YONDA 永达汽车

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

Interim Report 2017

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
INTERIM REPORT 2017

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

Unit 5708, 57/F, The Center
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

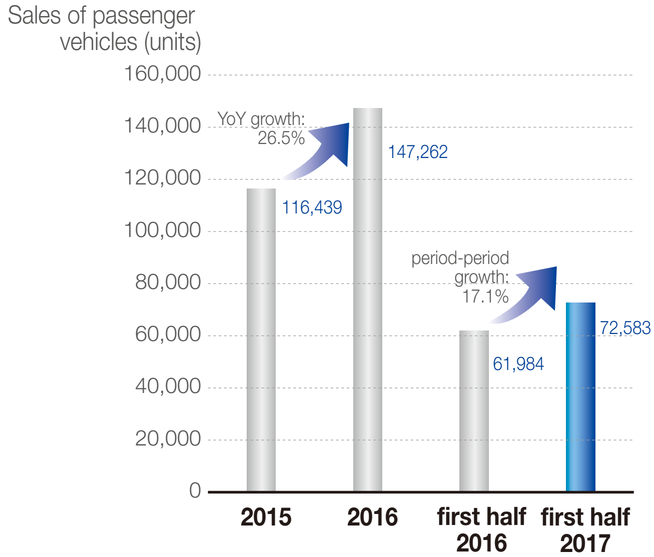
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

COMPANY WEBSITE

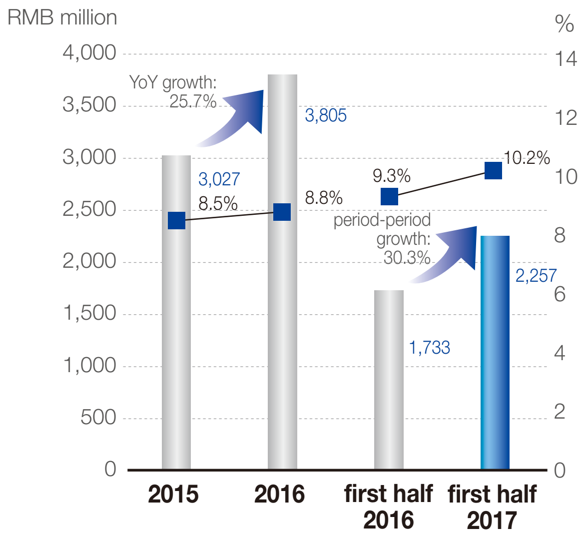
www.ydauto.com.cn

Financial Highlights

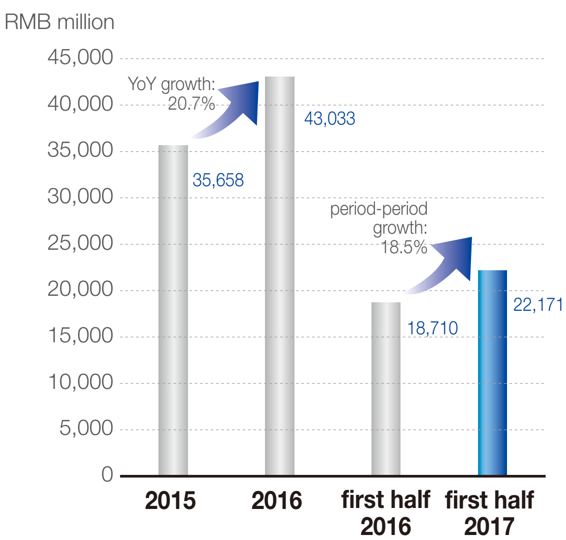
New passenger vehicles sales volume



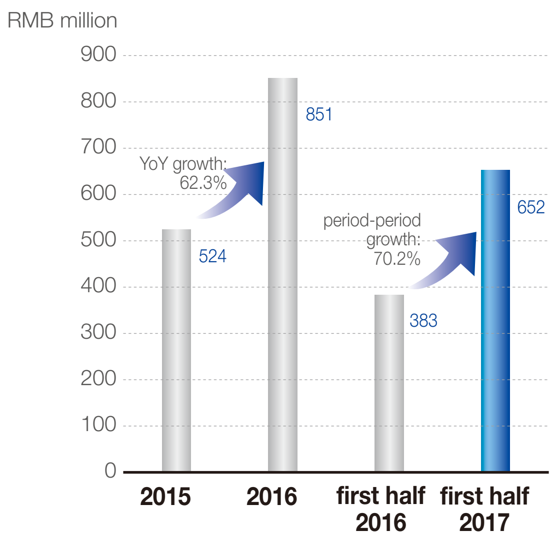
Gross profit and gross profit margin



Revenue



Profit and total comprehensive income attributable to owners of the Company



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 Interim Report for the first half of 2017 of the Company and its subsidiaries (collectively referred to as "the Group", or "we", "us").

In the first half of 2017, the luxury brand passenger vehicles market in China has maintained relatively fast growth, representing an increase of 17.0% as compared to the same period in 2016. According to the statistics of the Traffic Management Bureau of the Ministry of Public Security, the vehicle ownership in China reached 200 million units by the end of March 2017. With continuous growth in passenger vehicle ownership and the aging of vehicles, the after-sales services market for passenger vehicles in China has continued to achieve relatively rapid growth in the first half of 2017. The transaction volume of pre-owned vehicles has also grown rapidly which is expected to exceed 12.5 million units in 2017, representing a year-on-year growth of 20%. Meanwhile, the automobile finance market has developed rapidly and there is still huge room for growth in the future.

Following the impact and challenge of the internet E-commerce in recent years, the 4S dealership model of automobile retail terminal remains mainstream in the automobile sales and service market in China, and the value of offline channels of automobile 4S outlets will become increasingly prominent in the future new retail pattern.

Benefiting from sound market environment, in the first half of 2017, the Group achieved consolidated revenue of RMB22,556 million and consolidated gross profit of RMB2,642 million, representing an increase of 18.8% and 31.3%, respectively, compared to the same period in 2016. The Group also realised consolidated gross profit

margin of 11.71%, representing an increase of 1.11 percentage point as compared to 10.60% for the same period in 2016. In the first half of 2017, the Group achieved net profit of RMB698 million and net profit attributable to owners of the Company of RMB652 million, representing an increase of 72.6% and 70.2%, respectively as compared to the same period in 2016, reaching a record high in profit for the Group.

I. MAIN RESULTS OF MANAGEMENT AND OPERATIONS DURING THE REPORTING PERIOD

1. The sales volume of new vehicles reached 72,583 units, representing an increase of 17.1% over the same period in 2016; the revenue from new vehicle sales amounted to RMB18,900 million, representing an increase of 17.7% compared to the same period in 2016; the gross profit margin of new vehicle sales was 3.78%, representing a relatively big increase compared to 3.01% in the same period in 2016;

2. The revenue from our after-sales services (including repair and maintenance services and extended automobile products and services) reached RMB3,070 million, representing an increase of 21.4% compared to the same period in 2016, the gross profit margin of our after-sales services was 46.76%, which remained basically flat as compared to the same period in 2016;

3. The sales volume of the pre-owned vehicles for which we provided agency services reached 16,171 units, representing an increase of 64.4% as compared to 9,835 units in the same period in 2016; the revenue from the pre-owned vehicle agency services amounted to RMB78.83 million, representing an increase of 61.0% as compared to RMB48.96 million in the same period in 2016;

4. Our automobile finance and insurance agency business achieved a revenue of RMB391 million, representing an increase of 37.3% compared to the same period in 2016; revenue from our proprietary finance business reached RMB115 million, representing a 131.8% increase from the same period in 2016;

5. The revenue from our automobile rental services reached RMB185 million, representing an increase of 5.8% as compared to the same period in 2016;

6. The Group continuously adhered to refined and digitalized management and customer-oriented strategy to enhance the operation efficiency of the Company;

7. The Group continuously pushed forward the network of high-end luxury brands through self-building outlets and merger and acquisition. In the first half of 2017, the Group owned 14 new luxury and ultra-luxury brand outlets.

II. FUTURE PROSPECT

The Group believes that luxury and ultra-luxury brand passenger vehicles in the PRC market will continue to maintain rapid growth in the future, and the automobile sales and services business which focuses on 4S dealerships as the mainstream mode would have a strong market vitality. In addition, the automobile finance and pre-owned vehicle businesses will have great development potential in the future. We will focus on the followings in the future development of the Group:

1. BMW will release up to nearly 30 brand new, updated or modified models in the years to come. Meanwhile, Porsche, Audi, Lincoln, Cadillac and Volvo would have good performance and our Group will also actively seize such market opportunity;

2. Through cultivation during recent years, the Group laid a good foundation for the automobile finance business in respects of capital source, product positioning, core operating system and channels construction. We will actively promote the development of the automobile finance industry leveraging on the power of the capital markets;

3. The domestic pre-owned vehicle market developed rapidly. The Group has been emphasizing on the operation of the pre-owned vehicle business in the long run, and we will actively promote the pre-owned vehicle business to realize a leap-type expansion by virtue of the power of the capital markets;

4. The 4S dealership model of automobile retail of luxury and ultra-luxury brand passenger vehicles has a strong market vitality, we will continue to promote the works on self-building outlets as well as merger and acquisition, strengthen the online channels construction and strive to develop a new national retail business pattern;

5. Focusing on customers and continuously adhering to refined and digitalized management, we constantly strive to enhance the efficiency of operation and management of the Group;

6. Strengthening human resource management, in particular, strengthening the building of the core team in order to build the Group's sustainable core competitiveness.

Dear shareholders, the development of the Group rely on the collective efforts of our staff and support from various parties in the community. 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 22, 2017

Management Discussion and Analysis

MARKET REVIEW

During the first half of 2017, China's passenger vehicles generally maintained a moderate growth in sales volume as compared to the same period in 2016. According to the information of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in China was 11.253 million units in the first half of 2017, representing an increase of 1.6% compared to the same period in 2016, among which, the sales volume of luxury passenger vehicles maintained faster growth at a growth rate of 17.0%, accounting for 9.0% of the passenger vehicle market share. In the first half of 2017, the impact on advance consumption resulting from adjustments to purchase taxes diminished month by month with its negative impact basically eliminated. In anticipation of the upcoming peak season of consumption, the growth of our sales volume will recover gradually and the overall inventory is expected to further reduce in the second half of the year. With the overall macro-economy remaining stable and the impact of vehicle purchase-related policy fading away in the second half of 2017, we expect that the sales volume of passenger vehicles in China would maintain a steady growth and the overall year-on-year growth rate would be much higher than that in the first half of 2017.

The luxury vehicle market ushered in a new wave of growth in 2017 after the passenger vehicle market witnessed a "U-shaped" trend in 2016. The main engine plants of certain brands led by BMW ushered in a window period for product upgrading, which, coupled with the rapid growth of the second-echelon luxury brands, such as Volvo, Cadillac and Lincoln, enabled the entire luxury vehicle market to maintain a growth rate not lower than that of last year. In the medium to long term, benefiting from the strong demand for upgrading and the rising penetration rate of automobile finance, we anticipate that the growth in sales volume of luxury and ultra-luxury brand passenger vehicles in China will maintain a higher growth rate than the overall sales growth of passenger vehicles in China, and the sales volume of luxury and ultra-luxury brand passenger vehicles contributing to the sales volume of the passenger vehicles in China will further increase.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security, vehicle ownership in China reached 200 million units by the end of March 2017. With rising passenger vehicle ownership and the aging of vehicles in China, the after-sales services market for passenger vehicles in China will maintain a fast growing pace in 2017. The composition of revenue and gross profit of automobile dealers experienced a preliminary structural transformation. The rapid growth of the post-market industry chain businesses, such as after-sales services, pre-owned vehicles, finance and insurance services, would have a positive effect on the profitability of automobile dealers.

Management Discussion and Analysis

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 10.39 million units in 2016. It is expected that the transaction volume of pre-owned vehicles in China would exceed 12.50 million units in 2017, representing a year-on-year increase of 20%. Meanwhile, we noted that with the constant optimization of the pre-owned vehicle industrial and taxation policies in China, the market resources start to become concentrated as compared with the previous dispersed state, and the large pre-owned vehicle dealers groups following on brands and retail sales as their main model will be in a more advantageous position in the future.

According to the 2017 China Auto Internet Finance Development Report, from 2014 to 2016, the overall size and scale of the automobile finance market in China grew from RMB700 billion to over RMB1 trillion at a growth rate of over 20% per annum; while the penetration rate rose from 20% in 2014 to 38% in 2016, compared to that of automobile finance penetration rate of over 50% in developed countries, which indicated that there was still huge room for the development of the domestic market. Meanwhile, we noted that as there was an increasing number of younger vehicle buyers and the credit system had been improved, the “hire-purchase” model under the finance lease business enjoyed growing popularity in the market. As the domestic automobile finance lease market continued to heat up, intensive capital was attracted to this sector. According to the 2017 China Auto Internet Finance Development Report, from 2014 to 2016, the size of the automobile finance lease market in China increased from 0.208 million units to 0.7 million units. In the coming three years, it is expected that the compound annual growth rate (CAGR) will be maintained at over 50% and the penetration rate will reach 6% by 2020.

According to the data from www.chyxx.com, in terms of revenue, the highly dispersed long-term automobile rental market accounts for the largest share of the automobile rental market in China. The long-term automobile rental market increased from RMB7 billion in 2009 to RMB35.5 billion in 2015 at a CAGR of 31%. Driven by factors such as increased car use by enterprises, financial optimization of enterprises and government service vehicles reform,

the long-term automobile rental market in China will maintain a faster growth and will undergo further integration in the future. It is expected that the market size of the long-term automobile rental market in China will amount to RMB58 billion by 2018.

According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles in 2016 in China reached 517,000 units and 507,000 units, respectively, representing a year-on-year growth of 51.7% and 53.2%, respectively. In particular, pure electric vehicles accounted for 81% of new energy vehicles and assumed a leading role in the new energy vehicles industry. With rapid launch of the competitive models, constant introduction of supportive national policies and continuous improvement of infrastructures, we believe that new energy vehicles will show great potential for development in the future.

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved a strong growth in the first half of 2017. In the first half of 2017, our consolidated revenue and consolidated gross profit, taking into account the revenue from finance and insurance agency services amounted to RMB22,556 million and RMB2,642 million, respectively, representing an increase of 18.8% and 31.3%, respectively, compared to the same period in 2016. Taking into account the revenue from finance and insurance agency services, our consolidated gross profit margin for the first half of 2017 was 11.71%, representing an increase of 1.11 percentage points compared to 10.60% for the same period in 2016. In the first half of 2017, our net profit and net profit attributable to owners of the Company were RMB698 million and RMB652 million, respectively, representing an increase of 72.6% and 70.2%, respectively, as compared to the same period in 2016. Set forth below is a summary of major developments of our business in the first half of 2017:

Fast and Steady Growth in New Vehicle Sales

In the first half of 2017, the passenger vehicle sales market in China generally maintained a moderate growth while our sales of luxury brand automobiles achieved a rapid growth. Under such circumstance, our sales volume of new vehicles still recorded a fast growth and increased by 17.1% to 72,583 units compared to the same period in 2016. Our second-tier luxury brands achieved rapid growth in sales volume compared to the same period in 2016, among which, the sales volume of the Jaguar and Land Rover brands, Volvo brand, Calladic brand and Lincoln brand increased by 21.9%, 94.8%, 92.1% and 45.9% year-on-year, respectively, all becoming the new growth points for the growth of our new vehicle sales.

Management Discussion and Analysis

In the first half of 2017, the revenue from new vehicle sales of our passenger vehicle sales and service segment amounted to RMB18.9 billion, representing a 17.7% increase compared to the same period in 2016. In the first half of 2017, the gross profit margin of new vehicle sales of our passenger vehicle sales and service segment was 3.78%, representing a significant increase compared to 3.01% in the same period in 2016.

With respect to the internal management optimization of our new vehicle sales, we introduced a comprehensive assessment model focusing on the consolidated gross profit of sales, rapidly improved our comprehensive profitability of new vehicles per unit, capitalized on the opportunities from the sales of extended businesses for each vehicle while ensuring the gross profit of sales, and continued to improve the profitability of vehicle per unit in our extended businesses, such as automobile finance, automobile insurance and automobile accessories, and hence ensuring the fast growth in the consolidated gross profit of our new vehicle sales.

With respect to the expansion of sales channels for our new vehicles, we achieved strategic cooperation with several forefront leasing companies in the industry, strengthened our competitive edge as a full service provider in the industry by providing services ranging from new vehicle procurement, car-use and pre-owned vehicle repurchase to leasing companies thereby increased our market share in the sales quota of the automobile leasing market. Meanwhile, we reinforced our advantages in television sales channels and expanded our new model of vehicle sales on televisions to many provinces with rapid economic development in China, thus bringing fresh vehicle purchase experience to our consumers as well as enhancing our brand influence and awareness.

With respect to the cost control of new vehicle sales, by adopting a matric comprehensive management system for new vehicle inventory and working capital, we ensured the continuous optimization of our new vehicle inventory structure and effectively reduced our sales costs. We thoroughly carried out the effective integration and sharing of our enterprise resources within the Group, built our resource sharing platform for new vehicle inventories,

launched the centralized multi-brand marketing activities, intensified the development and effective utilization of customer resources and achieved the growth of new vehicle sales and the improvement of profitability in the first half of 2017 through improving the coordinated management of sales.

Fast and Healthy Growth in After-sales Services

In the first half of 2017, our after-sales services business (including repair and maintenance services and extended automobile products and services) achieved a healthy and rapid growth, and the revenue from our after-sales services reached RMB3,070 million, representing an increase of 21.4% compared to the same period in 2016. In the first half of 2017, the gross profit margin of our after-sales services was 46.76%, which remained basically flat as compared with 46.79% in the same period in 2016.

In respect of internal management optimization, we continued to promote refined management and optimized performance. While ensuring the steady increase in the number of customers under our management, we also effectively raised the unit price of electromechanical repair maintenance services by 8.3% as compared to the same period in 2016, which guaranteed the rapid development of our after-sales services. Meanwhile, we periodically conducted analysis and assessment on the repair capacity of enterprises in operation for over three years through our proprietary repair capacity assessment system, and systematically formulated and implemented our production capacity improvement plan to ensure that our maintenance business continues to grow rapidly.

In respect of customer solicitation and retention, on the one hand, we focused on attracting customers for commonly-used and consumable parts of vehicles through our tracing analysis of each customer's driving habits and the usage life-cycle of vehicles, which effectively improved the success rate of our customer solicitation; on the other hand, in order to address the risk of decrease in volume of insurance claims business resulting from the newly implemented insurance premium reform, we timely introduced a series of guaranteed exclusive services and products and constantly adjusted and improved them depending on the acceptance of such services and products by our customers to meet the demand of different customers.

In respect of cost control, while we continue to increase our business volume of parallel imported spare parts and care and maintainance products under our proprietary “QUICKACT” brand, we capitalized on our economics of scale and carried out the centralized invitation for bids and bargain for our product categories with high volume of procurement in the first half of this year, thereby further reducing our procurement costs, effectively increasing the gross profit of our after-sales business and improving our corporate competitiveness. In addition, the external sales of our parallel imported parts and care products under our proprietary “QUICKACT” brand had also been continuously improved with notable achievements.

High-speed Growth of Our Pre-owned Vehicle Business

In the first half of 2017, the sales volume of pre-owned vehicles effected by us was 16,171 units, representing an increase of 64.4% as compared to 9,835 units in the same period in 2016; the revenue from the pre-owned vehicle agency services amounted to RMB78.83 million, representing an increase of 61.0% as compared to RMB48.96 million in the same period in 2016.

In the first half of 2017, we continued to accelerate the building of our business model of “new retail sales” for pre-owned vehicles and saw preliminary results of a brand new business landscape of “pre-owned vehicles + Internet + physical store + finance + logistics”. Currently, we have built a network with 92 pre-owned vehicle retail outlets across the country, including 47 business outlets certified by OEM brands, 24 4S sales outlets and 21 “Yongda Pre-owned Vehicle Mall” chain outlets.

“Yongda Pre-owned Vehicle Mall”, an independent pre-owned vehicle chain brand of Yongda Group, is one of the leading pre-owned vehicle brands in China. At present, we have established two regional management centers in both East China and Southwest China, and have achieved fast development by way of independent construction, cooperation and franchise. Leveraging on our strategic branding management, we had established our regional repair and renovation center under centralized management, implemented 178 items of 15 categories of professional inspection, built an all-process quality control system for “Yongda Pre-owned Vehicle” characterized with product standardization and process management, and strived to provide consumers with products and service experience with “first-hand quality and full guarantee”. In the first half of 2017, the Company received numerous industrial awards granted by authoritative bodies including China Automobile Dealers Association, such as the “Most Creative Enterprise in the Circulation Field of the Pre-owned Vehicle Industry in China” (中國二手車產業流通領域最具創新力企業), the “Famous Brand Prize for the Pre-owned Vehicle Circulation Industry in China” (中國二手車流通行業馳名品牌獎) and the “Selected Units in the Pre-owned Vehicle Operating Index in China” (中國二手車運營指數入選單位).

Clear development goal in Automobile Finance with High-speed Development

In the first half of 2017, our automobile finance business maintained the same growth momentum as that in the previous year and maintained a good upward trend. As of June 30, 2017, as the contribution of our automobile finance and insurance business to the consolidated gross profit of the Group increased to 18.0% from 16.1% in the same period in 2016, the structure of our automobile finance and insurance business became basically similar to those of established market dealers, which has driven the Group’s rapid business growth.

In terms of our business structure, as we continuously and steadily increased the penetration of our automobile finance business within the Group and gradually adjusted the structure of our agency and proprietary business in the principle that risks and gains are matching, the automobile finance business in the first half of 2017 exhibited the following two features. Firstly, our agency business continued to grow steadily. As of June 30, 2017, our automobile finance and insurance agency business achieved an overall realised revenue of RMB391 million, representing a 37.3% increase compared to the same period last year, among which, the revenue derived from our finance agency services amounted to RMB242 million, representing a 33.2% increase, the revenue derived from our insurance agency business amounted to RMB149 million, representing an increase of 44.6%. Secondly, our proprietary finance business improved rapidly. Revenue from our proprietary finance business was RMB115 million for the first half of the year, representing a 131.8% increase from RMB50 million for the same period last year; the net profit from our proprietary finance business was RMB50 million, representing a 78.2% increase from RMB28 million for the same period last year; and the revenue of our proprietary business as a percentage of the revenue of our finance business increased to 32.2% from 21.4% in the same period last year.

Sustainable Growth in Automobile Operating Leases

In the first half of 2017, our automobile operating leases services recorded a revenue of RMB185 million, representing an increase of 5.8% compared to the same period in 2016.

In the first half of 2017, with respect to the long-term rental business, we maintained our current advantages as always, with an increasing number of long-term rental contract customers from the world's top 500 and large state-owned enterprises and private enterprises in finance, manufacturing, public institutions, media entertainment and high-tech sectors. We continually secured long-term rental businesses from a number of large customers, such as FAW Audi, Jaguar/Land Rover, Huaneng Power, Honeywell and Ford China, with the total number of orders and contracts growing by 18% as compared to that at the beginning of the year. Meanwhile, 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 "Huawei Global User Group Meeting 2017" (華為2017全球用戶大會), and attained positive marketing effects with 15% year-on-year increase in the number of orders and contracts.

In the first half of 2017, in response to the public service vehicle reform policy of the Shanghai government, we became the designated party of the government authorities to carry out the socialisation of the leasing of vehicles for public affairs, such as the People's Governments of Pudong New District, Xuhui District, Yangpu District, Hongkou District, Putuo District and Qingpu District, and the Public Security Bureau, Shanghai Public Security Bureau Baoshan Branch and Yangpu Branch, Shanghai, and had introduced the "Vehicle Steward Service" project for government civil servants, which covered new vehicle purchase, repair and maintenance service, accident rescue and management, automobile insurance agency service, vehicle inspection agency service, old vehicle disposal, automobile detailing and decoration, traffic offence processing agency, etc. This project would further strengthen our leading position in the sphere of public service vehicle rental services in Shanghai.

In the first half of 2017, we continued to deploy our rental network in China. Currently, we have established companies and are operating in 20 cities nationwide. Meanwhile, we actively explored opportunities for cooperation with companies and agencies with premium customer base and license resources in local markets, including Beijing, Tianjin, Guangzhou, Shenzhen and Hainan.

Stable Development of New Energy Vehicle Business

In the first half of 2017, as the new energy automobile industry in China maintained a stable growth, the traditional automobile enterprises sped up launching mass-produced new energy vehicles, while innovative automobile enterprises gave priority to launching new energy vehicles, which contributed to more rational and pragmatic consumption psychology for purchasing new energy vehicles. Annual sales volume of new energy vehicles is expected to reach 600,000 to 700,000 units, representing a growth of over 30% as compared with 2016.

During the first half of 2017, our sales and services business of new vehicles of major domestic new energy vehicles brands recorded fast growth, which enabled us to win the procurement bidding from some large corporations users such as Global Car Rental (環球租車) and SGCC (國家電網). Meanwhile, the oil to electricity conversion for public service vehicles within our Group was implemented smoothly, which significantly lowered costs of use and had positive effects in setting an example. In addition, we actively formulated the parallel cooperation with other renowned charging station operation platforms with respect to our self-built charging stations.

In the first half of 2017, we continued to establish business connection and cooperation relationships with domestic and overseas renowned manufacturers engaging in research and development of new energy vehicles, manufacturers and operators of charging stations, national and Shanghai new energy vehicle industry organizations.

Continuous Optimization and Improvement of Our Network

In the first half of 2017, in respect of developing the self-built outlets authorized by manufactures, the Group continuously implemented the principle of “streamlining, modularization and intensification” and gave priority to developing important brands in important markets. We focused on the functionality and scalability of outlets while further controlling the cost of investments in store establishment.

In the first half of 2017, we opened five new passenger vehicles sales and services outlets which focused on luxury and ultra-luxury brands, including one Porsche 4S dealership, one BMW 4S dealership, one Lincoln 4S dealership, and two BMW motorcycle city showrooms.

In respect of new authorizations, in the first half of 2017, we obtained authorization to open seven new passenger vehicles sales and services outlets which focused on luxury and ultra-luxury brands, including one BMW 4S dealership, two Lincoln 4S dealerships, two Volvo 4S dealerships, one Porsche city showroom and one LYNK & CO 4S dealership.

We continuously placed merger and acquisition as the focus of the development of the network authorized by our manufacturers since 2016 by seizing the opportunity of industrial integration, while constantly optimizing and improving the strategy of self-built network authorized by manufacturers. With respect to the strategy of merger and acquisition, we focused on luxury brands and sought for opportunities to break into regions to be developed and strengthened existing regions. More importantly, we controlled the acquisition price within a reasonable range by mainly considering the existing and future profitability of the acquisition targets. In the first half of 2017, through effective collaboration of various teams within the Company, we actively grasped the market opportunity of merger and acquisition and successfully acquired three Porsche 4S dealerships, five BMW 4S dealerships, one Benz city showroom and two Hyundai 4S dealerships.

In the first half of 2017, with respect to the construction of non-manufacturer authorized outlets, we opened five Yongda Pre-owned Vehicle Malls, two comprehensive showrooms and one "Auto Repair (車易修)".

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. As of June 30, 2017, we have a total of 230 outlets which have been opened and authorized to be opened. Such outlets spread all over 4 municipalities and 64 cities in 16 provinces in China, including 161 opened outlets with manufacturers' authorization, 49 opened non-manufacturer authorized outlets and 20 outlets with authorizations to be opened. Set out below are the details of our outlets as at June 30, 2017:

	Opened outlets	Outlets with authorizations to be opened	Total
4S dealerships of luxury and ultra-luxury brands	98	14	112
4S dealerships of mid- to-high-end brands	46	4	50
City showrooms of luxury brands	12	2	14
Authorized service centers of luxury brands	3	0	3
Authorized certified pre-owned vehicle center of luxury brands	2	0	2
Subtotal of the outlets authorized by the manufacturers	161	20	181
"Auto Repair" maintenance centers of luxury automobiles	18	—	18
Comprehensive showrooms of passenger vehicles	10	—	10
Comprehensive showrooms of pre-owned vehicles	21	—	21
Subtotal of non-manufacturer authorized outlets	49	—	49
Total outlets	210	20	230

Apart from the above outlets, as of June 30, 2017, we opened 43 finance leasing companies and their respective branches/subsidiaries, one small loan company and one asset management company, and operated 31 rental companies and their respective branches/subsidiaries.

Continuously Improved Management

In the first half of 2017, we firmly adhered to management with integrity and preeminent culture, and closely combined our automobile industry experience of over 20 years with the demand of current industry development so as to constantly achieve breakthroughs and innovations in management enhancement.

Channel Reforms: We continually promoted channel reforms which focused on customer connection and experience and implemented whole 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 services, pre-owned vehicles, automobile finance and automobile lifestyle commodities, so that our customers could enjoy comprehensive one-stop auto life services. Meanwhile, we focused on creating online mobile terminal entrance by online and offline integration, to provide our customers with convenient scenario-based service experience.

Industry Convergence: Relying on our competitive edge in the automobile industry, we proactively developed our finance business and pre-owned vehicle business to meet the industry demand. On one hand, we will provide sales and service enterprises and end-customers with competitive finance products along the downstream automobile industrial chain so as to create a leading domestic automobile industry finance brand. On the other hand, through a clear positioning of the Business-to-Consumer (B2C) pre-owned vehicle model, we aim to become a leading pre-owned vehicle retail service brand through online and offline integration. We will close the loop of automobile service industry chain at the user end 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 our industry experience of over 20 years and persistence in conducting business with integrity, we strive to achieve transformation from providing sales services as an authorized automobile agency in the past to self-owned service industry and building of our brand image as "an automobile services expert by your side". By customer-driven operations, we continuously improve our service quality and fully utilize the advantages of our large user base to build the brand image of Yongda as a leading domestic passenger vehicle sales service provider.

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 echelon building 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.

Digital Management: With rapid advancement in information and Internet technology, as a traditional automobile dealership group, we initiated thorough improvement in the management of our industrial entities by information-based means, constructed our clear digital management mode through consolidating the operation, supporting and monitoring platforms with the data centre, realized agile operation of businesses leveraging on the flexible allocation of resources and control, and maximized the customers' value through lifecycle management of customers, thus eventually promoting the transformation and upgrading of businesses by constant innovations driven by data.

FUTURE OUTLOOK AND STRATEGIES

Automobile Sales and Services Business

In the first half of 2017, the overall passenger vehicles market in China maintained a stable growth, which was highlighted by the sales scale of luxury vehicles, with a growth rate of 17%, higher than the overall level. Driven by the upgrade of consumption structure and the broadened variety of vehicle models in the market, the share of the luxury vehicles is expected to further increase. In the first half of 2017, the sales of BMW brand, among the major luxury brands in China, recorded a year-on-year increase of 18.4%, higher than that of the overall luxury vehicles market. As the largest BMW dealership group in China, we will seize the strong advantage of the powerful product cycle of BMW since 2017 to increase the sales performance of BMW generally. BMW will release up to 30 brand new, updated or modified models in the years to come, which will bring strong driving force for our business growth. Meanwhile, there will be upgrade cycles of major luxury brands, such as Audi and Porsche in 2018.

Jaguar and Land Rover, Volvo, Cadillac, Lincoln, which are in the second echelon of luxury brands, also recorded fast growth in recent years. We are expected to benefit from the increase in the market share of new products of these luxury brands. Therefore, we will firmly uphold our position as a dealership group of luxury automobiles and continue to develop the business of the sales and services of luxury and ultra-luxury automobiles brands.

After the impact and test of the E-commerce on the Internet over the years, the 4S mode of automobile retail remains mainstream in the automobile sales and service markets in China. In the future, the offline sales channels of 4S outlets will become more important. In light of this, we will continue to build our national outlet network by expanding the outlets of major luxury brands such as BMW, Porsche, Audi, placing equal importance on scale and quality. On one hand, we will continue to open new self-built outlets on a prudent basis. On the other hand, by seizing the opportunities arising in the consolidation of the automobile retail service market in China, we will intensify our merger and acquisition activities of regional dealership groups, and rapidly increase the scale of outlets and the market share of brands and the regional market share.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security, the vehicle ownership in China exceeded 200 million for the first time, with automobile drivers reaching 320 million, as of March 31, 2017. The continuous and stable growth of sales volume of new vehicles and huge market ownership basis have brought tremendous opportunities to extended services businesses such as automobile repair, pre-owned vehicles, automobile decoration, care and maintenance, as well as after-market businesses such as automobile finance and insurance services and automobile rental services.

With respect to our pre-owned vehicle business, we will develop front-end asset light physical chain outlets through building the mid- and background systems which have the functions of uniform quotation, appraisal and certification, and focus on the pre-owned vehicles retail business by using the Online-to-Offline (O2O) business model of the one-stop online mall. In terms of channels, we will adopt a business model that utilizes standardized chain stores, focusing on regions where pre-owned vehicles are actively traded, such as East China. We will undertake purchase, consignment and exhibition, and sales of pre-owned vehicles in such regions, with plans to reach 200 outlets nationwide in 2020. In respect of procurement, we will constantly increase the replacement ratio of our chain outlets, and strategically cooperate with major leasing companies, such as eHi Car Services Limited, thereby achieving bulk repurchase and securing sufficient, steady and high-quality pre-owned vehicle resources. In respect of sales, we will integrate the high value-added businesses, such as automobile finance and insurance of pre-owned vehicles, warranty and extended warranty, to provide our customers with a wider variety of value-added services. Meanwhile, we will continue to build our Yongda certified pre-owned vehicle brand in the retail market, and adopt a standard certification process featured by stringent inspections, appraisal and servicing and repair of pre-owned vehicles, thus establishing our market reputation and integrity. Meanwhile, we will leverage on the Internet platform to construct our online exhibition and sales platform, forming the virtual exhibition and transaction center of pre-owned vehicles which assembles nationwide resources.

With respect to other after-market services, we will take advantage of the transition to favourable policies in the automobile industry, to actively expand the businesses with huge growth potential and scale effect, including automobile insurance, independent after-sales repair, parallel import business, proprietary maintenance product business and automobile rental services. We will integrate the economics of scale of the insurance agency business and the advantages of maintenance resources, to expand two business models, i.e., community chain services and concentrated local sheet metal painting centers. We will also further expand our parallel import business, cooperate with other automobile manufacturers in bulk parallel import of personalized finished vehicles and reinforce the marketing of parallel imported spare parts and automobile care products in the end markets, so that these become new sources of profit in addition to our principal businesses. With respect to automobile rental business, we will strengthen our long-term rental business, and develop our short-term commercial, conferences, tourism rental business. At the same time, we will continue to closely follow and propel relevant industrial cooperation in areas of new energy vehicle and car Internet and prepare for the future development opportunities in the automobile industry.

Finance Business

In 2017, with our increased specificity towards the development of the finance industry, we completed the preliminary reconstruction of our shareholding and operations to promote the independent development of our finance business, taking into full consideration the interests of the operating teams and partners. We completed the acquisition of a domestic professional insurance agent, thus forming a complete automobile finance business system covering financial leasing, nationwide Internet-based small loans, asset management and insurance agency. Our upgraded risk management center, equipped with multi-dimension credit rating management of financing entities and pricing management, is capable of processing 300 transactions. We provided customers with the most professional and tailor-made services in every lifecycle of automobile consumption under the philosophy of “automobile finance, heartfelt services”, with a view of becoming the leading comprehensive automobile finance service provider in China. To this end, we will take the following major measures:

With respect to sources of funding, we will pay close attention to the application of innovative financial instruments. In addition to existing banking facilities, we place more focus on the securitization markets, aiming at resolving potential capital and gearing ratio bottlenecks at the stage of high-speed expansion of assets size, through optimization of our financing structure by ABS and PRE-ABS.

As for product positioning, we will adopt the product differentiation strategy. We will make a clear distinction between the positioning of finance leasing and small loan services. Looking at different dimensions of automobile and people, we would be in dislocation competition with commercial banks and manufacturers by adopting the business models of rent consignment and non-automobile installment financing.

Regarding the core operating system, we will continue to learn from and apply advanced technologies. On the one hand, we will continuously improve the functions of the application system and carry out processed management to increase work efficiency. On the other hand, we will enhance work in certain aspects, including development and research of products, marketing strategies and formulation of risks outline, by gathering and analysis of data and information.

As for construction of channels, we will adopt an integrated sales model comprising of online transactions and offline services provision, by utilizing the E-commerce platforms and mobile integrated terminal. Leveraging on our existing outlets, we will quickly shape our self-owned offline integrated network of finance services, and seek appropriate partners to explore the local markets in blank market space under the concept of “Channel Partnership, Platform Sharing” (渠道合夥，平台共享), which will in turn create a nationalized channel structure.

With respect to the development trend, our new injection has reached RMB2,875 million in the first half of this year, an increase of 94.2% over the same period of last year, which also further validated our solid foundation and rapid development. We will continue to maintain a high-speed growth momentum to become a leading comprehensive automobile finance service provider in the future.

Customer-oriented and Embracing the Future

We have been adhering to our strategic development concept of taking customers base as one of our most important assets, and continuously improved customer asset management system of our Group. We preserved and increased the value of customer base asset through full life cycle management and customer value development, eventfully forming a new operating approach centered on customers and based on customer demand-driven businesses and thus responding to major changes in the market development. With respect to customer asset preservation, we have taken measures to construct our service platform of all channels. We offered quick and convenient online services, such as consultancy, booking and placement of orders. We established the overall business service quality evaluation system, and improved service quality through construction of digital operating platform of the Group. As for increase in customer assets, we continued to improve customer loyalty, and increased as well as secured the replacements and additional purchases by existing customers, through the construction of auto-life cycle and the membership rights and points accumulation system accumulable and redeemable within the Group. Meanwhile, we further explored the customers' demand in a number of areas, such finance, healthcare and tourism, thus continuously enhancing customer value.

We have been adhering to the customer-oriented management concept to guide our business development. We will realize refined management and standardised operation in traditional automobile sales and services business through continuous in-depth digitalization, and provide strong support and extensive platform for the growing our business segments including automobile finance, pre-owned vehicles and automobile rental. We have carried out all-around cooperation with SAP, the most advanced the digital solutions provider in the world. We launched the strategic project of Yongda Digital Operation Platform (DOP), which helped us not only to reduce operating costs, improve efficiency, and optimize resource allocation, but also to support the quick output and replication capabilities of standardized management of merger and acquisition, thus forming an internally and externally integrated digital ecosystem by applying the big data.

We will continue to make all attempts to cooperate strategically with the leading players from all sectors of the society and all industries, and we always pursue innovation with the aim to achieve cooperation, mutual sharing and a win-win situation for all. In particular, we will establish multi-level and holistic cooperation with industry giants along the industry chain that complements and brings synergy to our businesses, in fields such as the Internet platforms, vertical E-commerce businesses, financial institutions, insurance companies and leasing and travel platforms, with a view to jointly construct the eco-system of automobile industry, and to achieve win-win cooperation, ensuring complementarities, and deepening the cooperation in the capital market when opportunities materialize.

We will continue to pursue the Group's initiatives in the capital markets, and at the same time, leverage on the financing platform of 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 development concept of "industry + capital", 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 the Group's leading position in the automobile industry and ensure the profitability and sustainable development as well as realize a win-win situation for our shareholders, employees, customers and the community.

FINANCIAL REVIEW

Revenue

Revenue was RMB22,170.8 million for the six months ended June 30, 2017, a 18.5% increase from RMB18,709.5 million for the six months ended June 30, 2016, which was primarily due to the growth of sales of luxury and ultra-luxury brand passenger vehicles and 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					
	2017			2016		
	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	**15,058,591**	**42,944**	**351**	12,847,991	36,670	350
Mid to high end brands	**3,841,310**	**29,639**	**130**	3,213,062	25,314	127
Subtotal	**18,899,901**	**72,583**	**260**	16,061,053	61,984	259
After-sales services	**3,069,720**	**–**	**–**	2,528,284	–	–
Automobile rental services	**185,083**	**–**	**–**	174,980	–	–
Proprietary finance business	**114,922**	**–**	**–**	49,576	–	–
Less: inter-segment eliminations	**(98,869)**	**–**	**–**	(104,364)	–	–
Total	**22,170,757**	**–**	**–**	18,709,529	–	–

The sales volume of passenger vehicles of the passenger vehicle sales and services segment was 72,583 units for the six months ended June 30, 2017, a 17.1% increase from 61,984 units for the six months ended June 30, 2016, among which the sales volume of luxury and ultra-luxury brand passenger vehicles for the six months ended June 30, 2017 was 42,944 units, a 17.1% increase from 36,670 units for the six months ended June 30, 2016.

Revenue of sales of passenger vehicles from the passenger vehicle sales and services segment was RMB18,899.9 million for the six months ended June 30, 2017, a 17.7% increase from RMB16,061.1 million for the six months ended June 30, 2016, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB15,058.6 million for the six months ended June 30, 2017, a 17.2% increase from RMB12,848.0 million for the six months ended June 30, 2016.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB3,069.7 million for the six months ended June 30, 2017, a 21.4% increase from RMB2,528.3 million for the six months ended June 30, 2016.

Revenue from the automobile rental services segment was RMB185.1 million for the six months ended June 30, 2017, a 5.8% increase from RMB175.0 million for the six months ended June 30, 2016.

Revenue from the proprietary finance business segment was RMB114.9 million for the six months ended June 30, 2017, a 131.8% increase from RMB49.6 million for the six months ended June 30, 2016.

Cost of Sales and Services

Cost of sales and services was RMB19,914.0 million for the six months ended June 30, 2017, a 17.3% increase from RMB16,977.0 million for the six months ended June 30, 2016, which was a slower growth than the growth of our revenue.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB18,184.7 million for the six months ended June 30, 2017, a 16.7% increase from RMB15,577.6 million for the six months ended June 30, 2016, which was a slower growth than the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB1,634.4 million for the six months ended June 30, 2017, a 21.5% increase from RMB1,345.2 million for the six months ended June 30, 2016, which was generally in line with the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB138.9 million for the six months ended June 30, 2017, a 4.9% increase from RMB132.4 million for the six months ended June 30, 2016, which was lower than the growth in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB29.6 million for the six months ended June 30, 2017, a 193.4% increase from 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 RMB2,256.8 million for the six months ended June 30, 2017, a 30.3% increase from RMB1,732.5 million for the six months ended June 30, 2016. Gross profit margin increased to 10.18% for the six months ended June 30, 2017 from 9.26% for the six months ended June 30, 2016.

Gross profit of sales from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB715.2 million for the six months ended June 30, 2017, a 47.9% increase from RMB483.5 million for the six months ended June 30, 2016. Gross profit margin for passenger vehicle sales increased to 3.78% for the six months ended June 30, 2017 from 3.01% for the six months ended June 30, 2016.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB1,435.3 million for the six months ended June 30, 2017, a 21.3% increase from RMB1,183.1 million for the six months ended June 30, 2016. Gross profit margin for after-sales services was 46.76% for the six months ended June 30, 2017, which was generally in line with the gross profit margin of 46.79% for the six months ended June 30, 2016.

Gross profit from the automobile rental services segment was RMB46.2 million for the six months ended June 30, 2017, a 8.4% increase from RMB42.6 million for the six months ended June 30, 2016. For the six months ended June 30, 2017, gross profit margin for automobile rental services increased to 24.96% from 24.36% for the six months ended June 30, 2016.

Gross profit from the proprietary finance business segment for the six months ended June 30, 2017 was RMB85.3 million, a 116.1% increase from RMB39.5 million for the six months ended June 30, 2016. Gross profit margin for proprietary finance business was 74.23% for the six months ended June 30, 2017.

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB415.2 million for the six months ended June 30, 2017, a 32.2% increase from RMB314.0 million for the six months ended June 30, 2016. The increase was primarily due to the fact that revenue of our after-market finance and insurance agency related services of the passenger vehicle sales and services segment amounted to RMB391.3 million for the six months ended June 30, 2017, a 37.3% increase from RMB285.0 million for the six months ended June 30, 2016.

Distribution and Selling Expenses

Distribution and selling expenses were RMB1,012.3 million for the six months ended June 30, 2017, a 20.7% increase from RMB838.9 million for the six months ended June 30, 2016, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the percentage of our distribution and selling expenses increased from 4.48% for the six months ended June 30, 2016 to 4.57% for the six months ended June 30, 2017.

Administrative Expenses

Administrative expenses were RMB531.2 million for the six months ended June 30, 2017, a 12.5% increase from RMB472.1 million for the six months ended June 30, 2016, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, our administrative expenses decreased from 2.52% for the six months ended June 30, 2016 to 2.40% for the six months ended June 30, 2017.

Finance Costs

Finance costs were RMB238.3 million for the six months ended June 30, 2017, a 6.7% increase from RMB223.3 million for the six months ended June 30, 2016, which was primarily due to the increased average balance of financing as a result of the expansion in sales and services network and business scale. As a percentage of revenue, the percentage of our financial costs decreased from 1.19% for the six months ended June 30, 2016 to 1.08% for the six months ended June 30, 2017.

Profit before Tax

As a result of the foregoing, profit before tax was RMB914.6 million for the six months ended June 30, 2017, a 74.3% increase from RMB524.7 million for the six months ended June 30, 2016.

Income Tax Expense

Income tax expenses were RMB216.3 million for the six months ended June 30, 2017, a 80.2% increase from RMB120.1 million for the six months ended June 30, 2016. Our effective income tax rate was 23.7% for the six months ended June 30, 2017, representing a slight increase compared to 22.9% for the six months ended June 30, 2016.

Profit and Total Comprehensive Income

As a result of the foregoing, profit and total comprehensive income was RMB698.3 million for the six months ended June 30, 2017, a 72.6% increase from RMB404.7 million for the six months ended June 30, 2016.

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 RMB652.0 million for the six months ended June 30, 2017, a 70.2% increase from RMB383.0 million for the six months ended June 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are payment for purchases of passenger vehicles, spare parts and accessories, funding of our working capital and ordinary recurring expenses, funding of the capital expenditures in connection with the establishment and acquisition of new outlets, expanding our proprietary finance business, and repayment of our indebtedness. We maintain our liquidity through a combination of cash flows generated from operating activities, capital injections, 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 using a combination of cash flows generated from our operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time.

For the six months ended June 30, 2017, our net cash used in operating activities was RMB1,538.1 million, an increase of RMB1,425.8 million compared to net cash used in operating activities of RMB112.3 million for the six months ended June 30, 2016. The increase was primarily due to the increase in the net cash outflow from our proprietary finance business of RMB1,519.8 million for the six months ended June 30, 2017 compared to RMB1,418.7 million in the same period in 2016.

For the six months ended June 30, 2017, our net cash used in investment activities was RMB903.1 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB474.1 million, the amount for acquisition of subsidiaries of RMB149.7 million, advance to related parties of RMB55.2 million, advance to non-controlling shareholders of RMB30.0 million, placing time deposits of RMB385.0 million, which was partially offset by the proceeds from the disposal of property, plant and equipment, as well as land use rights and intangible assets of RMB171.6 million. For the six months ended June 30, 2016, our net cash used in investing activities was RMB383.5 million.

For the six months ended June 30, 2017, our net cash from financing activities was RMB1,860.7 million, which mainly included the proceeds from bank loans and other borrowings of RMB10,799.7 million, the proceeds from the placing of the shares of the Company of RMB775.4 million, the proceeds from the issue of super short-term commercial papers of RMB2,000.0 million, withdrawal of pledged bank deposits pledged for borrowings of RMB106.0 million, and capital injections from non-controlling shareholders of RMB31.7 million, which was partially offset by the repayment of bank loans and other borrowings of RMB10,583.7 million, the repayment of short-term debentures of RMB800.0 million, the payment of interest of RMB202.7 million, and the payment of dividends of RMB276.2 million. For the six months ended June 30, 2016, our net cash generated from financing activities was RMB630.6 million.

Inventories

Our inventories mainly include passenger vehicles, spare parts and accessories.

Our inventories were RMB 6,020.5 million as of June 30, 2017, a 22.6% increase from RMB4,912.0 million as of June 30, 2016. The following table sets forth our average inventory turnover days for the periods indicated:

	For the six months ended June 30	
	2017	2016
Average inventory turnover days[1]	**47.4**	48.3

Note:

(1) The average inventory turnover days for the period is the average of opening and closing inventories balances 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 primarily included expenditures on purchase of fixed assets, land use rights, intangible assets and acquisition of subsidiaries. For the six months ended June 30, 2017, our total capital expenditures comprising expenditures on purchase of fixed assets, land use rights, intangible assets and acquisition of subsidiaries were RMB623.8 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	As of the six months ended June 30, 2017 ***(in RMB millions)***
Expenditures on purchase of property, plant and equipment	**384.5**
Expenditures on purchase of land use rights	**36.5**
Expenditures on purchase of intangible assets	**53.1**
Expenditures on acquisition of subsidiaries	**149.7**
Total	**623.8**

Borrowings and Bonds

We obtained borrowings consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufactures, issued bonds and convertible bonds to fund our working capital and network expansion demand. As of June 30, 2017, the outstanding amount of our borrowings, bonds and convertible bonds amounted to RMB 10,705.8 million, a 15.8% increase from RMB9,245.3 million as of December 31, 2016. The following table sets forth the maturity profile of our borrowings, bonds and convertible bonds as of June 30, 2017:

	As of June 30, 2017 ***(in RMB millions)***
Within one year	**7,556.0**
One to two years	**175.8**
Two to five years	**2,974.0**
Total	**10,705.8**

As of June 30, 2017, our gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 68.3% (as of December 31, 2016: 68.7%). The net debt was total debt net of cash and cash equivalents, pledged bank deposits, time deposits and cash in transit.

As of June 30, 2017, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2017 consisted of (i) inventories of RMB929.2 million; (ii) property, plant and equipment of RMB200.4 million; and (iii) land use rights of RMB105.7 million.

Contingent Liabilities

As of June 30, 2017, 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 rate 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, which in turn could adversely affect our finance costs, profit and our financial condition. We do not currently use any derivative financial instruments to hedge our 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.

Use of Proceeds

The net proceeds from the initial public offering of the Company 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% US dollar settled convertible bonds due 2019 with an aggregate principal amount of RMB1 billion (the "**Bonds**"), and the funds raised were used for establishment of and acquisitions of 4S dealerships and replenishment of working capital. As at the date of this interim report, principal amount of RMB3,000,000 of the Bonds was converted into 474,778 ordinary shares of the Company at the conversion price of HK$7.958 per share, and principal amount of RMB738,000,000 of the Bonds was converted into 117,660,507 ordinary shares of the Company at the conversion price of HK$7.8995 per share.

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)	22.028
	Interest of controlled corporation	267,080,000 (long position)	15.321
	Beneficial owner	8,303,000 (long position)	0.476
Mr. CAI Yingjie(2)	Interest of controlled corporation	108,288,000 (long position)	6.212
	Beneficial owner	674,500 (long position)	0.039
Mr. WANG Zhigao(3)	Interest of controlled corporation	57,160,000 (long position)	3.279
	Beneficial owner	910,500 (long position)	0.052
Mr. XU Yue	Beneficial owner	920,000 (long position)	0.053
Ms. CHEN Yi	Beneficial owner	900,000 (long position)	0.052

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

Long positions in the Company's shares (continued)

Notes:

(1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the "Family Trust"). Palace Wonder Company Limited (栢麗萬得有限公司) ("Palace Wonder") is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) ("Regency Valley"), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family Trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 384,000,000 shares held by Palace Wonder.

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

(iii) Mr. CHEUNG Tak On also holds 8,303,000 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.

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	0.172
Ms. CHEN Yi	Beneficial owner	442,000	0.025
Mr. WANG Liqun	Beneficial owner	200,000	0.011
Mr. LYU Wei	Beneficial owner	200,000	0.011
Mr. CHEN Xianglin	Beneficial owner	200,000	0.011
Ms. ZHU Anna Dezhen	Beneficial owner	200,000	0.011

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.

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)	22.028
Regency Valley(1)	Interest of controlled corporation	384,000,000 (long position)	22.028
HSBC International Trustee Limited(1)	Trustee	385,913,568 (long position)	22.138
Asset Link(2)	Beneficial owner	267,080,000 (long position)	15.321
Ample Glory(3)	Beneficial owner	108,288,000 (long position)	6.212
Runda Holdings Limited ("Runda Holdings")(4)	Beneficial owner	76,800,000 (long position)	4.406
Sun Moon China Investment Company Limited ("Sun Moon")(4)	Beneficial owner	14,379,000 (long position)	0.825
	Interest of controlled corporation	76,800,000 (long position)	4.406
Mr. GU Mingchang(4)	Interest of controlled corporation	91,179,000 (long position)	5.231
Baring Private Equity Asia V Holding (7) Limited(5)	Beneficial owner	94,136,500 (long position)	5.400
Baring Private Equity Asia V Holding (17) Limited(5)	Beneficial owner	28,697,689 (long position)	1.646
The Baring Asia Private Equity Fund V, L.P.(5)	Interest of controlled corporation	122,834,189 (long position)	7.046
Baring Private Equity Asia GP V, L.P.(5)	Interest of controlled corporation	122,834,189 (long position)	7.046
Baring Private Equity Asia GP V Limited(5)	Interest of controlled corporation	122,834,189 (long position)	7.046
Mr. Jean Eric SALATA(5)	Interest of controlled corporation	122,834,189 (long position)	7.046

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 Limited is wholly-owned by Sun Moon and Sun Moon is deemed to be interested in the 76,800,000 shares held by Runda Holdings Limited. 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 14,379,000 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 each of Baring Private Equity Asia V Holding (7) Limited and Baring Private Equity Asia V Holding (17) Limited, respectively. 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, L.P., 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, and the derivative interest held by Baring Private Equity Asia V Holding (17) Limited in the form of convertible bonds which could be converted into 28,697,689 shares. Jean Eric SALATA disclaims beneficial ownership of such shares, other than to the extent of his economic interest in such entities.

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

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

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 as 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.

References are made to the announcements of the Company dated May 12, 2017 and May 22, 2017 in relation to the proposed placing and top-up subscription of new shares of the Company. As a result of the placing and the top-up subscription, the initial conversion price of HK$7.958 per share in respect of an aggregate outstanding principal amount of RMB997,000,000 of the Bonds has been adjusted to HK$7.8995, and based on the above adjusted conversion price, an aggregate of 158,953,314 shares will be issued to the holders of the Bonds upon full conversion of the Bonds. For further details, please refer to the above-mentioned announcements and note 20 to the Financial Statements.

As of the date of this interim report, principal amount of RMB3,000,000 of the Bonds was converted into 474,778 ordinary shares of the Company at the conversion price of HK$7.958 per share, and principal amount of RMB738,000,000 of the Bonds was converted into 117,660,507 ordinary shares of the Company at the conversion price of HK$7.8995 per share.

ISSUANCE OF DEBT SECURITIES

On September 22, 2013, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Yongda Investment") issued a single tranche medium term notes in the PRC with an aggregate principal amount of RMB1.16 billion, for the purpose of raising funds for repayment of bank loans and as working capital of Yongda Investment and its subsidiaries. For further details, please refer to the announcements of the Company dated September 12, 2013 and September 23, 2013.

On October 20, 2015, Yongda Investment issued the first tranche short-term debentures in the PRC with an aggregate principal amount of RMB0.8 billion and on March 16, 2016, it issued another tranche short-term debentures in the PRC with an aggregate principal amount of RMB0.8 billion. The issuance of the abovementioned short-term debentures is for the purpose of raising funds for repayment of bank loans and as working capital of Yongda Investment and its subsidiaries. For further details, please refer to the announcements of the Company dated October 13, 2015, October 20, 2015, March 14, 2016, March 17, 2016, and note 17 to the Financial Statements.

On November 2, 2016, Yongda Investment issued the first tranche corporate bonds of 2016 in the PRC with an aggregate principal amount of RMB2.0 billion for the purpose of raising funds for repayment of debts and as general working capital of Yongda Investment. For further details, please refer to the announcements of the Company dated October 31, 2016, November 3, 2016, and note 19 to the Financial Statements.

On April 12 and June 8, 2017, Yongda Investment issued the first and second tranches super short-term commercial papers in the PRC with aggregate principal amounts of RMB1 billion each and interest rates of 5.10% and 5.89% per annum, respectively. The net proceeds from the issue of the super short-term commercial papers will be used for repayment of debts and as working capital of Yongda Investment and its subsidiaries. For further details, please refer to the announcements of the Company dated April 11, 2017, April 13, 2017, June 5, 2017, June 8, 2017, and note 18 of the Financial Statements.

TOP-UP SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE AND PLACING OF EXISTING SHARES UNDER THE GENERAL MANDATE

On May 16, 2017, an aggregate of 135,000,000 existing ordinary shares have been successfully placed by Morgan Stanley & Co. International Plc and UBS AG Hong Kong Branch, as the placing agents, to not less than six placees at the placing price of HK$6.58 per share (the "Placing") pursuant to the terms and conditions of the placing and subscription agreement dated May 12, 2017 entered into between the Company, the placing agents and Asset Link as subscriber (the "Placing and Subscription Agreement"). A top-up subscription of 135,000,000 new shares was completed on May 22, 2017 whereby 135,000,000 new shares were allotted and issued to Asset Link, at a subscription price of HK$6.58 per share pursuant to the Placing and Subscription Agreement under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on May 9, 2016. The net proceeds of the subscription were approximately HK$879,847,000. For further details, please refer to the announcements of the Company dated May 12, 2017 and May 22, 2017.

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 at general meetings of the Company. A breach of such covenants will constitute an event of default under the Facility Agreement.

As at the date of this interim report, the Facility Agreement has expired and there are no covenants relating to specific performance of Mr. CHEUNG Tak On, the controlling shareholder of the Company.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at June 30, 2017, we had 14,028 employees (as at June 30, 2016: 10,686 employees). The remuneration of our employees includes salaries and allowances. We also 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 of 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 at 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)

On July 26, 2016, the Company cancelled 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 at the exercise price of HK$3.780 per share. On June 19, 2017, the Company granted a total of 10,500,000 share options under the Share Option Scheme to the certain grantees at the exercise price of HK$8.140 per share.

Further details of the Share Option Scheme are set out in the circular of the Company dated September 5, 2013, announcements of the Company dated July 26, 2016, June 19, 2017, and note 22 to the Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the six months ended June 30, 2017 are as follows:

			Number of Share Options								Weighted average price of the Company's shares	
Category and Name of grantee	Date of grant of share options	Out-standing as at January 1, 2017	Granted during the period	Exercise during the period	Forfeited during the period	Expired during the period	Out-standing as at June 30, 2017	Exercise period of share options	Exercise price of share options	Price of the Company's shares immediately before the grant date of options	Immediately before the exercise date	At exercise date of options
									HK$ per share			
Executive Directors												
XU Yue	July 26, 2016	3,000,000	–	–	–	–	3,000,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
CHEN Yi	July 26, 2016	1,300,000	–	–	–	–	1,300,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Non-executive Directors												
WANG Liqun	July 26, 2016	200,000	–	–	–	–	200,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Independent Non-executive directors												
LYU Wei	July 26, 2016	200,000	–	–	–	–	200,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
CHEN Xianglin	July 26, 2016	200,000	–	–	–	–	200,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
ZHU Anna Dezhen	July 26, 2016	200,000	–	–	–	–	200,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Other Employees in aggregate	July 26, 2016	29,600,000	–	8,262,500	–	–	21,337,500	July 26, 2016 to December 31, 2020	3.780	3.690	6.526	6.651
	June 19, 2017	–	10,500,000	–	–	–	10,500,000	June 19, 2017 to June 19, 2022	8.140	8.020	–	–
Other grantees/ participants in aggregate	July 26, 2016	200,000	–	–	–	–	200,000	July 26, 2016 to December 31, 2020	3.780	3.690	–	–

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 shares 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 member 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, 2017, awards of approximately 2,750,600 restricted shares have been granted to eligible persons pursuant to the terms of 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, 2017.

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. LYU Wei	Ceased to be a director of Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電器(集團)股份有限公司) (Shanghai Stock Exchange Stock Code: 601616) since the end of April 2017

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, 2017.

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, 2017.

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, 2017. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2017 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

Issue of Super Short-term Commercial Papers

On July 13, 2017, Yongda Investment issued the third tranche super short-term commercial papers in the PRC with aggregate principal amount of RMB0.4 billion and interest rate of 4.97% per annum for the purpose of repayment of debts of Yongda Investment and its subsidiaries. For further details, please refer to the announcements of the Company dated July 10, 2017 and July 13, 2017.

On July 27, 2017, Yongda Investment issued the fourth tranche super short-term commercial papers in the PRC with aggregate principal amount of RMB0.6 billion and interest rate of 5.35% per annum for the purpose of repayment of outstanding debts of Yongda Investment. For further details, please refer to the announcements of the Company dated July 24, 2017 and July 27, 2017.

Proposed Acquisition of Certain Target Companies which operate BMW 4S Dealerships

On July 19, 2017, Shanghai Yongda Automobile Group Co., Ltd ("Automobile Group") entered into a sale and purchase agreement with an independent third party ("Seller") pursuant to which Automobile Group has conditionally agreed to acquire and the Seller has conditionally agreed to sell certain target companies which operate BMW 4S dealerships at a consideration of RMB413,000,000, part of which shall be settled by issuance of approximately 47,539,233 new shares by the Company. For further details, please refer to the announcements of the Company dated June 22, 2017 and July 19, 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2017 (for the six months ended June 30, 2016: 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 22, 2017

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 37 to 70, which comprise the condensed consolidated statement of financial position as of June 30, 2017 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 22, 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2017

	NOTES	For the six months ended June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	**22,170,757**	18,709,529
Cost of sales and services		**(19,913,990)**	(16,976,995)
Gross profit		**2,256,767**	1,732,534
Other income and other gains and losses	4	**415,168**	314,005
Distribution and selling expenses		**(1,012,274)**	(838,892)
Administrative expenses		**(531,184)**	(472,086)
Finance costs	5	**(238,338)**	(223,307)
Share of profits of joint ventures		**4,948**	3,179
Share of profits of associates		**19,533**	9,303
Profit before tax	6	**914,620**	524,736
Income tax expense	7	**(216,342)**	(120,069)
Profit and total comprehensive income for the period		**698,278**	404,667
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**652,017**	383,014
Non-controlling interests		**46,261**	21,653
		698,278	404,667
Earnings per share – basic	9	**RMB0.43**	RMB0.26
Earnings per share – diluted	9	**RMB0.41**	RMB0.26

Condensed Consolidated Statement of Financial Position

At June 30, 2017

	NOTES	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	4,192,543	3,941,738
Prepaid lease payments	10	1,130,849	1,115,713
Goodwill		584,589	478,860
Intangible assets		954,904	827,440
Deposits paid for acquisition of property, plant and equipment		33,962	29,292
Deposits paid for acquisition of land use rights		52,482	16,000
Deposits paid for acquisition of a subsidiary		7,001	—
Available-for-sale investments		106,280	94,690
Interests in joint ventures		104,033	99,085
Interests in associates		377,647	354,989
Finance lease receivables	11	584,179	301,751
Loan receivables	12	20,245	7,687
Amounts due from a related party	26	32,356	32,356
Deferred tax assets		94,626	83,793
Other assets	14	30,000	—
		8,305,696	7,383,394
Current assets			
Prepaid lease payments	10	32,476	31,487
Inventories	13	6,020,542	4,317,443
Finance lease receivables	11	1,054,682	788,934
Loan receivables	12	1,232,946	275,951
Trade and other receivables	14	4,204,834	4,362,340
Amounts due from related parties	26	144,466	89,353
Cash in transit		110,153	214,666
Time deposits		385,000	21,000
Pledged bank deposits		1,023,864	1,118,744
Bank balances and cash		1,191,340	1,771,813
		15,400,303	12,991,731
Current liabilities			
Trade and other payables	15	5,654,308	5,201,419
Amounts due to related parties	26	5,715	3,665
Income tax liabilities		247,558	127,659
Borrowings	16	5,560,540	5,319,251
Short-term debentures	17	—	799,333
Super short-term commercial papers	18	1,995,494	—
Convertible bonds	20	—	978,837
		13,463,615	12,430,164

(continued)

Condensed Consolidated Statement of Financial Position

At June 30, 2017

	NOTES	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Net current assets		**1,936,688**	561,567
Total assets less current liabilities		**10,242,384**	7,944,961
Non-current liabilities			
Borrowings	16	**206,713**	157,521
Corporate bonds	19	**1,991,361**	1,990,344
Convertible bonds	20	**951,701**	—
Other liabilities	15	**227,916**	207,137
Deferred tax liabilities		**206,165**	187,026
		3,583,856	2,542,028
Net assets		**6,658,528**	5,402,933
Capital and reserves			
Share capital	21	**13,397**	12,066
Reserves		**6,190,489**	4,949,693
Equity attributable to owners of the Company		**6,203,886**	4,961,759
Non-controlling interests		**454,642**	441,174
Total equity		**6,658,528**	5,402,933

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

	Attributable to owners of the Company									
	Issued share capital	Share premium	Statutory surplus reserve	Special reserve	Convertible bond reserve	Share-based payments reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000* (*note a*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016 (audited)	12,065	1,059,883	476,795	254,076	62,490	44,284	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	–	–	–	–	–	–	–	–	(17,502)	(17,502)
Disposal of partial equity interests in subsidiaries	–	–	–	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	259,179	62,490	52,290	2,710,616	4,477,917	474,079	4,951,996
Profit for the period	–	–	–	–	–	–	468,258	468,258	34,851	503,109
Capital injection	–	–	–	–	–	–	–	–	5,896	5,896
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	20	20
Acquisition of non-controlling interests of subsidiaries	–	–	–	1,228	–	–	–	1,228	(40,388)	(39,160)
Recognition of equity-settled share-based payments	–	–	–	–	–	14,030	–	14,030	–	14,030
Exercise of share options	1	325	–	–	–	–	–	326	–	326
Transfer to statutory reserve	–	–	137,289	–	–	–	(137,289)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(33,284)	(33,284)
At December 31, 2016 (audited)	12,066	904,807	614,084	260,407	62,490	66,320	3,041,585	4,961,759	441,174	5,402,933
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**652,017**	**652,017**	**46,261**	**698,278**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,690**	**31,690**
Placement and subscription (*note b*)	**1,190**	**774,192**	**–**	**–**	**–**	**–**	**–**	**775,382**	**–**	**775,382**
Acquisition of non-controlling interests of subsidiaries	**–**	**–**	**–**	**5,393**	**–**	**–**	**–**	**5,393**	**(25,923)**	**(20,530)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**3,890**	**–**	**3,890**	**–**	**3,890**
Exercise of share options	**73**	**27,594**	**–**	**–**	**–**	**–**	**–**	**27,667**	**–**	**27,667**
Conversion option of convertible bonds exercised during the period	**68**	**53,932**	**–**	**–**	**–**	**–**	**–**	**54,000**	**–**	**54,000**
Dividends recognized as distribution (*Note 8*)	**–**	**(276,222)**	**–**	**–**	**–**	**–**	**–**	**(276,222)**	**–**	**(276,222)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,560)**	**(38,560)**
At June 30, 2017 (unaudited)	**13,397**	**1,484,303**	**614,084**	**265,800**	**62,490**	**70,210**	**3,693,602**	**6,203,886**	**454,642**	**6,658,528**

Notes:

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

b. A total of 135,000,000 new shares was issued at HK$6.58 in accordance with the placement and top-up subscription as announced on May 22, 2017.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**914,620**	524,736
Adjustments for:		
Finance costs	**238,338**	223,307
Interest income	**(10,170)**	(7,815)
(Gain) loss on disposal of property, plant and equipment	**(8,917)**	1,480
Loss of disposal of subsidiaries	**–**	1,221
Depreciation of property, plant and equipment	**227,767**	206,927
Release of prepaid lease payments	**16,336**	13,933
Amortization of intangible assets	**11,431**	6,444
Share-based payment expenses	**3,890**	8,006
Impairment loss on available-for-sale investments	**1,285**	7,698
Impairment loss of loan receivables	**1,105**	–
Impairment loss of finance lease receivables	**1,001**	1,777
Reversal of impairment loss on other receivables	**–**	(1,600)
Share of profits of joint ventures	**(4,948)**	(3,179)
Share of profits of associates	**(19,533)**	(9,303)
Operating cash flows before movements in working capital	**1,372,205**	973,632
Increase in inventories	**(1,533,158)**	(610,213)
Decrease in trade and other receivables	**372,441**	101,145
Increase in finance lease receivables	**(549,177)**	(101,170)
Increase in loan receivables	**(970,658)**	–
Decrease (increase) in cash in transit	**104,513**	(24,467)
Increase in other liabilities	**20,779**	41,984
Decrease in trade and other payables	**(372,649)**	(563,139)
Decrease (increase) in amounts due from related parties	**53**	(687)
Increase (decrease) in amounts due to related parties	**2,050**	(2,010)
Withdrawal of pledged bank deposits	**1,012,744**	1,138,209
Placement of pledged bank deposits	**(887,869)**	(624,116)
Cash (used in) generated from operations	**(1,428,726)**	329,168
Income taxes paid	**(109,420)**	(441,501)
NET CASH USED IN OPERATING ACTIVITIES	**(1,538,146)**	(112,333)
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(384,498)**	(537,244)
Additions to and deposits paid for prepaid land lease payments	**(36,482)**	–
Purchase of intangible assets	**(53,095)**	(30,705)
Purchase of available-for-sale investments	**(14,000)**	(6,935)
Refund of consideration paid for prepaid lease payments	**–**	71,232
Proceeds on disposal of property, plant and equipment	**171,595**	149,572
Acquisition of subsidiaries *(Note 25)*	**(149,723)**	87,128
Interest received	**10,170**	7,815
Advance to related parties	**(55,166)**	(45,612)
Advance to non-controlling shareholders	**(30,000)**	(89,424)
Advance to independent third parties	**(100)**	–
Collection of advance to related parties	**–**	26,644
Collection of advance to non-controlling shareholders	**4,249**	5,000
Disposal of subsidiaries	**–**	(31,033)

(continued)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend received from joint ventures	**—**	10,090
Investment in associates	**(2,000)**	—
Withdrawal of time deposits	**21,000**	—
Placement of time deposits	**(385,000)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(903,050)**	(383,472)
FINANCING ACTIVITIES		
New borrowings raised	**10,799,700**	12,387,910
Repayment of borrowings	**(10,583,746)**	(12,337,650)
Proceeds on issue of short-term debentures	**—**	800,000
Proceeds on issue of super short-term commercial papers	**2,000,000**	—
Repayment of short-term debentures	**(800,000)**	—
Payment for transaction costs of issue of super short-term commercial papers	**(5,639)**	—
Payment for transaction costs of issue of short-term debentures	**—**	(4,200)
Payment for transaction costs of issue of medium-term note	**(626)**	—
Proceeds of disposal of partial equity interests in subsidiaries without losing control	**—**	102,423
Proceeds from placement and subscription	**775,382**	—
Capital injection by non-controlling shareholders	**31,690**	26,800
Acquisition of non-controlling interests of subsidiaries	**(2,180)**	—
Advance from non-controlling shareholders	**1,300**	7,852
Advance from independent third parties	**20,000**	—
Repayment of advance from non-controlling shareholders	**(1,530)**	(17,364)
Interest paid	**(202,680)**	(161,256)
Dividends paid as distribution	**(276,222)**	(155,401)
Dividends paid to non-controlling shareholders	**(17,653)**	(15,137)
Withdrawal of deposits to entities controlled by suppliers for borrowings	**10,932**	10,403
Placement of deposits to entities controlled by suppliers for borrowings	**(21,672)**	(13,745)
Withdrawal of pledged bank deposits pledged for borrowings	**106,000**	—
Proceeds from exercise of share options	**27,667**	—
NET CASH FROM FINANCING ACTIVITIES	**1,860,723**	630,635
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(580,473)**	134,830
CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH	**1,771,813**	1,531,993
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH	**1,191,340**	1,666,823

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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 is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, provision of automobile rental services, provision of proprietary finance business, 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.

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, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016.

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.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2014–2016 Cycle except for amendments to IFRS 12*

The application of the above amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND 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, 2017

	Passenger vehicle sales and services RMB'000 (Unaudited)	Automobile rental services RMB'000 (Unaudited)	Proprietary finance business RMB'000 (Unaudited) *(note d)*	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
External revenue	21,900,338	185,083	85,336	–	22,170,757
Inter-segment revenue	69,283	–	29,586	(98,869)	–
Segment revenue *(note a)*	21,969,621	185,083	114,922	(98,869)	22,170,757
Segment cost *(note b)*	19,819,164	138,888	29,614	(73,676)	19,913,990
Segment gross profit	2,150,457	46,195	85,308	(25,193)	2,256,767
Service income	391,334	–	–	(5,733)	385,601
Segment result	2,541,791	46,195	85,308	(30,926)	2,642,368
Other income and other gains and losses *(note c)*					29,567
Distribution and selling expenses					(1,012,274)
Administrative expenses					(531,184)
Finance costs					(238,338)
Share of profits of joint ventures					4,948
Share of profits of associates					19,533
Profit before tax					914,620

3. REVENUE AND SEGMENT INFORMATION (continued)

For the six months ended June 30, 2016

	Passenger vehicle sales and services *RMB'000* (Unaudited)	Automobile rental services *RMB'000* (Unaudited)	Proprietary finance business *RMB'000* (Unaudited) *(note d)*	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 *(note a)*	18,589,337	174,980	49,576	(104,364)	18,709,529
Segment cost *(note b)*	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 c)*					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

Notes:

a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2017 was RMB21,969,621,000 (for the six months ended June 30, 2016: RMB18,589,337,000) which included the sales of passenger vehicles amounting to approximately RMB18,899,901,000 (for the six months ended June 30, 2016: RMB16,061,053,000) and the after-sales services income amounting to approximately RMB3,069,720,000 (for the six months ended June 30, 2016: RMB2,528,284,000).

b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2017 was RMB19,819,164,000 (for the six months ended June 30, 2016: RMB16,922,760,000) which included the cost of sales of passenger vehicles amounting to approximately RMB18,184,718,000 (for the six months ended June 30, 2016: RMB15,577,568,000) and the cost of after-sales services amounting to approximately RMB1,634,446,000 (for the six months ended June 30, 2016: RMB1,345,192,000).

c. The amount excludes the service income generated from the passenger vehicle sales and services segment, which is included in the segment result above.

d. The segment revenue of proprietary finance business mainly includes finance leasing and small loan services. The segment cost of proprietary finance business is mainly composed of finance costs.

The accounting policies of the operating segments are same as those of the Group. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income *(Note 4)*, distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits of associates. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the board of directors.

3. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major products and services

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of passenger vehicles:		
— Luxury and ultra-luxury brands *(note a)*	**15,026,076**	12,763,921
— Mid- to high-end brands *(note b)*	**3,806,404**	3,208,922
Sub-total	**18,832,480**	15,972,843
After-sales services	**3,067,858**	2,528,284
Automobile rental services	**185,083**	174,980
Proprietary finance business	**85,336**	33,422
	22,170,757	18,709,529

Notes:

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

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

4. OTHER INCOME/OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income comprises:		
Service income *(note a)*	**385,601**	280,407
Advertisement support received from automobile manufacturers *(note b)*	**—**	6,263
Government grants *(note c)*	**18,162**	29,816
Interest income on bank deposits	**10,170**	7,815
Others	**846**	5,074
	414,779	329,375
Other gains and losses comprise:		
Gain (loss) on disposal of property, plant and equipment	**8,917**	(1,480)
Impairment loss on available-for-sale investments	**(1,285)**	(7,698)
Impairment loss of loan receivables	**(1,105)**	—
Impairment loss of finance lease receivables	**(1,001)**	—
Reversal of impairment loss on other receivables	**—**	1,600
Loss on disposal of subsidiaries	**—**	(1,221)
Others	**(5,137)**	(6,571)
	389	(15,370)
Total	**415,168**	314,005

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.

5. FINANCE COSTS

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on borrowings:		
— bank loans	**75,354**	70,177
— other borrowings from entities controlled by suppliers	**24,168**	28,010
— reimbursement to suppliers *(note a)*	**41,174**	29,084
— short-term debentures	**6,689**	26,033
— super short-term commercial papers	**14,955**	—
— medium-term note	**—**	37,120
— convertible bonds	**33,531**	32,174
— corporate bonds	**39,650**	—
Release of capitalized transaction cost in relation to issue of short-term debentures *(Note 17)*	**667**	2,534
Release of capitalized transaction cost in relation to issue of super short-term commercial papers *(Note 18)*	**1,133**	—
Release of capitalized transaction cost in relation to issue of medium-term note	**—**	1,896
Release of capitalized transaction cost in relation to issue of corporate bonds	**1,017**	—
Less: interests capitalized *(note b)*	**—**	(3,721)
	238,338	223,307

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 2016 interim period arose on the general borrowing pool and were calculated by applying a capitalization rate of 4.16% per annum to expenditure on qualifying assets. During the current interim period, there are no capitalized interests.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**227,767**	206,927
Release of prepaid lease payments	**16,336**	13,933
Amortization of intangible assets	**11,431**	6,444
Share-based payment expenses	**3,890**	8,006
Impairment loss on available-for-sale investments	**1,285**	7,698
Reversal of impairment loss on other receivables	**—**	(1,600)
Impairment loss of finance lease receivables	**1,001**	1,777
Impairment loss of loan receivables	**1,105**	—

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**224,793**	141,804
Under provision of PRC EIT in prior years	**975**	3,041
	225,768	144,845
Deferred tax		
Current period	**(9,426)**	(24,776)
	216,342	120,069

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 consolidated financial statements in respect of temporary differences attributable to 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 HK$0.19 (equivalent to RMB0.17) per share in respect of the year ended December 31, 2016 (December 31, 2015: RMB0.105 per share) was declared and paid out of share premium to the owners of the Company in Hong Kong dollars (the "HK$"). The aggregate amount of the 2016 final dividend declared and paid in the interim period amounted to approximately RMB276,222,000 (for the six months ended June 30, 2016: RMB155,401,000).

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, 2017 (for the six months ended June 30, 2016: nil).

9. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**652,017**	383,014
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**33,531**	—
Earnings for the purpose of diluted earnings per share	**685,548**	383,014

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,522,311**	1,480,022
Effect of dilutive potential ordinary shares:		
Share options	**11,504**	—
Convertible bonds	**158,455**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,692,270**	1,480,022

No conversion of the convertible bonds was assumed for the purpose of the calculation of diluted earnings per share for the six months ended June 30, 2016 because they were anti-dilutive.

Outstanding share options of the Company during the six months ended June 30, 2016 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.

10. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

Property, plant and equipment

During the six months ended June 30, 2017, the Group acquired property, plant and equipment of approximately RMB418,513,000 (for the six months ended June 30, 2016: RMB531,083,000) for business expansion.

During the period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB162,678,000 (for the six months ended June 30, 2016: RMB151,052,000).

In addition, during the period, the Group paid approximately RMB4,670,000 (for the six months ended June 30, 2016: nil) as deposits for acquisition of property, plant and equipment for business expansion.

10. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS (continued)

Prepaid lease payments

During the six months ended June 30, 2017, the Group acquired medium-term land use rights situated in the PRC of nil (for the six months ended June 30, 2016: RMB24,607,000) for business expansion.

The Group acquired a medium-term land use right situated in the PRC from the local government at a consideration of RMB25,483,230 through the acquisition of subsidiaries in 2016. During the six months ended June 30, 2017, the Group recorded the unrecoverable deposits of RMB1,320,000 as an adjustment to the original consideration, which was recorded as an addition of prepaid lease payments.

In addition, during the period, the Group paid approximately RMB36,482,000 (for the six months ended June 30, 2016: nil) as deposits for acquisition of land use rights for business expansion.

11. 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, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Analysed as:		
Current	1,054,682	788,934
Non-current	584,179	301,751
	1,638,861	1,090,685

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Finance lease receivables comprise:				
Within one year	1,146,805	803,388	1,056,253	788,934
In more than one year but not more than two years	363,890	261,416	327,669	226,679
In more than two years but not more than five years	349,644	87,520	257,380	76,512
	1,860,339	1,152,324	1,641,302	1,092,125
Less: unearned finance income	(219,037)	(60,199)	N/A	N/A
Less: allowance for impairment loss	(2,441)	(1,440)	(2,441)	(1,440)
Present value of minimum lease payment receivables	1,638,861	1,090,685	1,638,861	1,090,685

11. FINANCE LEASE RECEIVABLES (continued)

As at June 30, 2017, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB227,916,000 (December 31, 2016: RMB207,137,000) and RMB371,982,000 (December 31, 2016: RMB273,983,000) 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,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
January 1	**(1,440)**	—
Impairment losses recognised on receivables	**(1,001)**	(1,777)
June 30	**(2,441)**	(1,777)

12. LOAN RECEIVABLES

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Guaranteed but unsecured loans	**77,605**	123,333
Collateralised but unguaranteed loans	**1,179,556**	163,170
Gross loan receivables	**1,257,161**	286,503
Less: Allowances for impairment losses		
— Collectively assessed	**(3,970)**	(2,865)
Net loan receivables	**1,253,191**	283,638
Analysed as:		
Current	**1,232,946**	275,951
Non-current	**20,245**	7,687
	1,253,191	283,638

The Group provides fixed-rate loans with a term from two months to three years to local individuals in the PRC. All loans are either backed by guarantees or secured by collateral.

12. LOAN RECEIVABLES (continued)

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Fixed-rate loan receivables:		
Within one year	**1,232,946**	275,951
In more than one year but not more than two years	**17,035**	4,782
In more than two years but not more than three years	**3,210**	2,905
	1,253,191	283,638

None of the loan receivables are past due as at the end of the reporting period.

13. INVENTORIES

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Motor vehicles	**5,484,191**	3,887,906
Spare parts and accessories	**536,351**	429,537
	6,020,542	4,317,443

14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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 180 days is granted;

b. For automobile rental services, the Group typically allows a credit period of 30 to 90 days to its customers.

14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Current		
Trade receivables	790,627	757,363
Bill receivables	875	71,273
	791,502	828,636
Other receivables comprise:		
Payments and deposits to suppliers	1,054,199	1,048,103
Deposits to entities controlled by suppliers for borrowings	161,742	151,002
Payments and rental deposits on properties	55,986	52,768
Rebate receivables from suppliers	1,408,412	1,659,630
Insurance commission receivables	80,291	72,307
Staff advances	20,363	8,888
Value-Added Tax recoverable	353,520	270,817
Advances to non-controlling shareholders *(note a)*	42,650	46,899
Advances to independent third parties *(note a)*	20,100	20,000
Receivables on disposal of a subsidiary	6,420	6,420
Others	216,069	203,290
Less: allowance for doubtful debts	(6,420)	(6,420)
	3,413,332	3,533,704
	4,204,834	4,362,340

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Non-current		
Other assets		
Advances to non-controlling shareholders *(note b)*	30,000	—

Notes:

a. The balances were unsecured, interest-free and repayable on demand.

b. The balance carried at a fixed interest rate of 4.9%, which was payable upon the maturity with a credit term of 5 years.

Bill receivables held by the Group as at June 30, 2017 will mature within 3 months.

14. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (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, which approximated the respective revenue recognition dates:

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
0 to 180 days	790,627	757,363

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,	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
January 1	(6,420)	(8,020)
Reversal of impairment loss on other receivables	–	1,600
June 30	(6,420)	(6,420)

15. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Current		
Trade payables	444,334	282,007
Bills payables	2,678,516	2,774,540
	3,122,850	3,056,547
Other payables		
Other tax payables	55,868	170,718
Advances and deposits from customers	1,124,967	1,101,267
Payables for acquisition of property, plant and equipment	78,842	40,157
Rental payables	34,682	27,526
Salary and welfare payables	37,039	51,273
Accrued interest	88,320	55,479
Accrued audit fee	2,200	4,300
Other accrued expenses	22,218	13,683
Transaction costs payable for issue of medium-term note	—	626
Consideration payable for acquisition of subsidiaries	103,867	86,206
Consideration payable for acquisition of non-controlling interests of subsidiaries *(note)*	18,350	—
Advance from non-controlling shareholders *(note)*	103,262	103,492
Advance from an independent third party	20,000	—
Advances from former shareholders of acquired subsidiaries *(Note 25)*	210,336	2,688
Deposits received from customers under finance leases *(Note 11)*	371,982	273,983
Others	259,525	213,474
	2,531,458	2,144,872
	5,654,308	5,201,419
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 11)*	227,916	207,137

Note: The balances are unsecured, interest-free and repayable within one year from the end of the reporting periods.

Prepayments and deposits are in general required to be paid to suppliers before making purchases. 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.

15. TRADE AND OTHER PAYABLES/OTHER LIABILITIES (continued)

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

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
0 to 90 days	3,122,850	3,056,547

16. BORROWINGS

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Bank loans	4,238,626	4,037,963
Other borrowings	1,528,627	1,438,809
	5,767,253	5,476,772
Carrying amount repayable:		
Within one year	5,560,540	5,319,251
More than one year, but not exceeding two years	175,761	103,486
More than two years, but not exceeding five years	30,952	54,035
More than five years	—	—
	5,767,253	5,476,772
Less: amounts due within one year shown under current liabilities	(5,560,540)	(5,319,251)
Amounts shown under non-current liabilities	206,713	157,521

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as of June 30, 2017 ranged from 3.92% to 6.00% (December 31, 2016: 3.92% to 5.44%) per annum.

At the end of the reporting periods, other borrowings (i) are of a term less than one year; (ii) are interest-free for the first two months after drawdown; (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period.

16. BORROWINGS (continued)

At June 30, 2017 and December 31, 2016, the Group's borrowings were secured against the Group's assets with carrying amounts as follows:

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Land use rights	**105,660**	239,104
Property, plant and equipment (buildings and motor vehicles)	**200,415**	234,789
Inventories	**929,203**	670,054
Pledged bank deposits	**–**	106,000
Total	**1,235,278**	1,249,947

17. SHORT-TERM DEBENTURES

On October 20, 2015 and March 16, 2016, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment"), an indirect wholly-owned subsidiary of the Company, 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 their respective 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.

Movement of the short-term debentures during the six months ended June 30, 2017 was as follows:

	RMB'000
At December 31, 2016	799,333
Less: repayment of the second tranche	(800,000)
Add: interest expenses *(Note 5)*	667
At June 30, 2017	–

During the six months ended June 30, 2017, interest expenses of approximately RMB6,689,000 (during the six months ended June 30, 2016: RMB26,033,000) was recognized. As at June 30, 2017, the Company has fully repaid the principal amount of RMB0.8 billion in respect of the short-term debenture and its interests.

18. SUPER SHORT-TERM COMMERCIAL PAPERS

On March 9, 2017, Shanghai Yongda Investment has received a notice of acceptance of registration (the "Notice") issued from National Association of Financial Market Institutional Investors ("NAFMII") to issue super short-term commercial papers of an aggregate registered amount of RMB4 billion. According to the Notice, the registered amount will be effective for two years commencing from the date of issue of the Notice.

On April 12, 2017 and June 8, 2017, Shanghai Yongda Investment issued the first tranche and the second tranche of the super short-term commercial papers, respectively, each of an aggregate principal amount of RMB1 billion and with a term of 270 days and 250 days from their respective dates of issuance. The super short-term commercial papers are unsecured and carry interests at rates of 5.10% per annum and

18. SUPER SHORT-TERM COMMERCIAL PAPERS (continued)

5.89% per annum, respectively. The interests are payable upon maturity. The super short-term commercial papers were issued to domestic institutional investors in the PRC which are independent third parties.

The Group paid transaction costs of approximately RMB5,639,000 during the six months ended June 30, 2017 (during the six months ended June 30, 2016: nil).

Movement of the super short-term commercial papers during the six months ended June 30, 2017 was as follows:

	RMB'000
Issue on April 12, 2017	1,000,000
Issue on June 8, 2017	1,000,000
Less: capitalized transaction cost in relation to issuance	(5,639)
Add: interest expenses *(Note 5)*	1,133
At June 30, 2017	1,995,494

During the six months ended June 30, 2017, interest expenses of approximately RMB14,955,000 (during the six months ended June 30, 2016: nil) was recognized. As at June 30, 2017, unpaid interest expenses of approximately RMB14,955,000 was accrued in other payables (during the six months ended June 30, 2016: nil).

19. CORPORATE BONDS

On October 12, 2016, Shanghai Yongda Investment has received an approval of corporate bonds offering to qualified investors (the "Approval") by China Securities Regulatory Commission to issue corporate bonds (the "Corporate Bonds") in an aggregate amount not exceeding RMB2 billion. The approval will be effective for two years commencing from the date of issue.

On November 2, 2016, Shanghai Yongda Investment issued the first tranche of Corporate Bonds (the "First Tranche Corporate Bonds") with base issue size of RMB1 billion and over-allotment of RMB1 billion, totalling RMB2 billon. The First Tranche Corporate Bonds are fixed rate bonds with a term of five years, in which Shanghai Yongda Investment has an option of adjusting the coupon rate and investors have an option to resell to Shanghai Yongda Investment at the end of the third interest-bearing year.

The First Tranche Corporate Bonds are unsecured and carry a fixed coupon rate of 3.90% per annum. The interest is payable annually. The First Tranche Corporate Bonds were issued to domestic qualified investors in the PRC which are independent third parties.

Movement of the First Tranche Corporate Bonds during the period ended June 30, 2017 was as follows:

	RMB'000
At December 31, 2016	1,990,344
Add: interest expenses *(Note 5)*	1,017
At June 30, 2017	1,991,361

During the period ended June 30, 2017, interest expenses of approximately RMB39,650,000 was recognized. As at June 30, 2017, unpaid interest expenses of approximately RMB39,650,000 was accrued in other payables.

20. CONVERTIBLE BONDS

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

Please refer to the Group's 2016 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.

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

Subsequent to the initial recognition, the liability component of the convertible bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the convertible bonds was 6.83% per annum. The movement of the liability component of the convertible bonds during the six months ended June 30, 2017 is set out below:

	RMB'000
Liability component at January 1	978,837
Interest charged *(Note 5)*	33,531
Conversion option of convertible bonds exercised during the period	(54,000)
Less: interest payables due within one year shown under current liabilities	(6,667)
Liability component shown under non-current liabilities	951,701

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

21. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorized:		
As at 1 January 2016 (audited), June 30, 2016 (unaudited), 1 January 2017 (audited) and June 30, 2017 (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, 2017 (audited)	1,480,122	14,801	12,066
Exercise of share options *(Note 22)*	8,263	83	73
Placement and subscription	135,000	1,350	1,190
Conversion option of convertible bonds exercised during the period *(Note 20)*	8,605	86	68
At June 30, 2017 (unaudited)	1,631,990	16,320	13,397

22. 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.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At June 30, 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 37,137,500 (December 31, 2016: 34,900,000), representing 2.3% (December 31, 2016: 2.4%) of the shares of the Company in issue at that date.

22. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Granted on June 19, 2017

On June 19, 2017, the Company granted a total of 10,500,000 share options with validity period from date of grant to June 19, 2022 under the Share Option Scheme to the certain new grantees (the "Grantees"). Details are set out as follows:

(1) All options granted are at an exercise price of HK$8.14 per share.

(2) The share options granted to the Grantees will be vested in three tranches, the first 1/3 from the first anniversary after the date of grant, the second 1/3 from the second anniversary after the date of grant and the remaining from the third anniversary after the date of grant.

(3) The share options will lapse automatically and not be exercisable (to the extent not already exercised) at the earlier of the end of their exercisable periods or when the grantees cease to be employees of the Group.

The estimated fair value of the share options granted on June 19, 2017 was RMB13,818,000. The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

	June 19, 2017
Share price	HK$8.14
Exercise price	HK$8.14
Expected volatility	37.99%
Option life	5 years
Risk-free interest rate	0.96%

The risk-free rate was based on the market yield rate of Hong Kong Government Bond with a maturity of three to five years. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged and historical pattern of share prices of the Company. The suboptimal exercise multiple used in the model represents the estimated ratio of the future share price over the exercise price when the grantees will exercise the options based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

22. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Set out below are details of movements of the outstanding options granted on July 26, 2016 and June 19, 2017 under the Share Option Scheme during the six months period ended June 30, 2017:

	Number of options			
	Outstanding as at 1 January 2017	Issue during the period	Exercised during the period	Outstanding as at 30 June 2017
Director:				
Mr. Wang Liqun	200,000	—	—	200,000
Mr. Lyu Wei	200,000	—	—	200,000
Mr. Chen Xianglin	200,000	—	—	200,000
Ms. Zhu Dezhen	200,000	—	—	200,000
Mr. Xu Yue	3,000,000	—	—	3,000,000
Ms. Chen Yi	1,300,000	—	—	1,300,000
Employees	29,800,000	10,500,000	8,262,500	32,037,500
	34,900,000	10,500,000	8,262,500	37,137,500
Exercisable at the end of the period	18,301,800			10,039,300
Weighted average exercise price (*HK$*)	3.78	8.14	3.78	5.01

The Group recognized an expense of approximately RMB2,500,000 for the six months ended June 30, 2017 in relation to the share options granted by the Company under the Share Option Scheme (for the six months ended June 30, 2016: 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.

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.

22. SHARE-BASED COMPENSATION (continued)

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

During the six months ended June 30, 2017, awards of approximately 2,750,600 restricted shares have been made pursuant to the Amended Scheme. During the year ended December 31, 2016, awards of approximately 3,520,000 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*
April 10, 2014	3,860	10–15 years	21,894
October 30, 2014	3,170	1–10 years	17,194
September 1, 2015	2,940	15 years	7,960
July 1, 2016	2,460	5–21 years	6,852
September 2, 2016	1,060	N/A	3,474
March 9, 2017	2,751	5 years	16,769

Amount of approximately RMB1,390,000 was recognized for the six months ended June 30, 2017 in relation to such awards made by the Company under the Amended Scheme (for the six months ended June 30, 2016: RMB1,370,000).

23. CAPITAL COMMITMENTS

	June 30, 2017 ***RMB'000*** **(Unaudited)**	December 31, 2016 *RMB'000* (Audited)
Capital expenditure in respect of acquisition of — property, plant and equipment contracted for but not provided	**54,768**	75,123

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments, including the loans and receivables (including trade and other receivables, finance lease receivables, loan receivables, amounts due from related parties, other assets, time deposits, cash in transit, pledged bank deposits and bank balances and cash) and financial liabilities (including trade and other payables, amounts due to related parties, short-term debentures, super short-term commercial papers, convertible bonds, corporate 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.

25. ACQUISITION OF SUBSIDIARIES

(a) In June 2017, the Group acquired 100% equity interests of six subsidiaries from Baitai Investment Group Co., Ltd. ("Baitai") which is an independent third party for cash consideration of RMB103 million, including three Porsche 4S dealerships, one BWM 4S dealership, one Jaguar 4S dealership and one trading company, to expand the Group's dealership network.

Aggregate assets acquired and liabilities assumed of entities operating on the acquisition date are as follows:

	RMB'000
Property, plant and equipment	217,392
Prepaid lease payments	16,641
Intangible assets	63,500
Inventories	115,661
Trade and other receivables	97,841
Pledged bank deposits	76,434
Bank balances and cash	23,882
Trade and other payables *(note)*	(499,191)
Borrowings	(56,527)
Deferred tax liabilities	(16,121)
Net assets acquired	39,512
Goodwill	63,598
Consideration transferred	103,110
Satisfied by:	
Cash	25,000
Consideration payable	78,110
	103,110
Net cash outflow arising on acquisitions:	
Bank balances and cash acquired	23,882
Consideration paid	(25,000)
	(1,118)

Note: The amount of RMB207,648,000 which was included in the total trade and other payables of RMB499,191,000 was advance from former shareholders of the acquiree before the acquisition. As at June 30, 2017, the unsettled amount of approximately RMB207,648,000 was recorded as advance from former shareholders of acquired subsidiaries.

As of June 30, 2017, the Company is still in the process of evaluating the purchase price allocation for Baitai, goodwill of approximately RMB63.60 million was recognized based on the preliminary assessment of management which may be subject to adjust upon the completion of evaluation.

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. ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

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, 2017 would have been RMB22,566.28 million and the amount of the profit for the interim period would have been RMB698.26 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, 2017, nor is it intended to be a projection of future results.

(b) In April 2017, the Group acquired 100% equity interests in Chongqing Meiyuan Car Dealership Co., Ltd. ("Chongqing Meiyuan") from an independent third party for cash consideration of RMB78 million which directly holds 100% equity interests in two Hyundai 4S dealerships and one Mercedes-Benz 4S dealership, to expand the Group's dealership network.

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

	RMB'000
Property, plant and equipment	5,345
Intangible assets	22,300
Deferred tax assets	553
Inventory	54,280
Trade and other receivables	84,959
Pledged bank deposits	59,561
Bank balances and cash	10,933
Borrowings	(18,000)
Trade and other payables	(178,847)
Income tax liabilities	360
Deferred tax liabilities	(5,575)
Net assets acquired	35,869
Goodwill	42,131
Consideration transferred	78,000
Satisfied by:	
Cash	63,137
Consideration payable	14,863
	78,000
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	10,933
Consideration paid	(63,137)
	(52,204)

As of June 30, 2017, the Company is still in the process of evaluating the purchase price allocation for Chongqing Meiyuan, goodwill of approximately RMB42.13 million was recognized based on the preliminary assessment of management which may be subject to adjust upon the completion of evaluation.

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

25. ACQUISITION OF SUBSIDIARIES (continued)

(b) (continued)

Included in the profit for the interim period is RMB2.23 million attributable to the subsidiaries acquired since the acquisition date. Revenue for the interim period includes RMB82.58 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, 2017 would have been RMB22,403.93 million and the amount of the profit for the interim period would have been RMB706.03 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, 2017, nor is it intended to be a projection of future results.

(c) In March 2017, the Group acquired 100% equity interests in Fuqing Dachangjiang Runtong Car Dealership Co., Ltd. ("Changjiang Runtong") from an independent third party for cash consideration of RMB31 million to expand the Group's dealership network.

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

	RMB'000
Prepaid lease payments	14,500
Trade and other receivables *(note)*	17,189
Deferred tax liabilities	(500)
Net assets acquired	31,189
Consideration transferred	31,189
Satisfied by:	
Cash	13,000
Trade and other payables *(note)*	17,189
Consideration payable	1,000
	31,189
Net cash outflow arising on acquisition:	
Consideration paid	(13,000)

Note: According to the equity transfer agreement, the trade and other receivables amounting to RMB17,189,000 were offset with trade and other payables of the Group at the acquisition date.

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.

(d) In April 2016, the Group acquired 100% equity interests in JS Baozun Investment Group Co., Ltd. ("JS Baozun") from independent third parties at a total consideration of RMB764 million, to expand the Group's dealership network. As at December 31, 2016, the Group has paid the consideration in amount of RMB687,605,000. During the six months ended June 30, 2017, the Group paid the remaining consideration of RMB76,400,000.

(e) During the six months ended June 30, 2017, the Group paid approximately RMB7,001,000 (for the six months ended June 30, 2016: nil) as deposits for acquisition of a subsidiary for business expansion.

26. RELATED PARTY DISCLOSURES

I. Amounts due from related parties/a related party

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Current		
Associates held by the Group		
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	–	64
Joint ventures held by the Group		
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda")	89,477	89,118
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	54,815	—
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong")	3	—
Entities controlled by the shareholders		
Shanghai Yongda Property Development Co., Ltd.	171	171
	144,466	89,353
Analysed as:		
Trade-related *(note a)*	182	235
Non trade-related *(note b)*	144,284	89,118
	144,466	89,353

Notes:

a. The Group offers at its discretion certain related parties a credit period up to 90 days.

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

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Non-current		
Joint venture held by the Group		
Ryde 88 Pty Limited	32,356	32,356

The balance is AU$-denominated and unsecured loan of principal amounting to AU$6,000,000, equivalent to RMB31,435,000, with maturity of three years. The loan carries a fixed interest rate of 12% per annum. The interests are payable upon maturity. As at June 30, 2017, unreceived interest of approximately AU$180,000, equivalent to RMB921,000, was accrued.

26. RELATED PARTY DISCLOSURES (continued)

II. Amounts due to related parties

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Joint ventures held by the Group		
Shanghai Bashi Yongda	**2,622**	3,665
Shanghai Yongda Changrong	**1,400**	—
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited	**1,693**	—
	5,715	3,665
Analysed as:		
Trade-related *(note)*	**5,715**	3,665

Note: A credit period of not exceeding 90 days is given to the Group by the related parties.

III. Related party transactions

	For the six months ended June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
a) Sales of passenger vehicles		
Shanghai Bashi Yongda	**—**	4,952

26. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

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 RMB367,450,000 and RMB378,651,000 for the six months ended June 30, 2016 and 2017, respectively. A commission of approximately RMB3,913,000 and RMB3,269,000 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, 2016 and 2017, respectively.

		For the six months ended June 30,	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
b)	**Purchase of motor vehicles**		
	Shanghai Bashi Yongda	**5,708**	12,907
	Shanghai Yongda Changrong	**2,952**	2,256
		8,660	15,163
c)	**Sales of spare parts**		
	Shanghai Bashi Yongda	**95**	2,991
	Shanghai Yongda Changrong	**441**	—
		536	2,991
d)	**Purchase of spare parts**		
	Shanghai Bashi Yongda	**7**	—
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.	**11,899**	5,554
	Associate held by the Group		
	Shanghai Yongda Fengdu Automobile	**2,921**	1,750
		14,820	7,304

26. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

		For the six months ended June 30,	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
f)	**Compensation of key management personnel:**		
	Short-term benefits	2,591	3,448
	Post-employment benefits	236	276
	Share-based payments	2,182	2,178
		5,009	5,902

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.

27. SUBSEQUENT EVENTS

(a) Issuance of super short-term commercial papers

On July 13, 2017 and July 27, 2017, Shanghai Yongda Investment issued the third tranche and the fourth tranche of the super short-term commercial papers , respectively, each of an aggregate principal amount of RMB0.4 billion with a term of 170 days and RMB0.6 billion with a term of 270 days from their respective dates of issuance. The super short-term commercial papers are unsecured and carry interests at rates of 4.97% per annum and 5.35% per annum, respectively. The interests are payable upon maturity. The super short-term commercial papers were issued to domestic institutional investors in the PRC which are independent third parties.

(b) Acquisition of subsidiaries

On July 19, 2017, Shanghai Yongda Automobile Group Co., Ltd. ("Automobile Group"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 100% equity interests of four independent entities which operates BMW 4S dealerships in Shandong Province with the total consideration of RMB413,000,000.