4,033,913	358,792	4,392,705
Profit for the period	–	–	–	–	–	–	194,435	194,435	16,852	211,287
Capital injection	–	–	–	–	–	–	–	–	19,022	19,022
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	841	–	841	(5,687)	(4,846)
Recognition of equity-settled share-based payments	–	–	–	8,006	–	–	–	8,006	–	8,006
Transfer to statutory reserve	–	–	129,030	–	–	–	(129,030)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(25,739)	(25,739)
At December 31, 2015 (audited)	12,065	1,059,883	476,795	44,284	62,490	254,076	2,327,602	4,237,195	363,240	4,600,435
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**383,014**	**383,014**	**21,653**	**404,667**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,800**	**26,800**
Disposal of subsidiaries *(Note 25)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,502)**	**(17,502)**
Disposal of partial equity interests in subsidiaries *(Note 26)*	**–**	**–**	**–**	**–**	**–**	**5,103**	**–**	**5,103**	**102,220**	**107,323**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**8,006**	**–**	**–**	**–**	**8,006**	**–**	**8,006**
Dividends recognized as distribution *(Note 8)*	**–**	**(155,401)**	**–**	**–**	**–**	**–**	**–**	**(155,401)**	**–**	**(155,401)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,332)**	**(22,332)**
At June 30, 2016 (unaudited)	**12,065**	**904,482**	**476,795**	**52,290**	**62,490**	**259,179**	**2,710,616**	**4,477,917**	**474,079**	**4,951,996**

Note: 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	For the six months ended June 30, 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**524,736**	481,725
Adjustments for:		
Finance costs	**223,307**	206,512
Interest income	**(7,815)**	(6,779)
Loss on disposal of property, plant and equipment	**1,480**	8,986
Investment loss of disposal of subsidiaries	**1,221**	—
Depreciation of property, plant and equipment	**206,927**	179,150
Release of prepaid lease payments	**13,933**	6,166
Amortization of intangible assets	**6,444**	6,276
Share-based payment expenses	**8,006**	8,006
Impairment loss on available-for-sale investments	**7,698**	—
Impairment loss of finance lease receivable	**1,777**	—
Reversal of impairment loss on other receivables	**(1,600)**	—
Share of profits of joint ventures	**(3,179)**	(3,472)
Share of profits of associates	**(9,303)**	(456)
Operating cash flows before movements in working capital	**973,632**	886,114
Increase in inventories	**(610,213)**	(178,785)
Decrease in trade and other receivables	**101,145**	3,451
Increase in finance lease receivables	**(101,170)**	(228,158)
Increase in cash in transit	**(24,467)**	(27,355)
Increase in other liabilities	**41,984**	66,064
Decrease in trade and other payables	**(563,139)**	(1,187,942)
(Increase) decrease in amounts due from related parties	**(687)**	2,868
(Decrease) increase in amounts due to related parties	**(2,010)**	8,823
Withdrawal of pledged bank deposits	**1,138,209**	1,515,013
Placement of pledged bank deposits	**(624,116)**	(658,623)
Cash generated from operations	**329,168**	201,470
Income taxes paid	**(441,501)**	(83,561)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(112,333)**	117,909
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(537,244)**	(538,754)
Additions to and deposits paid for prepaid land lease payments	**—**	(389,042)
Purchase of intangible assets	**(30,705)**	(10,830)
Purchase of available-for-sale investments	**(6,935)**	(71,696)
Refund of consideration paid for prepaid land lease payments	**71,232**	—
Proceeds on disposal of property, plant and equipment, intangible assets and land use rights	**149,572**	122,770
Acquisition of subsidiaries *(Note 24)*	**87,128**	(23,190)
Interest received	**7,815**	6,779
Advance to related parties	**(45,612)**	(67,351)
Advance to non-controlling shareholders	**(89,424)**	(32,000)
Collection of advance to related parties	**26,644**	30,443
Collection of advance to non-controlling shareholders	**5,000**	5,600
Disposal of subsidiaries *(Note 25)*	**(31,033)**	—
Dividends received from jointly controlled entities	**10,090**	—
Investment in associates	**—**	(150,700)
NET CASH USED IN INVESTING ACTIVITIES	**(383,472)**	(1,117,971)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	**12,387,910**	10,982,527
Repayment of borrowings	**(12,337,650)**	(10,535,150)
Proceeds on issue of short term debentures	**800,000**	—
Payment for transaction cost of issue of short-term debentures	**(4,200)**	—
Payment for transaction costs paid in relation to issue of medium-term note	**—**	(2,819)
Proceeds of disposal of partial equity interests in subsidiaries without losing control	**102,423**	—
Capital injection by non-controlling shareholders	**26,800**	21,050
Acquisition of non-controlling interests of subsidiaries	**—**	(600)
Advance from non-controlling shareholders	**7,852**	4,860
Repayment of advance from non-controlling shareholders	**(17,364)**	(800)
Interest paid	**(161,256)**	(162,580)
Dividends paid as distribution	**(155,402)**	(148,002)
Dividends paid to non-controlling shareholders	**(15,136)**	(16,777)
Withdrawal of deposits to entities controlled by suppliers for other borrowings	**10,403**	2,948
Placement of deposits to entities controlled by suppliers for borrowings	**(13,745)**	—
NET CASH FROM FINANCING ACTIVITIES	**630,635**	144,657
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**134,830**	(855,405)
CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH	**1,531,993**	1,874,217
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH	**1,666,823**	1,018,812

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is Unit 5708, 57/F, The Center, 99 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, automobile rental services and finance leasing service, and distribution of automobile insurance products and automobile financial products in the PRC. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The condensed consolidated financial statements are presented in Renminbi (the "RMB"), which is the same as the functional currency of the Company.

As at June 30, 2016, the Group's current liabilities exceeded its current assets by approximately RMB290,038,000. The directors of the Company are of the opinion that, together with the presently available banking facilities, and the internal financial resources on the expectation that majority of the existing revolving banking facilities can be revolved continuously, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the condensed consolidated financial statements. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

In addition, the condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Except as described below, the application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

The Group has applied the Annual Improvements to IFRSs 2012–2014 Cycle for the first time in the current interim period, which include a number of amendments to various IFRSs as summarised below.

The amendments to IAS 34 clarify the meaning of information contained elsewhere in the interim financial report. The amendments state that various disclosures should be given either in the interim financial statements or be incorporated by cross-reference from the interim financial statements to some other statement (such as management discussion and analysis) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after January 1, 2016
5 Effective for annual periods beginning on or after a date to be determined
6 Effective for annual periods beginning on or after January 1, 2017

The directors of the Company do not anticipate that the application of the above new or revised IFRSs will have any significant impact on the Group's financial results and financial conditions.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segments reported to the board of directors, the Group's chief operating decision maker, for allocating resources and assessing performance:

For the six months ended June 30, 2016

	Passenger vehicle sales and services *RMB'000* (Unaudited)	Automobile rental services *RMB'000* (Unaudited)	Finance leasing services *RMB'000* (Unaudited)	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
External revenue	18,501,127	174,980	33,422	–	18,709,529
Inter-segment revenue	88,210	–	16,154	(104,364)	–
Segment revenue	18,589,337	174,980	49,576	(104,364)	18,709,529
Segment cost *(note a)*	16,922,760	132,350	10,095	(88,210)	16,976,995
Segment gross profit	1,666,577	42,630	39,481	(16,154)	1,732,534
Service income	284,493	–	–	(4,086)	280,407
Segment result	1,951,070	42,630	39,481	(20,240)	2,012,941
Other income and other gains and losses *(note b)*					33,598
Distribution and selling expenses					(838,892)
Administrative expenses					(472,086)
Finance costs					(223,307)
Share of profits of joint ventures					3,179
Share of profits of associates					9,303
Profit before tax					524,736

3. SEGMENT INFORMATION (continued)

For the six months ended June 30, 2015

	Passenger vehicle sales and services *RMB'000* (Unaudited)	Automobile rental services *RMB'000* (Unaudited)	Finance leasing services *RMB'000* (Unaudited)	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue	16,411,255	153,822	63,044	–	16,628,121
Segment cost *(note a)*	15,026,008	113,372	21,293	–	15,160,673
Segment gross profit	1,385,247	40,450	41,751	–	1,467,448
Service income	178,915	–	–	–	178,915
Segment result	1,564,162	40,450	41,751	–	1,646,363
Other income and other gains and losses *(note b)*					8,506
Distribution and selling expenses					(651,495)
Administrative expenses					(319,065)
Finance costs					(206,512)
Share of profits of joint ventures					3,472
Share of profits of associates					456
Profit before tax					481,725

Notes:

a. The segment cost of finance leasing service is mainly composed of finance costs.

b. The balance is excluded the service income generated from passenger vehicle sales and services segment, which is included in the segment result above.

Segment profit represents the profit earned by each segment without allocation of other income and other gains and losses other than service income, distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits of associates. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the board of directors.

3. SEGMENT INFORMATION (continued)

Revenue from major products and services

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of passenger vehicles:		
— Luxury and ultra-luxury brands *(note a)*	**12,763,921**	11,912,853
— Mid- to high-end brands *(note b)*	**3,208,922**	2,559,458
Sub-total	**15,972,843**	14,472,311
After-sales services	**2,528,284**	1,938,944
Automobile rental services	**174,980**	153,822
Financing lease services	**33,422**	63,044
	18,709,529	16,628,121

Notes:

a. Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Aston Martin, Infiniti, Lincoln, Cadillac, Volvo and Lexus.

b. Mid- to high-end brands include Buick, Chevrolet, Volkswagen, Ford, Skoda, Toyota, Honda and others.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income comprises:		
Service income *(note a)*	**280,407**	178,915
Advertisement support received from automobile manufacturers *(note b)*	**6,263**	2,722
Government grants *(note c)*	**29,816**	12,492
Interest income on bank deposits	**7,815**	6,779
Others	**5,074**	—
	329,375	200,908
Other gains and losses comprise:		
Loss on disposal of property, plant and equipment	**(1,480)**	(8,986)
Impairment loss on available-for-sale investments	**(7,698)**	—
Foreign exchange loss	**(2,080)**	(4,940)
Loss on disposal of a subsidiary	**(1,221)**	—
Others	**(2,891)**	439
	(15,370)	(13,487)
Total	**314,005**	187,421

Notes:

a. Service income was primarily derived from distribution of automobile insurance products and automobile financial products.

b. Advertising support was received from automobile manufacturers in connection with their marketing campaigns.

c. Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

5. FINANCE COSTS

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on borrowings wholly repayable within five years:		
— convertible bonds	32,174	30,316
— bank loans	70,177	104,155
— other borrowings from entities controlled by suppliers	28,010	10,057
— reimbursement to suppliers *(note a)*	29,084	41,045
— short-term debentures	26,033	—
— medium-term note	37,120	37,120
Release of capitalized transaction cost in relation to issue of short-term debentures *(Note 17)*	2,534	—
Release of capitalized transaction cost in relation to issue of medium-term note *(Note 18)*	1,896	1,895
Less: interests capitalized *(note b)*	(3,721)	(18,076)
	223,307	206,512

Notes:

a. The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for the purchase of new passenger vehicles.

b. Borrowing costs capitalized during the period arose on the general borrowing pool and are calculated by applying a capitalization rate of 4.16% (during the six months ended June 30, 2015: 6.60%) per annum to expenditure on qualifying assets.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	206,927	179,150
Release of prepaid lease payments	13,933	6,166
Amortization of intangible assets	6,444	6,276
Share-based payment expenses	8,006	8,006
Impairment loss on available-for-sale investments	7,698	—
Reversal of impairment loss on other receivables	(1,600)	—
Impairment loss on finance lease receivables	1,777	—

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**141,804**	129,900
Under provision of PRC EIT in prior years	**3,041**	55
	144,845	129,955
Deferred tax		
Current period	**(24,776)**	(4,277)
	120,069	125,678

The Company and Sea of Wealth International Investment Company Limited, a subsidiary of the Company, are tax exempted companies incorporated in the Cayman Islands and British Virgin Islands, respectively.

Grouprich International Investment Holdings Limited, a subsidiary of the Company, was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

Under the Law of the PRC on EIT ("the EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.105 per share in respect of the year ended December 31, 2015 (2014: RMB0.10 per share) was declared and paid out of share premium to the owners of the Company in Hong Kong dollars (the "HK$") based on the medium exchange rate between RMB and HK$ as announced by the People's Bank of China on May 9, 2016 (HK$1.00 to RMB0.83899). The aggregate amount of the 2015 final dividend declared and paid in the interim period amounted to approximately RMB155,401,000 (for the six months ended June 30, 2015: RMB148,002,000).

The board of directors of the Company has determined that no dividend will be paid in respect of the interim period for the six months ended June 30, 2016 (for the six months ended June 30, 2015: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**383,014**	330,033
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,480,022**	1,480,022

No conversion of the convertible bonds is assumed for the purpose of the calculation of diluted earnings per share because they are anti-dilutive.

Outstanding share options of the Company during the six months ended June 30, 2016 and June 30, 2015 have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's earnings per share for the six months ended June 30, 2016 and June 30, 2015, respectively.

10. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

Property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately RMB531,083,000 (for the six months ended June 30, 2015: RMB472,757,000) for business expansion.

During the period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB151,052,000 (for the six months ended June 30, 2015: RMB131,682,000).

In addition, during the period, the Group paid approximately nil (for the six months ended June 30, 2015: RMB49,382,000) as deposits for acquisition of property, plant and equipment for business expansion.

Prepaid lease payments

During the period, the Group acquired medium-term land use rights situated in the PRC of RMB24,607,000 (for the six months ended June 30, 2015: RMB7,867,000) for business expansion.

The Group acquired medium-term land use rights situated in the PRC from a third party at a consideration of RMB410,884,000 in 2015. During the period, the Group received a refund of RMB71,232,000 from such third party as an adjustment to the original consideration, which was recorded as a deduction of prepaid lease payments.

11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Listed equity securities *(note a)*	31,274	38,972
Unlisted equity securities *(note b)*	60,508	52,873
	91,782	91,845

Notes:

a. The above listed equity investments represent investments in listed equity securities issued by a listed entity that principally operates in the PRC. They are measured at fair value at the end of each reporting period. During the six months ended June 30, 2016, losses of approximately RMB7,698,000 (during the six months ended June 30, 2015: nil) that arise as a result of changes in fair value in the listed equity investments are recognized as impairment loss and recorded in other gains and losses.

b. The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

12. FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Analysed as:		
Current	645,520	569,926
Non-current	231,518	207,719
	877,038	777,645

12. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2016	December 31, 2015	**June 30, 2016**	December 31, 2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivables comprise:				
Within one year	**664,877**	593,010	**646,827**	569,926
In more than one year but not more than two years	**207,543**	200,983	**187,909**	176,406
In more than two years but not more than five years	**51,945**	37,529	**44,079**	31,313
	924,365	831,522	**878,815**	777,645
Less: unearned finance income	**(45,550)**	(53,877)	**N/A**	N/A
Sub-total	**878,815**	777,645	**878,815**	777,645
Less: allowance for doubtful debts	**(1,777)**	—	**(1,777)**	—
Present value of minimum lease payment receivables	**877,038**	777,645	**877,038**	777,645

Effective interest rates of the above finance leases were around 11% (during the six months ended June 30, 2015: 12%) per annum.

At June 30, 2016, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB379,382,000 (December 31, 2015: RMB337,398,000) and RMB244,576,000 (December 31, 2015: RMB180,001,000) were recognized as other non-current liabilities and current liabilities, respectively.

Movement in the allowance for doubtful debts

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
January 1	**—**	—
Impairment losses recognized on receivables	**(1,777)**	—
June 30	**(1,777)**	—

13. INVENTORIES

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Motor vehicles	**4,440,717**	3,559,841
Spare parts and accessories	**471,310**	523,223
	4,912,027	4,083,064

14. TRADE AND OTHER RECEIVABLES

The Group's credit policies towards its customers are as follows:

a. In general, deposits and advances are required and no credit period is allowed for sales of automobiles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 90 days is granted;

b. For automobile rental services, the Group typically allows a credit period of 30 to 180 days to its customers.

	June 30, 2016 *RMB'000* (Unaudited)	December 31, 2015 *RMB'000* (Audited)
Trade receivables	426,889	305,247
Other receivables comprise:		
Prepayments and deposits to suppliers	947,722	797,719
Deposits to entities controlled by suppliers for borrowings	138,803	107,720
Prepayments and rental deposits on properties	61,105	56,341
Rebate receivables from suppliers	1,458,118	1,753,903
Insurance commission receivables	63,347	53,500
Staff advances	17,538	8,835
Value-Added-Tax recoverable	308,755	257,244
Advances to non-controlling shareholders *(note a)*	39,550	39,549
Advances to independent third parties *(note a)*	109,524	25,100
Consideration receivable on disposal of subsidiaries	32,237	6,420
Dividends receivable *(note b)*	14,200	—
Consideration receivable for disposal of non-controlling interests of subsidiaries	4,900	—
Others	182,406	130,004
Less: allowance for doubtful debts	(6,420)	(8,020)
	3,371,785	3,228,315
	3,798,674	3,533,562

Note:

a. The balances are unsecured, interest-free and repayable on demand. The balance of RMB84,242,000 included in advances to an independent third party as at June 30, 2016 are advances to an entity that was disposed to a third party during this interim and was a subsidiary of the Group before disposal. The balance was subsequently received as of this report date.

b. Dividends receivable was due from entities that were disposed to third parties during this interim. Before disposal, these entities were subsidiaries of the Group. As of this report date, such balance was subsequently received.

14. TRADE AND OTHER RECEIVABLES (continued)

The following is an ageing analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting periods:

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
0 to 180 days	426,889	305,247

None of the trade receivables are past due but not impaired as at the end of the reporting periods. The Group did not notice any deterioration in the credit quality of its trade receivables. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Movement in the allowance for doubtful debts

	For the six months ended June 30, 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
January 1	(8,020)	—
Reversal of impairment losses on the receivables	1,600	—
June 30	(6,420)	—

15. TRADE AND OTHER PAYABLES

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Trade payables	569,910	325,854
Bills payables	2,118,878	2,540,682
	2,688,788	2,866,536
Other payables		
Other tax payables	69,972	88,652
Advances and deposits from customers	974,337	1,035,324
Payables for acquisition of property, plant and equipment	48,200	112,436
Rental payables	43,681	29,895
Salary and welfare payables	37,963	47,786
Accrued interest	95,889	30,827
Accrued audit fee	2,200	3,800
Other accrued expenses	9,519	10,703
Transaction costs payable for issue of short-term debenture *(Note 17)*	—	1,000
Transaction costs payable for issue of medium-term note *(Note 18)*	626	626
Transaction costs payable for issue of convertible bonds *(Note 19)*	16,912	16,912
Consideration payable on acquisition of subsidiaries	674,950	17,045
Advance from non-controlling shareholders of subsidiaries *(note)*	117,269	126,781
Advances from former shareholders of acquired subsidiaries *(note)*	2,688	2,688
Deposits received from customers under finance leases *(Note 12)*	244,576	180,001
Dividends payable to non-controlling shareholders of subsidiaries	7,196	—
Others	154,611	111,757
	2,500,589	1,816,233
	5,189,377	4,682,769

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 12)*	379,382	337,398

Note: The balances are unsecured, interest-free and repayable on demand.

15. TRADE AND OTHER PAYABLES (continued)

The Group's trade payables mainly relate to the purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for the purchase of spare parts and accessories. Bills payable primarily relates to the Group's use of bank acceptance notes with a credit period of one to three months to finance its purchase of passenger vehicles.

The following is an ageing analysis of the Group's trade and bills payables presented based on the payment due date at the end of the reporting periods:

	June 30, 2016 ***RMB'000*** **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
0 to 90 days	**2,688,788**	2,866,536

16. BORROWINGS

	June 30, 2016 ***RMB'000*** **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Bank loans	**3,508,215**	3,203,215
Other borrowings from entities controlled by suppliers	**983,780**	949,927
	4,491,995	4,153,142

	June 30, 2016 ***RMB'000*** **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Carrying amount repayable:		
Within one year	**4,143,291**	3,902,214
More than one year, but not exceeding two years	**217,586**	163,365
More than two years, but not exceeding five years	**109,468**	62,813
More than five years	**21,650**	24,750
	4,491,995	4,153,142
Less: amounts due within one year shown under current liabilities	**(4,143,291)**	(3,902,214)
Amounts shown under non-current liabilities	**348,704**	250,928

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as of June 30, 2016 ranged from 4.00% to 7.37% (December 31, 2015: 5.10% to 7.57%) per annum.

16. BORROWINGS (continued)

At June 30, 2016 and December 31, 2015, the Group's borrowings were secured against the Group's assets with carrying amounts as follows:

	June 30, 2016 *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Land use rights	**180,001**	168,761
Property, plant and equipment (buildings and motor vehicles)	**205,673**	222,808
Inventories	**623,250**	694,439
Total	**1,008,924**	1,086,008

17. SHORT-TERM DEBENTURES

On September 22, 2015, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment"), an indirect wholly-owned subsidiary of the Company, has received a notice of acceptance of registration (the "Notice") issued from National Association of Financial Market Institutional Investors ("NAFMII") to issue a short-term debenture of an aggregate registered amount of RMB1.6 billion. According to the Notice, the registered amount will be effective for two years commencing from the date of issue of the Notice.

On October 20, 2015 and March 16, 2016, Shanghai Yongda Investment issued the first tranche and the second tranche of the short-term debentures, respectively, each of an aggregate principal amount of RMB0.8 billion and with a term of one year from the dates of issuance. The short-term debentures are unsecured and carry interests at rates of 4% per annum and 4.3% per annum, respectively. The interests are payable upon maturity. The short-term debentures were issued to domestic institutional investors in the PRC which are independent third parties.

At June 30, 2016, unpaid transaction costs of nil (December 31, 2015: RMB1,000,000) are recognized as current liabilities. The Group paid transaction costs of approximately RMB4,200,000 during the six months ended June 30, 2016 (during the six months ended June 30, 2015: nil).

Movement of the short-term debentures during the six months ended June 30, 2016 was as follows:

	RMB'000
At December 31, 2015	797,422
Issue on March 16, 2016	800,000
Less: capitalized transaction cost in relation to issuance	(3,200)
Add: interest expenses *(Note 5)*	2,534
At June 30, 2016	1,596,756

During the six months ended June 30, 2016, interest expenses of approximately RMB26,033,000 (during the six months ended June 30, 2015: nil) was recognized. As at June 30, 2016, unpaid interest expenses of approximately RMB32,266,000 (December 31, 2015: RMB6,233,000) was accrued in other payables.

18. MEDIUM-TERM NOTE

On September 22, 2013, Shanghai Yongda Investment issued a medium-term note of an aggregate registered amount of RMB1.16 billion with a term of three years from the date of issuance.

The medium-term note is unsecured and carries interest at a rate of 6.4% per annum. The interest is payable annually. The medium-term note was issued to domestic institutional investors in the PRC which are independent third parties.

At June 30, 2016, unpaid unamortized transaction costs of approximately RMB626,000 (December 31, 2015: RMB626,000) are recognized as current liabilities. The Group paid transaction costs of approximately nil during the six months period ended June 30, 2016 (during the six months period ended June 30, 2015: RMB2,819,000).

Movement of the medium-term note during the reporting period was as follows:

	RMB'000
At December 31, 2015	1,157,472
Add: release of capitalized transaction cost *(Note 5)*	1,896
At June 30, 2016	1,159,368

During the six months ended June 30, 2016, interest expenses of approximately RMB37,120,000 (during the six months ended June 30, 2015: RMB37,120,000) was recognized. As at June 30, 2016, unpaid interest expenses of approximately RMB57,124,000 (December 31, 2015: RMB20,004,000) was accrued in other payables.

19. CONVERTIBLE BONDS

The Company issued USD settled convertible bonds (the "Bonds") at a par value in an aggregate principal amount of RMB1,000,000,000 with interest rate of 1.50% per annum on July 18, 2014.

Please refer to the Group's 2015 consolidated financial statements for the principal terms of the Bonds.

The convertible bonds issued on July 18, 2014 are a compound instrument that included a liability component, an equity component and an embedded derivative in respect of the early redemption feature of the convertible bonds. The embedded derivative in respect of the early redemption feature of the convertible bonds is deemed to be clearly and closely related to the host contract and therefore, does not need to be separately recorded. The fair value of the liability component of the convertible bonds was approximately RMB864 million and the equity component was approximately RMB62 million, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

19. CONVERTIBLE BONDS (continued)

	RMB'000
Principal amount	1,000,000
Transaction cost	(73,737)
Liability component at the date of issue	(863,773)
Equity component	62,490

At June 30, 2016, unpaid transaction costs of approximately RMB16,912,000 (December 31, 2015: RMB16,912,000) are recognized as current liabilities.

The movements of the Bonds during the six months ended June 30, 2016 are set out below:

	RMB'000
Liability component at December 31, 2015	**928,911**
Interest charged *(Note 5)*	**32,174**
Interest paid	**(7,500)**
Liability component at June 30, 2016	**953,585**

The equity component will remain in convertible bond equity reserve until the embedded conversion option is exercised or the bonds mature.

20. SHARE CAPITAL

	Number of share '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorized:		
As at 1 January 2015 (audited), June 30, 2015 (unaudited), 1 January 2016 (audited) and June 30, 2016 (unaudited)	2,500,000	25,000

	Number of shares '000	Amount HK$'000	Shown in financial statements as RMB'000
Issued and fully paid:			
At January 1, 2015 (audited) and June 30, 2015 (unaudited)	1,480,022	14,800	12,065
At January 1, 2016 (audited) and June 30, 2016 (unaudited)	1,480,022	14,800	12,065

21. SHARE-BASED COMPENSATION

(a) Share Option Scheme

The Company's share option scheme was adopted by the Company on October 10, 2013 (the "Share Option Scheme") for the primary purpose of giving the grantees an opportunity to have a personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months period ended June 30, 2016:

	Number of options				
	Outstanding as at January 1, 2016	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at June 30, 2016
Directors:					
Mr. Wang Liqun	200,000	—	—	—	200,000
Mr. Lyu Wei	200,000	—	—	—	200,000
Mr. Chen Xianglin	200,000	—	—	—	200,000
Mr. Xu Yue	3,000,000	—	—	—	3,000,000
Ms. Chen Yi	1,300,000	—	—	—	1,300,000
Other grantee:					
Mr. Wang Zhiqiang	200,000	—	—	—	200,000
Employees	24,600,000	—	—	—	24,600,000
	29,700,000	—	—	—	29,700,000
Exercisable at the end of the period	19,800,000				24,750,000

The Group recognized an expense of approximately RMB6,636,000 for the six months ended June 30, 2016 in relation to the share options granted by the Company under the Share Option Scheme (for the six months ended June 30, 2015: RMB6,636,000).

(b) Employee Pre-IPO Incentive Scheme

The Company's employee pre-IPO incentive scheme was adopted by the Company on April 3, 2012 (the "Employee Pre-IPO Incentive Scheme") for the primary purpose of recognition of the contributions of the beneficiaries under the Employee Pre-IPO Incentive Scheme and to incentivize them. Under the Employee Pre-IPO Incentive Scheme, the board of directors of the Company may make cash awards to eligible employees, including directors (other than independent non-executive directors) of the Company and its subsidiaries. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited ("HSBC HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme.

21. SHARE-BASED COMPENSATION (continued)

(b) Employee Pre-IPO Incentive Scheme (continued)

On August 30, 2013, the Board resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted share could be granted to eligible persons ("Grantee") pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director, including independent non-executive directors. No Grantee shall be entitled to any dividend, income or any other right for which the record date is prior to the date on which the restricted shares are completed and actually transferred into the Grantee's account. The unvested restricted shares do not carry any right to vote at general meetings of the Company.

During the year ended December 31, 2014, awards of approximately 7,030,000 restricted shares and cash awards of approximately HK$3,821,000 have been made pursuant to the Amended Scheme. During the year ended December 31, 2015, awards of approximately 2,940,000 restricted shares have been made pursuant to the Amended Scheme. Details are set out as follows:

	Number of shares *'000*	Vesting period	Fair value *RMB'000*
1st batch	3,860	10–15 years	21,894
2nd batch	3,170	1–10 years	17,194
3rd batch	2,940	15 years	7,960

Amount of approximately RMB1,370,000 was recognized for the six months ended June 30, 2016 in relation to such awards made by the Company under the Amended Scheme (for the six months ended June 30, 2015: RMB1,370,000).

22. CAPITAL COMMITMENTS

		June 30, 2016 ***RMB'000*** **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
a)	Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**87,969**	96,776
b)	Commitments to purchase available-for-sale investments	**5,016**	11,951

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments, including the loans and receivables (including trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits and bank balance and cash) and financial liabilities (including trade and other payables, amounts due to related parties, short-term debentures, medium-term note, convertible bonds, other liabilities and borrowings), are recorded at amortized cost. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

24. ACQUISITION OF SUBSIDIARIES

(a) In April 2016, the Group acquired 100% equity interests in JS Baozun Investment Group Co., Ltd. ("JS Baozun") from independent third parties for cash consideration of RMB274.09 million and agreed to make capital contribution to JS Baozun for acquisition of the remaining equity interest in the 18 subsidiaries owned by such third parties in Changzhou region in Jiangsu province of the PRC (including five BMW 4S dealerships, five Buick 4S dealerships, four Chevrolet 4S dealerships, two Cadillac 4S dealerships, one Roewe 4S dealership and one FAW Toyota 4S dealership) at a total consideration of RMB489.91 million, to expand the Group's dealership network. The five BMW 4S dealership and JS Baozun are together defined as "BMW"; the five Buick 4S dealerships and four Chevrolet 4S dealerships are together defined as "GM"; the remaining companies are together defined as "Other".

Aggregate assets acquired and liabilities assumed of entities operating in different 4S dealerships on the acquisition date are as follows:

	BMW	**GM**	**Other**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposit paid for acquisition of Property, plant and equipment	5,054	—	1,000	6,054
Property, plant and equipment	104,564	113,878	28,433	246,875
Prepaid lease payments	77,377	113,086	26,329	216,792
Intangible assets	144,900	103,100	30,600	278,600
Inventories	107,591	140,126	65,143	312,860
Trade and other receivables	178,120	80,130	23,233	281,483
Pledged bank deposits	20,573	12,579	2,675	35,827
Bank balances and cash	80,406	98,273	19,042	197,721
Trade and other payables	(246,257)	(245,372)	(104,301)	(595,930)
Prepaid income tax	11,381	2,881	747	15,009
Borrowings	(175,174)	(145,595)	(15,729)	(336,498)
Deferred tax liabilities	(41,422)	(36,384)	(9,218)	(87,024)
Net assets acquired	267,113	236,702	67,954	571,769
Goodwill	86,476	85,508	20,252	192,236
Consideration transferred	353,589	322,210	88,206	764,005

Satisfied by:	
Cash	114,600
Consideration payable	649,405
	764,005

Net cash inflow arising on acquisitions:	
Bank balances and cash acquired	197,721
Consideration paid	(114,600)
	83,121

24. ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

Acquisition-related costs recognized as an expense in the current period were insignificant.

Included in the profit for the interim period is RMB47.50 million, attributable to the subsidiaries acquired since the acquisition date. Revenue for the interim period includes RMB835.07 million generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the period, the total amount of revenue of the Group for the six months ended June 30, 2016 would have been RMB19,500.59 million and the amount of the profit for the interim period would have been RMB455.29 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had the subsidiaries been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

The initial accounting for the acquisition of these entities have only been provisionally determined at the end of the reporting period. At the date of finalization of these condensed consolidated financial statements, the necessary market valuations and other calculation of assets and liabilities had not been finalized and they have therefore only been provisionally determined based on the director's best estimates of the likely values.

24. ACQUISITION OF SUBSIDIARIES (continued)

(b) In January 2016, the Group acquired 100% equity interests in Shanghai Yuxing Financial Information Services Co., Ltd. ("Shanghai Yuxing") from an independent third party for cash consideration of RMB8.5 million to facilitate the Group's finance-related services. Shanghai Yuxing is principally engaged in providing financial data support and is located in Shanghai, the PRC.

Assets and liabilities recognized at the acquisition date are as follows:

	RMB'000
Property, plant and equipment	342
Intangible assets	4,133
Trade and other receivables	3,357
Bank balances and cash	4,007
Trade and other payables	(2,306)
Deferred tax liabilities	(1,033)
Net assets acquired	8,500
Consideration transferred	8,500
Satisfied by:	
Consideration payable	8,500
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	4,007
Consideration paid	—
	4,007

Acquisition-related costs recognized as an expense in the current period were insignificant.

The profit and revenue for the interim period since acquisition date generated from the subsidiary are insignificant.

25. DISPOSAL OF SUBSIDIARIES

During the six months ended June 30, 2016, the Group disposed of the entire 51% equity interests in Nanning Yingshi Lexus Automobile Sales and Services Co., Ltd., the entire 51% equity interests in Ji'nan Baoxiang Automobile Sales and Services Co., Ltd., the entire 70% equity interests in Taizhou Yongda Aocheng Automobile Sales and Services Co., Ltd., the entire 60% equity interests in Taizhou Baozen Automobile Sales and Services Co., Ltd. and the entire 60% equity interests in Linhai Baozen Automobile Sales and Services Co., Ltd. at a consideration of approximately RMB33,603,000 in aggregate.

25. DISPOSAL OF SUBSIDIARIES (continued)

The net assets at the dates of disposal were as follows:

	RMB'000
Property, plant and equipment	79,796
Intangible assets	7,604
Deferred Tax Assets	3,646
Trade and other receivables	77,540
Inventory	94,110
Bank balances and cash	24,619
Trade and other payables	(169,704)
Dividends payable	(14,200)
Income tax liabilities	(3,180)
Short-term bank loan	(47,905)
Net assets	52,326
Less: non-controlling interests	(17,502)
Net assets disposal of	34,824
Loss on disposal *(Note 4)*	(1,221)
Total consideration	33,603
Satisfied by:	
Cash	7,786
Consideration receivable	25,817
	33,603
Net cash outflow arising on disposal:	
Cash received	7,786
Less: bank balances and cash disposed of	(24,619)
Less: dividends receivable	(14,200)
	(31,033)

26. DISPOSAL OF NON-CONTROLLING INTERESTS

In January and March 2016, the Group disposed of 7% equity interests in Shanghai Yongda Zhenyou Second-hand Automobiles Services Co., Ltd. and the entire 49% equity interests in 13 subsidiaries including one Bentley 4S dealership, one Infiniti 4S dealership, one Jaguar and Land Rover 4S dealership, two Volvo 4S dealerships, three Audi 4S dealerships, two Ford 4S dealerships, two Volkswagen 4S dealerships and one Skoda dealership to independent third parties for a total cash consideration of approximately RMB107,323,000, respectively. The difference between the consideration received/receivable and the non-controlling interests of approximately RMB102,220,000 disposed was approximately RMB5,103,000 which was recognized in the special reserve in the consolidated statement of changes in equity.

As at June 30, 2016, approximately RMB4.9 million of the consideration had not been received by the Group.

27. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Associates held by the Group		
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	2	118
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile")	2,287	—
Joint ventures held by the Group		
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda")	83,946	67,264
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	802	—
	87,037	67,382
Analysed as:		
Trade-related, aged within 1 year	804	118
Non trade-related	86,233	67,264
	87,037	67,382

The above balances are interest-free, unsecured and expected to be received within one year.

II. Amounts due to related parties

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Joint ventures held by the Group		
Shanghai Bashi Yongda	498	1,624
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong")	—	884
	498	2,508
Analysed as:		
Trade-related, aged within 1 year	498	2,508

27. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions

	For the six months ended June 30, 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
a) Sales of passenger vehicles		
Shanghai Bashi Yongda	**4,952**	1,109

Sales of motor vehicles via Shanghai Oriental Yongda

The Group, through Shanghai Oriental Yongda's television shopping channel, sold motor vehicles to customers amounting to RMB367,942,000 and RMB367,450,000 for the six months ended June 30, 2015 and 2016, respectively. A commission of approximately RMB1,794,000 and RMB3,913,000 was paid to Shanghai Oriental Yongda for the marketing and promotional activities it carried out for the Group for the six months ended June 30, 2015 and 2016, respectively.

	For the six months ended June 30, 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
b) Purchase of motor vehicles		
Shanghai Bashi Yongda	**12,907**	8,051
Shanghai Yongda Changrong	**2,256**	5,589
	15,163	13,640
c) Sales of spare parts		
Shanghai Bashi Yongda	**2,991**	—
Shanghai Yongda Changrong	**—**	160
Shanghai Yongda Fengdu Automobile	**—**	13
	2,991	173
d) Purchase of property, plant and equipment from:		
Shanghai Bashi Yongda	**—**	7,717
e) Rental expenses paid to:		
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd. and Shanghai Yongda Property Development Co., Ltd.	**5,554**	6,984
Associate held by the Group		
Shanghai Yongda Fengdu Automobile	**1,750**	—
	7,304	6,984

27. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
f) Compensation of key management personnel:		
Short-term benefits	**3,448**	3,476
Post-employment benefits	**276**	210
Share-based payments	**2,178**	2,288
	5,902	5,974

The remuneration of directors and key executives is determined by the board and its remuneration committee having regard to the performance of the individuals and market trends.

28. SUBSEQUENT EVENT

Updated Progress of the Proposed Spin-off

In relation to the proposed spin-off of Shanghai Yongda Automobile Group Co., Ltd. by way of a separate listing on the Shenzhen Stock Exchange, on August 4, 2016, the Company was informed by Suzhou Yangtze New Materials Co., Ltd. (the "A-share Listco") that, after careful consideration by the board of directors of the A-share Listco, the A-share Listco decided to temporarily withdraw the relevant application materials submitted to the China Securities Regulatory Committee in relation to the material asset disposal and share issuance for asset acquisition and proposed placement of shares and the relevant transactions contemplated thereunder.

Cancellation and Grant of Share Options

On July 26, 2016, the board of directors of the Company resolved to cancel the outstanding options previously granted to certain individuals (the "Existing Grantees") to subscribe for a total of 29,700,000 Shares at the exercise price of HK$6.950 per Share with validity period from December 30, 2013 to December 29, 2018.

On the same day, the Company granted a total of 35,000,000 share options (the "Options") under the Share Option Scheme to the Existing Grantees, subject to their acceptance of cancellation of the Outstanding Options, and certain new grantees (collectively the "Grantees"). The grant of Options shall be subject to acceptance by the Grantees. The Options shall entitle the Grantees to subscribe for an aggregate of 35,000,000 Shares at the exercise price of HK$3.780 per Share with validity period from date of grant to December 31, 2020. Among the total of 35,000,000 Options granted 5,100,000 Options were granted to the directors of the Company.