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

ANNUAL REPORT 2017

CONTENT


CAYENNE


PORSCHE

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

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Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISERS TO HONG KONG LAW

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

JOINT COMPANY SECRETARIES

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

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

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183 Queen's Road East
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STOCK CODE

03669

AUDITOR

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

COMPANY WEBSITE

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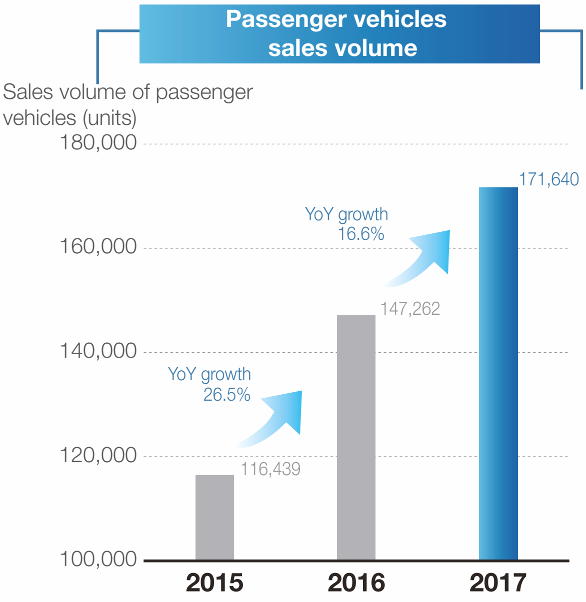
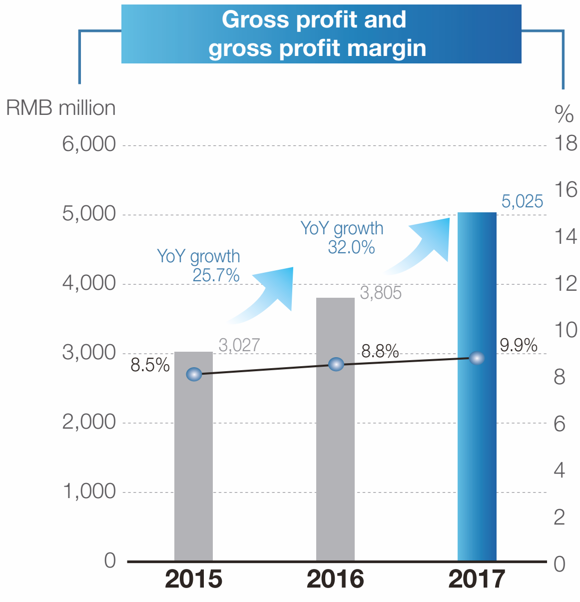
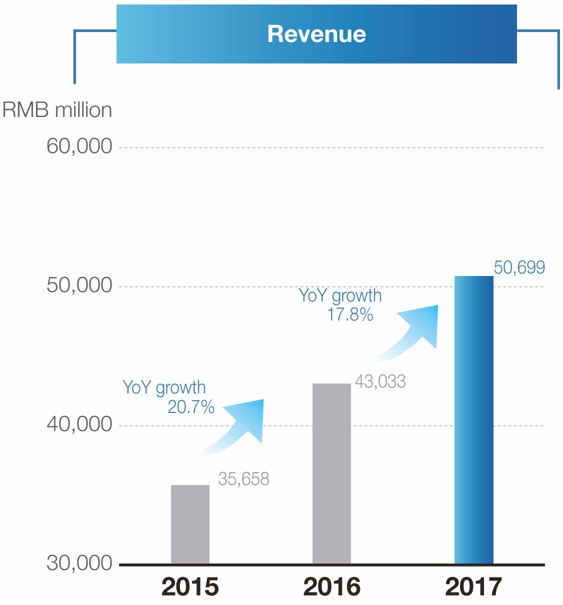
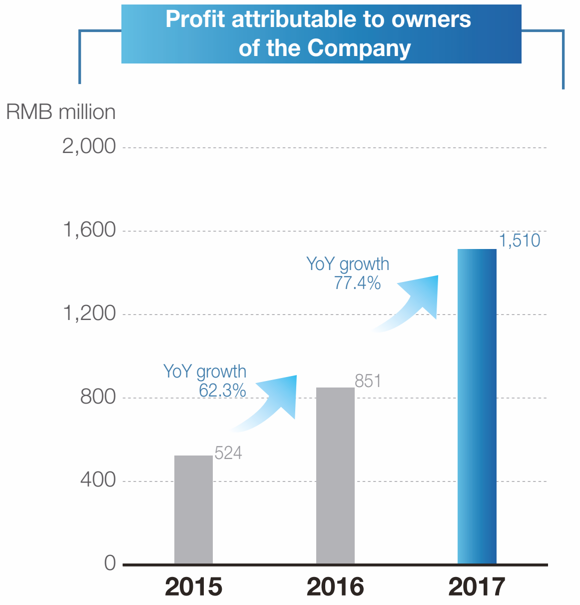
Financial Highlights









Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the 2017 Annual Report of the Company and its subsidiaries (collectively referred to as "the Group", "we" or "us").

In 2017, the sales volume of passenger vehicles in China reached 24.72 million units, representing an increase of 1.4% as compared to 2016, among which, the year-on-year growth rate of luxury brand vehicles reached 17%, accounting for 9% of the market share of the passenger vehicles market. Vehicle ownership in China reached 217 million units by the end of 2017. With rising passenger vehicle ownership and the aging of vehicles, the after-sales services market of automobiles continued to grow rapidly. At the same time, the transaction volume of pre-owned vehicles increased rapidly and achieved a year-on-year growth of 19.3% and exceeded 12.4 million units. In addition, the corresponding automobile finance and automobile rental industries also recorded good performance.

Benefiting from good market environment, in 2017, the Group achieved comprehensive revenue of RMB51.559 billion and comprehensive gross profit of RMB5.885 billion, representing an increase of 17.9% and 30.4%, respectively, as compared to the same period in 2016. The Group also achieved comprehensive gross profit margin of 11.41% in 2017, representing an increase of 1.10 percentage points as compared to 10.31% for the same period in 2016. In 2017, the Group achieved net profit of RMB1.602 billion and net profit attributable to owners of the Company of RMB1.510 billion, representing an increase of 76.5% and 77.4%, respectively, as compared to the same period in 2016, enjoying an unprecendented growth in profit in the Group's history.

I. KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD:

1. Our sales volume of new vehicles reached 171,640 units, representing an increase of 16.6% as compared to the same period in 2016. Our sales revenue of new vehicles reached RMB43.492 billion, representing an increase of 16.6% as compared to the same period in 2016. Our gross profit margin for sales of new vehicles was 3.66%, representing a significant increase from 3.10% in the same period in 2016;

2. Our revenue of after-sales services business, which included repair and maintenance services and automobile extended products and services, reached RMB6,685 million, representing an increase of 22.7% as compared to the same period in 2016. Our gross profit margin for after-sales services business was 46.10%, representing a growth as compared to 45.72% in the same period in 2016;

3. The revenue from our agency business was RMB884 million, representing an increase of 24.1% as compared to the same period in 2016. The revenue from our proprietary finance business amounted to RMB331 million, representing an increase of 170.9% as compared to the same period in 2016;

4. Our sales volume of the pre-owned vehicles effected by us reached 35,183 units, representing an increase of 38.6% as compared to 25,384 units in the same period in 2016. The revenue from the pre-owned vehicle agency services amounted to RMB185 million, representing an increase of 42.7% as compared to RMB129 million in the same period in 2016;

5. The Group continued to adhere to refined and digitalized management and customer-oriented strategy to enhance the operating efficiency of the Company;

6. The Group continued to push forward the network of high-end luxury brands through self-building outlets and mergers and acquisitions. In 2017, the Group opened 14 outlets including luxury and ultra-luxury brands such as BMW, Porsche, Lincoln, etc. In the meantime, the Group acquired and merged 14 outlets including Porsche, BMW, etc.

II. FUTURE PROSPECTS

The Group considers that there will be promising future for the passenger vehicles market in China with huge quantity demands. There will be full of opportunities and challenges. The Group plans to focus on the following aspects in our future development:

1. We will adhere to our market positioning as a luxury brand automobile dealer and continue to develop sales and services industry of luxury and ultra-luxury brand vehicles;

2. We will seize the great opportunities from the update and model modification of high-end brands including BMW, Porsche, Audi, Cadillac, Volvo, etc. in the market in the next few years and strive to enhance profitability of the Company;

3. We will actively develop automobile finance and pre-owned vehicles industries, dedicating to identify new economic growth point and improve the comprehensive competitiveness of the Group;

4. We will continue to improve the level of refined and digitalized management to strengthen the core competitiveness of the Company; and

5. We will capture the development trends of new energy and intelligent driving industries, fully utilise various channels including investment and cooperation to seize market opportunities, ensuring the sustainable development and expansion of the Group.

On behalf of the Board, I would like to express our sincere gratitude to all of the staff for their efforts and to various parties in the community for their supports towards the steady development of the Group.

CHEUNG Tak On
Chairman

March 20, 2018

Management Discussion & Analysis

MARKET REVIEW

In 2017, China's passenger vehicles generally maintained a moderate growth in sales volume as compared to 2016. According to the information of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in China was 24.72 million units in 2017, representing an increase of 1.4% as compared to 2016, among which, the sales volume of luxury brand passenger vehicles maintained a relatively fast growth at a growth rate of 17.0%, accounting for 9.0% of the passenger vehicle market share. In the first half of 2017, affected by the advance consumption resulting from adjustments to purchase taxes at the end of 2016, the growth of the overall passenger vehicle sales was insignificant. With the elimination of negative factors arising from the first half of 2017, the market picked up gradually in the second half of the year, and the overall inventory reduction was apparent as of the end of 2017. As the macro-economic condition of China further maintained stable growth, we expect that the overall sales volume of passenger vehicles in China would maintain a steady growth in 2018 and the overall year-on-year growth rate is expected to exceed that of 2017. In particular, the luxury vehicle market is expected to maintain a double-digit growth.

The luxury vehicle market ushered in a new wave of growth in 2017. Certain brand original equipment manufacturers (OEMs) 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 relatively high growth rate for a fair long period, and that the proportion of sales volume of luxury and ultra-luxury brand passenger vehicles contributing to the sales volume of the passenger vehicles in China will further increase.

Management Discussion & Analysis

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security, vehicle ownership in China reached 217 million units by the end of 2017. With rising passenger vehicle ownership and the aging of vehicles in China, the after-sales services market for passenger vehicles in China maintained 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 businesses, such as after-sales services, pre-owned vehicles, finance and insurance services, would have a positive effect on the increase of profitability of automobile dealers.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China exceeded 12.4 million units in 2017, representing a year-on-year increase of 19.3%. Meanwhile, we noted that with the constant optimization of the pre-owned vehicle industrial and taxation policies in China, the market resources have started to become concentrated as compared with the previous dispersed state, and the large pre-owned vehicle dealership groups adopting brands and retail sales as their main model will be in a more advantageous position in the future.

According to the China Auto Internet Finance Development Report 2017 published by 01 Think Tank (零壹智庫), 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 is still notable room for development for the domestic market. Meanwhile, we noted that with an increasing number of younger vehicle buyers and an improving credit system, the "hire-purchase" (以租代購) 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 China Auto Internet Finance Development Report 2017, from 2014 to 2016, the size of the automobile finance

lease market in China increased from 208,000 units to 700,000 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 (中國產業信息網), the automobile rental market in China reached RMB69.8 billion in 2017, representing a year-on-year increase of 13%, among which the highly dispersed long-term automobile rental market grew 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 relatively fast growth and will undergo further integration in the future. It is expected that the size of the automobile rental market in China will amount to RMB115.9 billion by 2020.

According to the statistics of the National Bureau of Statistics of China, the production of new energy vehicles in 2017 in China reached 716,000 units, representing a year-on-year growth of 51%, among which the sales volume of domestic new energy passenger vehicles achieved 556,000 units, recording the best performance at a year-on-year growth of 69%. With the launch of new energy vehicles by major automobile manufacturers, the mass production of the competitive models by the innovative new energy vehicle enterprises, and the continuous improvement of the infrastructures facilitating use of new energy vehicles, we believe that new energy vehicles will show great potential for development.

Management Discussion & Analysis

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved a strong growth in 2017. In 2017, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services, amounted to RMB51,559 million and RMB5,885 million, respectively, representing an increase of 17.9% and 30.4%, respectively, compared to the same period in 2016. Taking into account the revenue from finance and insurance agency services, our comprehensive gross profit margin for 2017 was 11.41%, representing an increase of 1.10 percentage points compared to 10.31% for the same period in 2016. In 2017, our net profit and net profit attributable to owners of the Company were RMB1,602 million and RMB1,510 million, respectively, representing an increase of 76.5% and 77.4%, respectively, as compared to the same period in 2016. Set forth below is a summary of major developments of our business in 2017:

Fast and Steady Growth in New Vehicle Sales

In 2017, the passenger vehicle sales market in China generally maintained a moderate growth while our sales of luxury brand automobiles maintained a relatively rapid growth. Under such context, our sales volume of new vehicles recorded a fast growth and increased by 16.6% to 171,640 units compared to 2016. Several luxury brands for which we provided agency services achieved rapid growth in sales volume compared to 2016, among which, the sales volume of Porsche brand, Volvo brand, Cadillac brand and Lincoln brand increased by 37.9%, 52.4%, 104.2% and 22.8% year-on-year respectively, becoming the new growth points for the growth of our new vehicle sales.

In 2017, the revenue from new vehicle sales of our passenger vehicle sales and services segment amounted to RMB43,492 million, representing a 16.6% increase compared to the same period in 2016. In 2017, the gross profit margin of new vehicle sales of our passenger vehicle sales and service segment was 3.66%, representing a significant increase compared to that of 3.10% in 2016. Our gross profit of new vehicle sales was RMB1,593 million, representing a 37.8% increase compared to the same period in 2016.

With respect to the internal management optimization of our new vehicle sales, we enhanced the assessment and management model focusing on the comprehensive gross profit of sales, 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 permeability rate and 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 comprehensive 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, financial service and pre-owned vehicle repurchase to leasing companies thereby continuously 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 brand new vehicle purchase experience to 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 2017 through improving the coordinated management of sales.

Management Discussion & Analysis

Steady and Healthy Growth in After-sales Services

In 2017, our after-sales services business (including repair and maintenance services and automobile extended products and services) achieved a steady and healthy growth, and the revenue from our after-sales services reached RMB6,685 million, representing an increase of 22.7% compared to the same period in 2016. In 2017, the gross profit margin of our after-sales services was 46.10%, representing an increase as compared with 45.72% in the same period in 2016.

In terms of the continuous expansion of our business scale:

While maintaining solicitation of customers for regular maintenance parts, we strengthened our solicitation of customers for consumable parts of vehicles with high loss rate to ensure the sustainable increase in the number of customers under our management.

In order to ensure the continuous improvement in the volume of vehicle accident insurance claims business, we developed and promoted the referral repair system for accident vehicles, effectively improving the repair and maintenances rate in the referral repair business and assisting insurance companies to enhance the quality of referral repair.

We continued to optimize our proprietary repair and maintenance capacity assessment system through periodically conducting analysis and assessment on the repair and maintenance capacity of enterprises in operation for over three years in order to systematically implement the improvement and transformation of the repair and maintenance capacity of enterprises, ensuring the sustainable growth of our maintenance business.

In terms of maintaining a stable gross profit margin:

While increasing our business volume of parallel imported spare parts and care and maintenance products under our proprietary "QUICKACT" brand, we capitalized on our economies of scale and carried out centralized invitation for bids for our products with high volume of procurement, thereby further reducing our procurement costs.

We focused on the growth and key development of extended services businesses with high profitability through paying close attention to the development trends of all kinds of extended services in the market. We launched customized extended services and products for the needs of different brands and regional customers in a timely manner, which made certain achievements and effectively improved the gross profit margin of the after-sales business and enhanced our corporate competitiveness.

High-speed Growth of Our Pre-owned Vehicle Business

In 2017, the sales volume of pre-owned vehicles effected by us was 35,183 units, representing an increase of 38.6% as compared to 25,384 units in the same period in 2016; the revenue from the pre-owned vehicle agency services amounted to RMB185 million, representing an increase of 42.7% as compared to RMB129 million in the same period in 2016.

Management Discussion & Analysis

In 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 97 pre-owned vehicle retail outlets across the country, including 47 business outlets certified by OEM brands, 24 4S sales outlets and 26 "Yongda Pre-owned Vehicle Mall" chain outlets.

"Yongda Pre-owned Vehicle Mall", an independent pre-owned vehicle chain brand of the Group, is one of the leading pre-owned vehicle brands in China. At present, we have established three regional management centers in East China, Southwest China and Inner Mongolia, and have achieved rapid development by way of independent construction, cooperation, franchise, etc.. Leveraging on our strategic branding management, we had established our repair and refurbishment centers under regional centralized management, implemented professional inspection with 15 categories and 178 items, built an all-process quality control system for "Yongda Pre-owned Vehicle" characterized with product standardization and process management, rapidly promoted the light-asset and platform-focused business model, such as consignment and direct selling, thus striving to provide consumers with products and service experience with "first-hand quality and full guarantee". At the same time, through the close strategic cooperation relationship with domestic mainstream OEMs as well as finance and leasing companies, we developed strong residual value analysis, management and disposal capability for pre-owned vehicles and captured a large scale of vehicle sources and data based on data application and analysis. In 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).

Strong Growth Momentum of Automobile Finance

Our automobile finance business has maintained a relatively high level of growth for three consecutive years and was especially strong in 2017.

In 2017, with the development strategy of "stably developing our proprietary business while actively expanding our agency business", various segments under the finance business have achieved effective expansion and growth, recording rapid improvement both in terms of business scale and profitability compared with last year. In 2017, the permeability rate of the Group's finance reached 62%, and the revenue of full-caliber finance business amounted to RMB1,215 million, representing an increase of 45.6% over the same period last year. The contribution of finance business to the gross profit of the Group continued to improve, which increased to 18.6% in 2017 from 17.9% in the same period of 2016.

We continued to adjust and optimize the structure of our finance business throughout the year. Firstly, our agency business continued to grow steadily. In 2017, our agency business achieved an overall revenue of RMB884 million, representing a 24.1% increase compared to the same period last year, among which, the revenue derived from our mortgage business amounted to RMB533 million, representing a 26.1% increase, the revenue derived from our insurance business amounted to RMB351 million, representing an increase of 21.3%. Secondly, our proprietary finance business improved with strong momentum. In terms of revenue, revenue from our proprietary finance business was RMB331 million in 2017, representing a 170.9% increase from RMB122 million for the same period last year; and the revenue of our proprietary finance business as a percentage of the revenue of our finance business increased to 38.3% in 2017 from 22.4% in the same period last year. In terms of profit, net profit from our proprietary finance business was RMB117 million in 2017, representing a 119.7% increase from RMB53 million for the same period last year. In 2017, we achieved additional interest-bearing assets of RMB6,722 million, representing a year-on-year increase of 162.6%; and the closing balance of assets under our management amounted to RMB3,897 million, representing a year-on-year increase of 78.5%. It is worth mentioning that the proportion of out-of-system business in our proprietary business continued to increase. In terms of the scale of the new interest-bearing assets, the proportion of out-of-system business in our proprietary business has exceeded 50% and reached 52.3%.

Our financial products diversified increasingly. In August 2017, we completed the acquisition of Qingdao Haina Insurance Agency Company (青島海納保險代理公司) and officially obtained the national insurance agency license, which serves as a breakthrough of our business scope. Subject to operations within regulatory requirements, we adhered to the product strategy of the industry-finance integration and continued innovation, we have currently developed a diversified product system covering standard vehicle loan, micro-credit, hire purchase, credit installment, automobile insurance, health insurance and accident insurance.

Channel construction forged ahead steadily. In 2017, we built an online-offline dual channel system by adopting the channel-building strategy of "Channel Partnership, Platform Sharing" (渠道合夥、平台共享). With Shanghai as the offline center, we strive to develop a nationwide network covering eastern China, western China and southern China. In 2017, we completed the establishment of seven financial sales services branches in key cities nationwide, and simultaneously set up four finance leasing branches and nine insurance agency branches. For online services, we completed the overall transformation of "Golden Touch" online platform (點車成金線上平台) and the structural formation of integrated financial sales platform.

Our asset quality remained in good condition. In 2017, we adjusted and formulated risk policies which match with our businesses. Our product risk strategy has been established to achieve risk measurement of different products through product cascade diagram and to forecast and assess the overdue risk of applicants by introducing advanced scorecard tools and self-built scorecard models. The overall overdue rate was within our control, and the risk assets were in good condition.

Sustainable Growth in Automobile Rental

In 2017, our automobile rental services recorded a revenue of RMB380 million, representing an increase of 4.3% compared to 2016.

In 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 services, media entertainment and high-tech sectors. We secured long-term rental businesses from a number of large customers, such as FAW Audi, Jaguar Land Rover China and Ford China. 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 and domestic conferences, major sports and cultural events, such as "2017 Victoria's Secret Fashion Show" (2017維多利亞的秘密秀), "Huawei Global User Group Meeting/Huawei Connect 2017" (華為2017全球用戶／全連接大會), "Formula 1 Chinese Grand Prix" (F1中國大獎賽) and "2017 Global (Shanghai) Artificial Intelligence Innovation Summit" (2017全球（上海）人工智能創新峰會) and attained positive marketing effects.

In 2017, in response to the public service vehicle reform policy of the Shanghai municipal government, we became the designated unit of the government authorities to carry out the socialisation of the leasing of vehicles for public affairs for many district governments and Public Security Bureau branches of Shanghai, and had introduced the "Vehicle Steward Service" project for government civil servants, which covers vehicle purchase, repair and maintenance, accident rescue, automobile insurance, vehicle inspection, old vehicle repurchase etc. The launch of this project would further strengthen our leading position in the sphere of public service vehicle rental services in Shanghai.

In 2017, we continued to deploy our rental network in China. Currently, we have invested in and established 20 service outlets in more than ten cities nationwide. Meanwhile, we actively explored opportunities for cooperation with companies and agencies with advantages in terms of customer base and license resources in local markets, including Beijing, Tianjin, Guangzhou, Shenzhen, Hainan etc.

Stable Development of New Energy Vehicle Business

In 2017, our sales and services business of new vehicles of major domestic new energy vehicle brands recorded fast growth. We were awarded the first prize of "BMW Best New Energy Vehicle Dealer Award" (寶馬最佳新能源車銷售經銷商獎), the honor of "Outstanding Dealer" from manufactures such as SAIC ROEWE and BAIC BJEV and the exclusive agency rights of ARCFOX LITE brand of BAIC BJEV in Shanghai. The Company closely monitored the sales and service business of new energy vehicles of the traditional automobile brands and obtained the exclusive agency rights of new energy vehicles of Ford Mondeo in Shanghai. In addition, in 2017, the Company also obtained the authorization from domestic renowned innovative new energy vehicle manufacturers such as WM Motor (威馬汽車) and Dearcc (電咖) to open outlets in Shanghai, Guangzhou and Wuhan, laying a good foundation for the Company to further expand the scale of sales and services business of new energy vehicles.

In 2017, we won the procurement bidding from some large corporate users such as Global Car Rental (環球租車) and SGCC (國家電網). The new energy vehicles of our Company were registered to operate under domestic platforms of Internet car booking, which would allow us to build our experience accumulation in the travelling services business.

In 2017, the Company made strategic investments in domestic leading enterprises engaging in research and development and production of core spare parts of new energy vehicles, Leckon Electrical (力信電氣) and Funeng Technology (孚能科技), to expand into the upstream of the new energy vehicle industry. We will continue to establish business connection and cooperation relationships with domestic and overseas renowned enterprises engaging in research and development and manufacture 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 2017, in respect of developing self-built outlets authorized by manufacturers, 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 2017, we opened 14 new passenger vehicles sales and services outlets which focused on luxury and ultra-luxury brands, including one Porsche 4S dealership, one BMW 4S dealership, three Lincoln 4S dealerships, one Jaguar/Land Rover 4S dealership, two Shanghai Volkswagen 4S dealerships, one Skoda 4S dealership, one Lynkco 4S dealership, one MINI city showroom, one Lincoln city showroom and two BMW motorcycle city showrooms.

In respect of new outlets authorizations, in 2017, we obtained authorization to open 17 new passenger vehicles sales and services outlets which focused on luxury and ultra-luxury brands, including one BMW 4S dealership, one Porsche 4S dealership, three Lincoln 4S dealerships, six Volvo 4S dealerships, one Cadillac 4S dealership, one Lynkco 4S dealership, one Buick 4S dealership, two Porsche city showrooms and one Lincoln city showroom.

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 merger and acquisition strategy, 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 2017, through effective collaboration of various teams within the Company, we actively grasped the market opportunity of merger and acquisition and successfully acquired five Porsche 4S dealerships, five BMW 4S dealerships, one Jaguar/Land Rover 4S dealership, one Benz city showroom and two Hyundai 4S dealerships.

In 2017, with respect to the construction of self-owned outlets, we opened ten 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, Central China, Southwest China and Southern China. As of December 31, 2017, our total number of outlets that are opened and outlets with authorisation to be opened amounted to 247. Such outlets spread all over 4 municipalities and 16 provinces in China, including 173 opened outlets with manufacturers' authorization, 54 opened self-owned outlets and 20 outlets with authorizations to be opened. Set out below are the details of our outlets as at December 31, 2017:

	Opened outlets	Outlets with authorizations to be opened	Total
4S dealerships of luxury and ultra-luxury brands	104	16	120
4S dealerships of mid- to high-end brands	50	1	51
City showrooms of luxury brands	14	3	17
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	**173**	**20**	**193**
Self-owned "Auto Repair" maintenance centers of luxury automobiles	18	–	18
Comprehensive showrooms of passenger vehicles	10	–	10
Yongda Pre-owned Vehicle Malls	26	–	26
Subtotal of non-manufacturer authorized outlets	**54**	**–**	**54**
Total outlets	**227**	**20**	**247**

Apart from the above outlets, as of December 31, 2017, we opened 47 finance leasing companies and their respective branches/subsidiaries, one small loan company and one asset management company, one insurance agency company and 31 rental companies and their respective branches/subsidiaries.

Continuously Improved Management

In 2017, we firmly adhered to management with integrity and excellence-pursuing culture, and closely combined our automobile industry experience of over 20 years with the demand of current industry development as well as utilized up-to-date digital technology, so as to constantly achieve breakthroughs and innovations in management enhancement.

Channel Reforms: We continually promoted channel reforms which focused on customer and strived to build a new retail system of all channels in the field of vehicle sales and services. We also expanded the monotonic offline physical automobile sales and service outlets into channel outlets which consist of automobile related industrial chains 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, the front end efficiently captured customer demand through digital precise marketing, and the middle and back end provided consumers with a transparent and real-time trading experience and service monitoring mechanism through online and offline integration.

Industry Convergence: Relying on our current competitive edge in the automobile industry, on one hand, we rapidly expanded and strengthened our finance services business while maintaining a rapid growth of our vehicle services business. We will provide sales and service enterprises and end-customers with competitive finance products along the automobile industrial chain so as to create a leading domestic automobile finance services brand. On the other hand, through a differentiated positioning of the pre-owned vehicle's sourcing and retail model, we aim to become a leading domestic pre-owned vehicle retail service brand. We will rely on the platform of channel enterprises and strive to achieve full life cycle coverage focused on vehicle customers through multi-dimensional deep integration and customization in the areas of finished vehicle procurement, financial product design, sales and services, and pre-owned vehicle repurchase.

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 build 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 of our Company resulting from our 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 industrial scale advantages and diversified characteristics of the Group, 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 operating, supporting and monitoring platforms by utilizing the data center, 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.

FINANCIAL REVIEW

Revenue

Revenue was RMB50,699.3 million in 2017, a 17.8% increase from RMB43,032.5 million in 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 year ended December 31,					
	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	**34,336,628**	**99,956**	**344**	29,409,498	83,456	352
Mid- to high-end brands	**9,155,088**	**71,684**	**128**	7,894,651	63,806	124
Subtotal	**43,491,716**	**171,640**	**253**	37,304,149	147,262	253
After-sales services	**6,685,120**	**–**	**–**	5,446,431	–	–
Automobile rental services	**379,735**	**–**	**–**	363,991	–	–
Proprietary finance business	**331,392**	**–**	**–**	122,313	–	–
Inter-segment eliminations	**(188,661)**	**–**	**–**	(204,382)	–	–
Total	**50,699,302**	**–**	**–**	43,032,502	–	–

The sales volume of passenger vehicle of the passenger vehicle sales and services segment was 171,640 units in 2017, a 16.6% increase from 147,262 units in 2016, among which the sales volume of luxury and ultra-luxury brand passenger vehicle in 2017 was 99,956 units, a 19.8% increase from 83,456 units in 2016.

Revenue of passenger vehicles sales from the passenger vehicle sales and services segment was RMB43,491.7 million in 2017, a 16.6% increase from RMB37,304.1 million in 2016, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB34,336.6 million in 2017, a 16.8% increase from RMB29,409.5 million in 2016.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB6,685.1 million in 2017, a 22.7% increase from RMB5,446.4 million in 2016.

Revenue from the automobile rental services segment was RMB379.7 million in 2017, a 4.3% increase from RMB364.0 million in 2016.

Revenue from the proprietary finance business segment was RMB331.4 million in 2017, a 170.9% increase from RMB122.3 million in 2016.

Cost of Sales and Services

Cost of sales and services was RMB45,674.6 million in 2017, a 16.4% increase from RMB39,227.1 million in 2016, which was slightly lower than that of the growth of our revenue.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB41,898.7 million in 2017, a 15.9% increase from RMB36,148.4 million in 2016, which was slightly lower than that of the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB3,603.6 million in 2017, a 21.9% increase from RMB2,956.5 million in 2016, which was slightly lower than that of the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB279.3 million in 2017, a 7.4% increase from RMB260.1 million in 2016. The increase was slightly higher than the increase in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB119.7 million in 2017, a 351.8% increase from RMB26.5 million in 2016. The increase was higher than the increase in our revenue from the proprietary finance business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB5,024.7 million in 2017, a 32.0% increase from RMB3,805.4 million in 2016. Gross profit margin increased to 9.91% in 2017 from 8.84% in 2016.

Gross profit of sales from the passenger vehicles sales of the passenger vehicle sales and services segment was RMB1,593.0 million in 2017, a 37.8% increase from RMB1,155.8 million in 2016. Gross profit margin for passenger vehicle sales increased to 3.66% in 2017 from 3.10% in 2016.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB3,081.5 million in 2017, a 23.8% increase from RMB2,489.9 million in 2016. Gross profit margin for after-sales services increased to 46.10% in 2017 from 45.72% in 2016.

Gross profit from the automobile rental services segment was RMB100.5 million in 2017, a 3.3% decrease from RMB103.9 million in 2016. Gross profit margin for automobile rental services was 26.45% in 2017, representing a slight decrease compared to 28.55% in 2016, mainly due to the increase in labour costs.

Gross profit from the proprietary finance business segment in 2017 was RMB211.7 million, a 121.0% increase from RMB95.8 million in 2016. Gross profit margin for the proprietary finance business segment was 63.89% in 2017, representing a decrease compared to 78.35% in 2016, mainly due to the increase in the leverage rate of the proprietary finance business.

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB927.2 million in 2017, a 21.9% increase from RMB760.4 million in 2016. The increase was primarily due to the fact that revenue of the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment amounted to RMB883.5 million in 2017, a 24.1% increase from RMB711.8 million in 2016.

Distribution and Selling Expenses

Distribution and selling expenses were RMB2,269.3 million in 2017, a 18.5% increase from RMB1,915.1 million in 2016, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the rate of our distribution and selling expenses was 4.48% in 2017, which remained basically flat as compared to 4.45% in 2016.

Administrative Expenses

Administrative expenses were RMB1,221.6 million in 2017, a 16.1% increase from RMB1,052.1 million in 2016, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the rate of our administrative expenses was 2.41% in 2017, which remained basically flat as compared to 2.44% in 2016.

Finance Costs

Finance costs were RMB494.1 million in 2017, a 3.1% increase from RMB479.5 million in 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 rate of finance costs decreased from 1.11% in 2016 to 0.97% in 2017.

Profit before Tax

As a result of the foregoing, profit before tax was RMB2,007.5 million in 2017, a 74.3% increase from RMB1,152.0 million in 2016.

Income Tax Expense

Income tax expenses were RMB405.7 million in 2017, a 66.1% increase from RMB244.2 million in 2016. Our effective income tax rate was 20.2% in 2017, representing a slight decrease compared to 21.2% in 2016.

Profit

As a result of the foregoing, profit was RMB1,601.8 million in 2017, a 76.5% increase from RMB907.8 million in 2016.

Total Comprehensive Income

As a result of the foregoing, total comprehensive income was RMB1,607.6 million in 2017, a 77.1% increase from RMB907.8 million in 2016.

Profit Attributable to the Owners of the Company

As a result of the foregoing, profit attributable to the owners of the Company was RMB1,509.9 million in 2017, a 77.4% increase from RMB851.3 million in 2016.

Total Comprehensive Income Attributable to the Owners of the Company

As a result of the foregoing, total comprehensive income attributable to the owners of the Company was RMB1,515.7 million in 2017, a 78.1% increase from RMB851.3 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are 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.

In 2017, our net cash used in operating activities was RMB1,107.8 million, among which, net cash from operating activities of the sales and services business of automobiles was RMB1,534.8 million, and net cash used in operating activities of the proprietary finance business was RMB2,642.6 million. In 2016, our net cash from operating activities was RMB571.1 million, among which, net cash from operating activities of the sales and services business of automobiles was RMB1,165.3 million, and net cash used in operating activities of the proprietary finance business was RMB594.2 million. Our net cash from operating activities of the sales and services business of automobiles increased by RMB369.5 million as compared to that in 2016.

In 2017, our net cash used in investment activities was RMB2,007.0 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB1,426.3 million, the amount for acquisition of subsidiaries of RMB688.4 million, advance to related parties of RMB68.4 million, available-for-sale investments of RMB159.0 million, which was partially offset by the proceeds from the disposal of property, plant and equipment, land use rights and intangible assets of RMB365.1 million. In 2016, our net cash used in investing activities was RMB1,311.0 million.

In 2017, our net cash from financing activities was RMB3,060.7 million, which mainly included the proceeds from bank loans and other borrowings of RMB20,372.7 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 RMB3,000.0 million, and withdrawal of pledged bank deposits pledged for borrowings of RMB106.0 million, which was partially offset by the repayment of bank loans and other borrowings of RMB19,194.8 million, the repayment of short-term debentures of RMB800.0 million, the repayment of super short-term commercial paper of RMB400.0 million, the payment of interest of RMB486.5 million, and the payment of dividends of RMB276.2 million. In 2016, our net cash generated from financing activities was RMB979.8 million.

Inventories

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

Our inventories were RMB6,111.8 million as of December 31, 2017, a 41.6% increase from RMB4,317.4 million as of December 31, 2016. The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended December 31,	
	2017	2016
Average inventory turnover days[1]	**41.7**	39.1

Note:

(1) 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 365 days.

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights, intangible assets and acquisition of subsidiaries. In 2017, our total capital expenditures comprising expenditures on purchase of fixed assets, land use rights and intangible assets and acquisition of subsidiaries were RMB2,114.7 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	For the year ended December 31, 2017 ***(RMB in millions)***
Expenditures on purchase of property, plant and equipment	**1,295.2**
Expenditures on purchase of land use rights	**44.5**
Expenditures on purchase of intangible assets	**86.6**
Expenditures on acquisition of subsidiaries	**688.4**
Total	**2,114.7**

Borrowings and Bonds

We obtained borrowings consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers, bonds and convertible bonds issued to fund our working capital and network expansion. As of December 31, 2017, the outstanding amount of our borrowings, bonds and convertible bonds amounted to RMB11,604.2 million, a 25.5% increase from RMB9,245.3 million as of December 31, 2016. The following table sets forth the maturity profile of our borrowings and bonds as of December 31, 2017:

	As of December 31, 2017 *(in RMB millions)*
Within one year	**9,195.3**
One year to two years	**2,386.5**
Two to five years	**22.4**
Total	**11,604.2**

As of December 31, 2017, our gearing ratio (being total debt divided by total assets) was 68.6% (December 31, 2016: 73.5%).

As of December 31, 2017, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2017 consisted of (i) inventories of RMB1,627.4 million; (ii) property, plant and equipment of RMB156.8 million; (iii) land use rights of RMB105.9 million; and (iv) equity interests of our subsidiaries of RMB764.0 million.

Contingent Liabilities

As of December 31, 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 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 exposure to interest rate risk.

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

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 annual report, the principal amount of RMB17,000,000 of the Bonds was redeemed. The 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 the principal amount of RMB980,000,000 of the Bonds was converted into 156,242,952 ordinary shares of the Company at the conversion price of HK$7.8995 per share. The Bonds were fully redeemed and converted. For further details, please refer to the section headed "Report of Directors – Convertible Bonds" in this annual report and the announcements of the Company in relation to the full conversion of convertible bonds dated October 4, 2017 and November 1, 2017, respectively.

In May 2017, 135,000,000 ordinary shares of the Company was placed to not less than six placees at the placing price of HK$6.58 per share under the general mandate of the Company and a top-up subscription of 135,000,000 ordinary shares of the Company was completed shortly after at a subscription price of HK$6.58 per share. The purpose of the placing and top-up subscription was to broaden shareholder base, strengthen the capital base and to enhance financial position and net assets base of the Company for long-term development and growth. The net proceeds of the placing and top-up subscription shall be used for expansion of the Group's dealership network, expansion of the Group's finance business, and general working capital purposes. For further details, please refer to the announcements of the Company dated May 12, 2017, May 16, 2017 and May 22, 2017 in relation to placing of existing shares and top-up subscription of new shares under the general mandate. The net proceeds have been utilized in the manner consistent with that disclosed in the aforesaid announcements.

FUTURE OUTLOOK AND STRATEGIES

With the continuous driving forces of the twin factors of the upgrade of consumption structure and the broadened variety of vehicle models in various market segmentation, the market share of luxury brand vehicles in China is expected to further increase. 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.

In 2018, leveraging on its strong product cycle, BMW will strive to launch advances in the market. Among them, the brand new 5 Series will become the pillar model for annual sales and profit, while at the same time the brand new domestic X3 Series to be launched in the second quarter will show substantial competitive advantage. BMW will release 40 or more brand new or updated models in the years to come. As the largest BMW dealership group in China in terms of sales volume, we will seize the opportunities of the powerful and intensive product release of BMW and sales growth to increase our brand performance. Meanwhile, there will be upgrade cycles of major luxury brands, such as Porsche and Audi, in 2018. Jaguar and Land Rover, Volvo, Cadillac and Lincoln, which are in the second echelon of luxury brands, also recorded fast growth in recent years. We are also expected to benefit from the increase in the market share of new products of these luxury brands.

We are expected to build our national outlet network by expanding the outlets of major luxury brands such as BMW, Porsche, Audi through self-building outlets and merger and acquisition, placing equal importance on scale and quality. With respect to our pre-owned vehicle business, we will develop front-end and light-asset 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 Internet E-commerce by using the Online-to-Offline (O2O) business model of the one-stop online mall to build our online exhibition and sales platform integrating direct selling, consignment, order matching and inventory financing. 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.

With respect to our finance services business, with the principle of "stably developing our proprietary business while actively expanding our agency business", we will uphold asset quality and risk management as the primary basis for development, promote the innovative product strategy of industry-finance integration, adopt the sales model of integrated finance and insurance, implement the partnership program to push forward channel building, further invest and explore in the financial technology and carry out a new industrial layout focusing on the three sectors of "financial services, travel services and financial technology". We will concentrate on developing the finance business into "a new profit driver, a new business brand and a new business pillar" of the Group.

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, eventfully forming a new retail mode centered on customers and driven by customer demand and thus responding to major changes in the market development. We will realize refined management and standardised operation in traditional automobile sales and services business through continuous in-depth digitalization, thus forming an internally and externally integrated digital ecosystem by applying the mega data and focusing on customer experience.

We have recognized the development trend in the automobile industry in the future. In particular, in the emerging field of new energy vehicles, we established a professional team and technical reserves and actively cooperated with the current global major brand vehicle manufacturers and the emerging Internet vehicle enterprises to explore market share in the sales and services business of new energy vehicles. Meanwhile, relying on the industrial capital of the Group, the Group will make strategic investments in such fields as "new energy, new materials and new technologies" through layout in the upstream and downstream industry chain of new energy vehicles to seize opportunities of future industry development. In addition, we will continue to actively explore strategic cooperation with leading players in various fields and industries to jointly build an automobile industry ecosystem. On basis of persistently strengthening and actively upgrading and transforming our existing businesses, we will consolidate the advantageous resources of social capital and enhance the strategic layout and development of emerging businesses, so as to ensure the increasing profitability and sustainable development as well as realize a multi-win situation among our shareholders, employees, customers and the community.

Directors and Senior Management

DIRECTORS

Executive Directors

CHEUNG Tak On (張德安), aged 51, is our Chairman and was appointed as our executive director on January 18, 2012 and is a current committee member of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference and the vice-president of the Shanghai Federation of Industry and Commerce in China. Mr. Cheung has extensive experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to present, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股（集團）有限公司) ("Yongda Holding") as well as its president since November 1999, where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. He is also currently the chairman of Shanghai Yongda Group Company Limited (上海永達（集團）股份有限公司) ("Yongda CLS"). From September 1991 to June 1998, Mr. Cheung was the general manager of Yongda CLS.

Mr. Cheung received numerous awards in recognition of his achievement. Set forth below are the details of the awards received by him:

Award	Awarding institutions
2015 National Model Worker (二零一五年全國勞動模範)	Central Committee of the Communist Party of China (中國共產黨中央委員會) State Council of the PRC (中華人民共和國國務院)
2014 Youth Entrepreneur Contribution Award (二零一四年青年企業家貢獻獎)	China Youth Entrepreneurs Association (中國青年企業家協會)
2014 Shanghai "TWO NEW" Organisation Public Service Counterparty Individual Outstanding Contribution (二零一四年上海「兩新」組織公益同行個人突出貢獻獎)	Human Resources Department of CPC Shanghai Social Work Committee (中共上海市社會工作委員會人力資源部)
2013 National Outstanding Business Entrepreneur (二零一三年全國商業優秀企業家)	China Business Enterprises Management Association (中國商業企業管理協會)
2013 Business Outstanding Contribution Award (二零一三年度事業突出貢獻獎)	Shanghai Youth Federation (上海市青年聯合會)
2012 Business Outstanding Contribution Award (二零一二年度事業突出貢獻獎)	Shanghai Youth Federation (上海市青年聯合會)
2012 Outstanding Entrepreneur (二零一二年傑出企業家)	Pudong New Area, Shanghai Businesses, Entrepreneurs Association (上海市浦東新區企業、企業家聯合會)
Person of the Year, 2012 China Automobile Dealing Industry (二零一二年中國汽車流通行業風雲人物獎)	China Automobile Dealers Association (中國汽車流通協會)
2011 National May Day Labor Medal (二零一一年全國五一勞動獎章)	All China Federation of Trade Union (中華全國總工會)
Outstanding Entrepreneur of China of 2009 (二零零九年中國卓越企業家)	The research centre of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會研究中心) and China Enterprise News Agency (中國企業報社)
Shanghai Labor Model of 2007 to 2009 (二零零七年至二零零九年度上海市勞動模範)	The people's government of Shanghai City (上海市人民政府)

Mr. Cheung obtained an adult higher education training certificate in economic law jointly granted by The Open University of China (中央廣播電視大學) and China University of Political Science and Law (中國政法大學) in 1996 and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2001. Mr. Cheung also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from September 1999 to December 2001, and the China CEO Program jointly offered by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, IMD and London Business School in 2011. Mr. Cheung completed the course of China CEO Global Research Proposal (《中國CEO全球研修計劃》) organised by Overseas Education Collage of Shanghai Jiaotong University (上海交通大學) in 2014.

CAI Yingjie (蔡英傑), aged 50, is our Vice-chairman and was re-designated from our President to Chief Executive Officer on March 23, 2015 and was appointed as our executive director on January 18, 2012. Mr. Cai is responsible for overseeing our operations and investment, managing our relationships with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai is also responsible for guiding the operation and management of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Yongda Automobile Group"), which is an indirect wholly-owned subsidiary of our Company, and he is the chairman or a director of several of our subsidiaries. From November 1998 to December 2011, he was the director of Yongda CLS and its general manager from November 1999 to December 2011. Mr. Cai was the deputy chief executive officer and a director of Yongda Holding from November 1999 to December 2011. From September 1991 to June 1998, Mr. Cai was the deputy general manager of Yongda CLS, where he was responsible for its business development. From September 1984 to July 1990, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai is currently a vice-chairman of the Shanghai Association of Automobile Manufacture (上海市汽車銷售行業協會) and he had also been a vice-president of the China Auto Dealers Chamber of Commerce (中華全國工商業聯合會汽車經銷商商會). Mr. Cai received the Executive Management Education Certificate from the Chinese Enterprise CEO Program at Cheung Kong Graduate School of Business in 2016 and graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.

WANG Zhigao (王志高), aged 49, is our Vice-chairman and was re-designated from our non-executive director to executive director on March 23, 2015. Mr. Wang is responsible for managing our strategies, remuneration and work in relation to professional capital market institutions and guiding the financial management and legal affairs of our Group. Mr. Wang was our non-executive director from January 2012 to March 2015, the deputy chief executive officer of Yongda Holding since January 2004 and its director since January 2005, where he is responsible for its finance, audit, investment and legal affairs, and a director of Yongda CLS since December 2003. Mr. Wang has been the chairman of Yongda Automobile Group since February 2016. Mr. Wang is also currently a director of Sea of Wealth International Investment Company Limited and Grouprich International Investment Holdings Limited and the chairman or a director of several of our subsidiaries. He also serves as a director of Shanghai Shoujia Investment Co., Ltd (上海首佳投資有限公司) and Shanghai Shouhao Information and Technology Co., Ltd (上海首浩信息科技有限公司), the chairman of Shanghai Yongda Asset Management Company Limited (上海永達資產管理股份有限公司) and Shanghai Yongda Investment Management Co., Ltd. (上海永達投資管理有限公司). From February 2006 to April 2016, Mr. Wang was an executive director of Shanghai Yongda Property Development Co., Ltd. (上海永達置業發展有限公司). From March 1998 to December 2003, Mr. Wang was a lawyer at Shanghai Jin Shi Law Firm (上海金石律師事務所) and from January 1997 to February 1998, a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所) and from August 1992 to December 1996, a lecturer at East China University of Political Science and Law (華東政法大學). Mr. Wang graduated from East China University of Politics and Law with a bachelor degree in economic law in 1992 and a master degree in law in 1999. Mr. Wang also received a master degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

Directors and Senior Management

XU Yue (徐悅), aged 42, was appointed as our executive director on March 23, 2015 and is responsible for our operation and management and the same of automobile group. Mr. Xu was our President from March 2015 to February 2016 and was re-appointed as our President since September 12, 2016. Mr. Xu joined our Group in 1999 and has more than 17 years of experience in the passenger vehicle dealership sector. Mr. Xu is also currently the vice-chairman and president of Yongda Automobile Group and the chairman or a director of several of our subsidiaries. He has been the executive vice-president of the Company from January 2012 to March 2015 and the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司). Between February 2002 and March 2004, Mr. Xu was the secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005. In 2015, Mr. Xu obtained a master degree in Business Administration at China Europe International Business School (中歐國際工商學院).

CHEN Yi (陳昳), aged 45, joined our Group in February 2014, was appointed as our Vice-president and the general manager of the finance business management department and is responsible for building of the Group's finance business. Ms. Chen was appointed as the general manager of Yongda Financial Services Group Limited (a subsidiary of the Company) which was established by the Group in December 2014, and is responsible for the operation and management of Yongda Financial Services Group Limited. Ms. Chen is also responsible for overseeing the operation and management of our Group. Ms. Chen has been appointed as our director, Vice-president of our Company and the executive director, President of Yongda Financial Services Group Limited since January 2015. She has over 20 years of experience in the banking and financial industry. Prior to joining us, Ms. Chen was the senior assistant to the president of the Transportation Finance Division and the director of Eastern China Automobile Business Division of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (Shanghai Stock Exchange ("SSE") stock code: 600016 and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") stock code: 01988) ("CMBC") from April 2013 to January 2014. From February 2004 to April 2013, Ms. Chen held several managerial positions in CMBC, including the general manager of the Industrial and Commercial Enterprises Finance Division Two of CMBC, the president of CMBC, Shanghai Branch, Gubei Sub-branch (民生銀行上海分行古北支行), the president of CMBC, Shanghai Branch, Jiading Sub-branch (民生銀行上海分行嘉定支行) and the general manager of the Automobile Finance Department and the president of CMBC, Shanghai Branch. From July 1995 to February 2004, she worked at the Credit Card Division, Personal Banking Division and Customer Service Division of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (SSE stock code: 601328 and the Hong Kong Stock Exchange stock code: 03328). Ms. Chen obtained a master degree in Executive Master of Business Administration from Shanghai Advanced Institute of Finance (上海高級金融學院) of Shanghai Jiao Tong University (上海交通大學) in 2014 and is currently enrolling in a Ph.D. degree in Global Financial Business Administration of Shanghai Advanced Institute of Finance.

Non-executive Director

WANG Liqun (王力群), aged 64, was appointed as our non-executive director on January 18, 2012, and is responsible for formulating major policies of our Group. Mr. Wang has been the chairman of the board of Shanghai Stone Capital Co., Ltd (上海磐石投資有限公司) since 2008 and participating in Shanghai Stone Capital Co., Ltd's material business decisions and strategic planning; has been an independent director of Pengxin International Mining Co., Ltd (鵬欣環球資源股份有限公司) (SSE stock code: 600490) since May 20, 2015; has been an independent director of Shanghai Jiao Yun Group Co., Ltd. (上海交運集團股份有限公司) (SSE stock code: 600676) since November 18, 2014; has been an independent director of Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司) (Shenzhen Stock Exchange ("SZSE") stock code: 300027) since 2014; has been the director of Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) (SSE stock code: 603022) since 2010; and has been the director of Shanghai Fortune Techgroup Co., Ltd. (上海潤欣科技股份有限公司) (SZSE stock code: 300493) since 2011. Mr. Wang has served a number of positions, including a director, general manager and senior consultant of Shanghai Bashi Industrial (Group) Co., Ltd. (上海巴士實業(集團)股份有限公司) (now known as Huayu Automotive Systems Company Limited (華域汽車系統股份有限公司)) (SSE stock code: 600741). From 1999 to 2007, Mr. Wang was the chairman of Shanghai Urban Rail System Corporation (上海現代軌道交通股份有限公司). From 1999 to 2001, Mr. Wang was the general manager of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司). From 2010 to 2016, Mr. Wang was the independent director of Talkweb Information System Co., Ltd (拓維信息系統股份有限公司) (SZSE stock code: 002261). Mr. Wang was qualified as a senior economist (高級經濟師) in 1992 by the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) and was awarded the title of "Outstanding Young Entrepreneur" (傑出青年企業家) by the Youth Communist League Committee of Shanghai (共青團上海市委員會) and Shanghai Youth Entrepreneurs Association (上海市青年企業家協會). Mr. Wang obtained a college diploma in economics management from the School of Construction and Management of the University of Shanghai Urban Construction College (上海城市建設學院) in 1987.

Independent Non-executive Directors

LYU Wei (呂巍), aged 53, was appointed as our independent non-executive director on January 18, 2012. Mr. Lyu is currently a professor of Management Department of Antai College of Economics and Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學). From November 2014 to May 2015, Mr. Lyu has been the head of preparatory group of the Faculty of the Cultural and Creative Industry of University of Southern California and Shanghai Jiao Tong University (上海交通大學美國南加州大學文化創意產業學院). From 2003 to November 2014, Mr. Lyu has been the Associate Dean of the Antai College of Economics and Management at Shanghai Jiao Tong University. Between February 1997 and March 2003, Mr. Lyu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lyu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology. From 1994 to 1996, Mr. Lyu was a visiting scholar at the University of Southern California.

Mr. Lyu's academic qualifications and extensive experiences have led to his appointments in a number of listed companies:

Companies	Positions	Duration
Shandong Wohua Pharmaceutical Co., Ltd. (山東沃華醫藥科技股份有限公司) (SZSE stock code: 002107)	Independent Director	January 2016 – present
Foshan Electrical and Lighting Co Ltd (佛山電器照明股份有限公司) (SZSE stock code: 000541)	Independent Director	December 2015 – present
Shanghai Shibei Hi-Tech Co., Ltd (上海市北高新股份有限公司) (SSE stock code: 600604)	Independent Director	September 2012 – December 2017
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易開發區股份有限公司) (SSE stock code: 600663)	Independent Director	May 2015 – present
Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電器（集團）股份有限公司) (SSE stock code: 601616)	Director	May 2015 – April 2017
Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司) (SZSE stock code: 002293)	Independent Director	November 2007 – October 2013
Shanghai Yaohua Pilkington Glass Co., Ltd. (上海耀華皮爾金頓玻璃股份有限公司) (SSE stock code: 600819)	Independent Director	June 2006 – April 2012
China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) (formerly known as China Seven Star Holdings Limited (中國七星控股有限公司) and China Seven Star Shopping Limited (中國七星購物有限公司)) (stock code: 245) (listed on the Hong Kong Stock Exchange)	Independent Non-executive Director	June 2005 – present
Giti Tire Corporation (佳通輪胎股份有限公司) (formerly known as Hualin Tire Corporation (樺林輪胎股份有限公司)) (SSE stock code: 600182)	Independent Director	July 2003 – May 2009

Mr. Lyu graduated with a bachelor degree in management science from Fudan University (復旦大學) in 1986 before obtaining his master degree in economics in 1989 and doctorate in economics in 1996 at the same university.

CHEN Xianglin (陳祥麟), aged 73, was appointed as our independent non-executive director on January 18, 2012. From 1995 to 2006, Mr. Chen had been the chairman of Shanghai Automobile Industry (Group) Limited (上海汽車工業（集團）總公司). Between April 2004 and June 2008, Mr. Chen was the chairman of the supervisory committee of Shanghai Automotive Co., Ltd. (上海汽車集團股份有限公司) (SSE stock code: 600104), where his main responsibilities included monitoring the board and management activities and the internal control of the company. Mr. Chen has held a number of senior positions in the government, including the deputy secretary general of the Shanghai People's Government (上海市人民政府), deputy head of the Shanghai First Electromechanical Bureau (上海市第一機電工業局) and director of Shanghai Planning Committee (上海市計劃委員會). He had also been the vice-chairman of the Shanghai Federation of Economic Organization (上海市經濟團體聯合會) and Shanghai Federation of Industrial Economics (上海市工業經濟聯合會). In 1989, Mr. Chen obtained accreditation as senior economist (高級經濟師) from the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列（生產領域）高級專業技術職務任職資格評審委員會). Mr. Chen was admitted as a senior economist (高級經濟師) in 1994, and was later promoted as a senior international business engineer (高級國際商務師) in 1995 by the Shanghai Professional Titles Reform Work Leading Group (上海市職稱改革工作領導小組) and the Economic Professional Qualifications Committee of Shanghai University of Finance and Economics (上海財經大學經濟專業職務評審委員會). Mr. Chen graduated with a bachelor diploma in mathematics from Fudan University (復旦大學) in 1967, and has also completed a training course on independent directors organized by the SSE in 2008 and a training course on directors and supervisors of listed company organized by the Shanghai Securities Regulatory Bureau under the China Securities Regulatory Commission.

ZHU Anna Dezhen (朱德貞), aged 60, was appointed as our independent non-executive director on 8 May 2015, and is currently the chairman of the board of Xiamen De Yi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司), where she is mainly responsible for operation and management of investment. Ms. Zhu has over 30 years of extensive experience in financial analysis, market analysis, investment management and general corporate management. Before joining Xiamen De Yi Equity Investment Management Co., Ltd., Ms. Zhu was a senior manager of China National Offshore Oil Corporation, where she was mainly responsible for analysis of crude oil market, from October 1982 to September 1988. From March 1992 to June 1993, Ms. Zhu was an analyst at The Bank of New York Company, Inc., where she was mainly responsible for systems analysis. From June 1993 to September 1999, Ms. Zhu was the vice-chairman of business of JP Morgan Investment Bank of the United States, where she was mainly responsible for establishing the financial model. Ms. Zhu was a manager of Strategic Planning of Micron Technology, Inc. (New York Stock Exchange stock code: MU), where she was mainly responsible for strategic planning, from May 2000 to October 2001; the chief operating officer of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), from October 2001 to June 2003; and the president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), where she was mainly responsible for operations management, from June 2003 to May 2008. From May 2008 to December 2010, Ms. Zhu was the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, where she was mainly responsible for the operation and management of investment. From December 2010 to June 2016, Ms. Zhu was the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd.. Ms. Zhu has also been serving as a non— executive director of Fuyao Glass Industry Group Co., Ltd. (SSE stock code: 600660 and the Hong Kong Stock Exchange stock code: 03606) since November 2011, an independent director of Bright Dairy & Food Co., Ltd. (SSE stock code: 600597) since April 2015 and an independent director of Hunan TV & Broadcast Intermediary Co. Ltd. (SZSE stock code: 000917) since August 2016. In the area of professional qualification, Ms. Zhu is a member of the consulting committee of the Securities Association of China, a director of the Chinese Economists 50 Forum, a director of Heren Charitable Foundation and a director of the Western Returned Scholars Association. With respect to the academy, Ms. Zhu is a part-time professor in the School of Management of Xiamen University (廈門大學). Ms. Zhu received a bachelor degree in literature from Xiamen University in 1982, a bachelor degree in economics from College of Saint Elizabeth in 1990 and a master degree in business administration from Pace University in 1992. Ms. Zhu obtained a doctor degree in economics from Xiamen University in 2013.

Directors and Senior Management

SENIOR MANAGEMENT

Our senior management team, in addition to our directors listed above, is as follows:

TANG Liang (唐亮), aged 39, was appointed as our Vice-president since September 12, 2016 and appointed as our Chief Information Officer since January 1, 2017. Mr. Tang was the assistant to our President from March 2015 to February 2016 and he is also the executive vice-president of Yongda Automobile Group. Mr. Tang joined us on May 4, 2010 and served as the deputy general manager and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司) and the vice director of Baozen Business Division. Mr. Tang has over 12 years of working experience in the automobile industry. Prior to joining us, Mr. Tang worked at SGM Automobile Manufacturing Department (上海通用汽車製造部) from April 2004 to the end of 2008, during which period he held a number of managerial positions in respect of engineering and production, and later served as the assistant to the vice-president of SGM Automobile Marketing (上海通用汽車營銷) from the end of 2008 until he joined our Group. Mr. Tang graduated from the Material Science and Engineering Institute of Shanghai Jiao Tong University (上海交通大學) in 2001 with a bachelor's degree in material science and engineering, and obtained a master's degree in the same major in 2004. Mr. Tang received a master degree in Executive Master of business administration at China Europe International Business School (中歐國際工商學院) in September 2016.

YE Ming (葉明), aged 40, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for managing the internal operation of our Group. Mr. Ye is also currently the vice-president of Yongda Automobile Group and a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor degree in law from Shanghai University (上海大學) in 2001.

DONG Ying (董穎), aged 48, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is also the vice-president of the Yongda Automobile Group. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 23 years of experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control center of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司) (stock code: 1886) from 2006 to 2011, a company whose shares are listed on the Hong Kong Stock Exchange. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Dong obtained a bachelor degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.

TANG Hua (唐華), aged 45, was our Vice-president from March 2015 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for the overall marketing and brand promotion of our Group. Mr. Tang is also the vice-president of Yongda Automobile Group and the director of our certain subsidiaries. After joining us in 2002, Mr. Tang held various positions in our Group, such as the press spokesman, the director of brand and PR office, the secretary of the Youth League Committee of our Group and the general manager of Shanghai Oriental Yongda Automobile Sales Co., Ltd. (上海東方永達汽車銷售公司), a non-wholly owned subsidiary of our Company. Mr. Tang is also the vice-president of Shanghai Automoblie Maintenance and Repair Trade Association (上海市汽車維修行業協會), the vice-president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會), and the deputy secretary general of Shanghai Young Entrepreneurs' Association (上海青年企業家協會), who has made positive efforts for the development of the industry. Prior to joining our Group, Mr. Tang has been working in Saic Motor Corporation Limited (上海汽車集團股份有限公司) and has more than 20 years of experience in the automobile industry. Mr. Tang won many awards in various fields of society and planed a number of influential activities under the leadership of the Group. Mr. Tang obtained double bachelor's degree in economic management from Air Force Political Academy (空軍政治學院) and in administrative management from Fudan University (復旦大學) in 2001, and later obtained a master's degree in public administration from Fudan University (復旦大學) in 2005.

WEI Dong (衛東), aged 48, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for managing the sales, pre-owned vehicle business and extended services of our Group. Mr. Wei is also currently the vice-president of Yongda Automobile Group and a director of several of our subsidiaries. Mr. Wei has more than 17 years of experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

Directors and Senior Management

ZHANG Hong (張虹), aged 34, was appointed as the assistant to our president on September 12, 2016 and our joint company secretary on March 20, 2018. From January 2008 to February 2016, Ms. Zhang served different positions in the Group including our assistant officer and the deputy officer of the general office of the Group, and the officer of the administrative office and the office of the Board, and the director of the legal department of the Group from January 2011. Ms. Zhang joined us in July 2006. She has since then held a number of positions in the Group, such as the assistant director, the deputy director, and the executive director of the legal department of the Group. In January 2015, Ms. Zhang was appointed as the assistant general manager of Yongda Automobile Group. From June 30, 2015 to February 29, 2016, Ms. Zhang served as our joint company secretary. Ms. Zhang has nearly 12 years of experience in automobile sales and service industry. She has been working in the legal department of the Group, mainly responsible for legal matters and risks management and control. With extensive working experience, Ms. Zhang is familiar with the PRC laws, and the operation and procedure of legal matters of the Company. Having participated, as a core team member, in the whole process of the preparation for the listing of the Group in Hong Kong, Ms. Zhang has gained a good understanding of the Listing Rules and regulatory requirements in Hong Kong. In particular, she has been engaged in the preparation of the interim reports and annual reports of the Company, and the organization of and preparation for the board meetings, board committee meetings and shareholders' meetings, since she took office as the officer of the office of the Board in January 2012. Ms. Zhang graduated from the department of economic laws of East China University of Political Science and Law (華東政法大學) with a bachelor degree in Laws in June 2006.

JOINT COMPANY SECRETARIES

MOK Ming Wai (莫明慧), aged 46, is a director of TMF Hong Kong Limited. She has around 20 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the company secretary and joint company secretary of various publicly listed companies.

ZHANG Hong (張虹), for her biography, please refer to the section headed "Directors and Senior Management – Senior Management" in this annual report.

Report of Directors

PRINCIPAL ACTIVITIES

We are a leading passenger vehicle retailer and comprehensive service provider in China focusing on luxury and ultra-luxury brands. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of luxury and ultra-luxury automobile brands including BMW/MINI, Audi, Porsche, Jaguar/Land Rover, Bentley, Aston Martin, Volvo, Cadillac, Lincoln, Infiniti and Lexus and mid- to high-end automobile brands, mainly including Buick, Volkswagen and Ford.

The principal activities of the Group are as follows:

(i) new passenger vehicle sales;

(ii) repair and maintenance services;

(iii) automobile extended products and services, including sales of spare parts and accessories, automobile decoration products, automobile care services, agency services of vehicle title registration and vehicle inspection service;

(iv) agency services for automobile finance and insurance products;

(v) pre-owned vehicle business;

(vi) automobile rental services; and

(vii) finance leasing and small loan services.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended December 31, 2017 are set out in the Consolidated Financial Statements on pages 77 to 177 of this annual report.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting on June 1, 2018 (Friday) (the "AGM") for the distribution of a final dividend of HK$0.336 per share (approximately RMB0.27 per share) for the year ended December 31, 2017. The final dividend is expected to be paid on or about June 29, 2018 (Friday) to the Shareholders whose names are listed in the register of members of the Company on June 7, 2018 (Thursday). On the basis of the total issued share capital of 1,834,521,963 shares of the Company as of December 31, 2017, it is estimated that the aggregate amount of final dividend would be approximately HK$616.4 million. The actual total amount of final dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of Shareholders to the final dividend. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 33 to the Consolidated Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 80 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2017, the Company has distributable reserves of RMB2,685.9 million in total available for distribution, of which HK$616.4 million has been proposed as final dividend payment for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 178 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year are set out in note 28 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

As at December 31, 2017, our Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

BUSINESS REVIEW

Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management's Discussion and Analysis section on pages 7 to 27 of this annual report.

Environmental Policies and Performance

The Group is committed to environmental protection, energy conservation and emissions reduction, and the rational use of resources and energy. Centering on the targets of energy saving, consumption reduction, pollution reduction and efficiency enhancement, the Company has actively participated in and promoted the development of new energy vehicles. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilization of resources have been consistently implemented during daily operation activities of the Group. In addition, under the pressure of resources scarcity and environmental protection, the Group has been paying great attention to develop the sales of new energy vehicles and continuing to launch more and more developed new energy car models. During the reporting period, the Group proactively planned its new energy vehicles sales and services outlets, and made sustainable progress in new energy vehicle business, which clearly illustrates the Group's sustainable development strategy and determination for environmental protection.

The Group appreciates the importance of understanding the Group's environmental impact and thrives to take action to reduce its footprint and raise environmental awareness. The Group has been encouraging the recycling of used parts of repair and maintenance tools and oil and liquid products, and strengthening the utilization of waste materials to raise the environmental awareness of our employees. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

Compliance with Relevant Laws and Regulations

On intellectual property protection — The Group's passenger vehicle sales business is subject to Measures for Implementation of the Administration of Branded Automobiles Sales (the "Measures"). The Group, an "automobile dealer" as classified under the Measures, has taken particular care to comply with the supplier's requirements relating to the intellectual property rights associated with its brand, such as trademarks, labels and store, and has also adhered to the relevant regulations of local municipal and commercial development authorities.

On product quality and customer protection — The Group's passenger vehicle sales business and automobile rental business is subject to the Product Quality Law of People's Republic of China and the Customer Protection Law of People's Republic of China. The Group adopted measures to keep products for sale and rental in good quality, and monitored the labeling of products, making sure not to forge or falsely use another manufacturer's authentication marks. In relation to customer protection, the Group had been observing the provisions of the Customer Protection Law and other relevant laws and regulations regarding personal safety and protection of property, providing consumers with true information in relation to goods and services, ensuring that the actual quality of goods and services is consistent with the relevant advertisements, product descriptions or samples.

On labor protection — The Group has been committed in complying with the requirements of the Labor Law of People's Republic of China, the Law of People's Republic of China on Employment Contracts and the Social Insurance Law of People's Republic of China in order to safeguard all employee rights and interests. All employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC, and are entitled to an annual pension. The Group has made annual contributions to the state-managed retirement benefit as required under the relevant law. The Group has also made contributions to a defined contribution mandatory provident fund for all employees in Hong Kong. Further, the Group has been committed in complying with relevant laws and regulations on work and occupational safety of employees of the Group. The Company believes that all of our facilities and operations are in material compliance with the relevant labor and safety laws and regulations.

On taxation — The Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in note 22 to Consolidated Financial Statements in this annual report.

On corporate compliance level, the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the "SFO") and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code").

Key Relationships with Stakeholders

With the goal of developing into a preeminent international enterprise, trustworthy public company and a green enterprise, the Company actively fulfill its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, building a harmonious enterprise and serving the harmonious society to undertake its responsibilities for employees, customers, suppliers and the Shareholders.

With respect to human resources management, the Group has been devoting continuous efforts in three aspects, namely, talent introduction, talent training and performance appraisal. A description of the Group's policies on human resources management is set out in the Management' Discussion and Analysis section from page 19 of this annual report.

With respect to customer retention management, the Group has been committed in providing personalized, comprehensive, innovative and convenient services with high quality to our customers. Adhering to the concept of enhancing customer experience, the Group has provided services and launched e-commerce platforms to improve customers' satisfaction and attract new customers to visit the Group's outlets. Details of which are set out in the Management Discussion and Analysis section from page 19 of this annual report.

The Group has been successful in establishing a strong cooperation relationship with automobile manufacturers and has been entering into stable agreements including dealership and authorization agreements with them. In order to maintain a strong cooperation relationship, the Group will continue to focus on promoting win-win philosophy and encouraging experience, resources and knowledge sharing with the manufacturers. The Group also aims to further strengthen their communications with the manufacturers by engaging with them through business negotiations, business meetings, visits, gatherings, relationship-building events and project cooperation.

The Group recognizes the importance to protect the interests of Shareholders and the importance of having an effective communication with them. The Group believes communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback it receives from the Shareholders. This has been done through annual general meetings, extraordinary general meetings, corporate communications, interim and annual reports and results announcements.

Key Risks and Uncertainties

Risk of fluctuation in financial conditions and operating results of automobile manufacturers

The Group being a passenger vehicle retail services provider operating 4S dealerships and providing after-sale, rental and comprehensive services, relies on and is subject to significant influence from automobile manufacturers. If there are fluctuations in the financial conditions and operating results of the automobile manufacturers, the manufacturers may not, among other things, enter into or renew dealership and authorization agreements on terms that are reasonable or acceptable to the Group. Or if there are labor disputes involving automobile manufacturers, it could result in an interruption in the delivery of new passenger vehicles to the outlets, shortage of new passenger vehicles and may significantly increase the labor costs as a result of negotiations to resolve the labor disputes. Or if, the Group open up more outlets to the extent possible in response to the demand from the automobile manufacturers to increase sales outlets, this could result in a certain degree of risk in terms of investment returns. All of these factors could in turn impose a downward pressure on the Group's margins which could reduce and affect the Group's revenue and profitability as well as its financial conditions and operating results. In order to manage the Group's exposure to the aforementioned risk, the Group will continue to maintain and further develop the diversity of its brand portfolio by strengthening the communication between the Group and the automobile manufacturers.

Risk of damage to brand recognition

Although the Group has successfully established the Group's "永達 (Yongda)" brand and registered it with the Trademark Office of State Administration for Industry and Commerce in 2005, the Group may have difficulties in maintaining brand recognition if there are, among other things, a deterioration in service quality and dealership management, a decline in premium in value attributed to the Group's business compared to that of the competitors, and unauthorized use and infringement of the Group's brand, trademarks and other related intellectual property rights. In such event, the Group may not be able to effectively compete for customers and new authorizations from automobile manufacturers to open outlets and the Group's business, financial condition, results of operations and growth aspects may be materially and adversely affected. In order to maintain and ensure there is adequate protection for the Group's brand, trademarks and other related intellectual property rights, the Group will continue to develop goodwill for the Group's name (including its brand name, logos etc.), monitor for infringers, develop and establish policies and strategies for all the Group's intellectual property including all trademarks and brand names.

Risk of amendments to government policies, vehicle consumption policies, fiscal policies and other legal risks

The PRC's Government policies on passenger vehicle purchases and ownership and also the PRC's Government measures on automobile sales implemented from time to time may materially affect the Group's business because of their influence on the automobile industry and consumer behavior. Changes in the fiscal regimes in the PRC such as the introduction of new taxes and increases in tax rates, may affect the profitability of the Company. The PRC Government speeding up the promotion and application of new energy vehicles may also bring an impact on the automobile industry. In addition, as consumers are increasingly aware of product safety relating to product quality and the quality of vehicle repair and maintenance, it is possible that the Group may face product quality related legal disputes.

On the other hand, passenger vehicle sales may be affected by quotas or other measures imposed by local government to control the number of passengers vehicles in the cities where the Group's network are located. These policies may lead to changes in local economic conditions, the competitive environment and ability of potential customers to purchase passenger vehicles and may have an impact on the Group's business, financial condition, results of operations and growth prospect.

In order to minimize the impact of the aforementioned risks, the Group has started launching the sale of new energy vehicles and aims to strengthen its communication with the local municipals and regulators in relation to possible amendments to relevant policies.

Market Risks

The Group is exposed to various types of market risks, including currency risk, interest rate risk, credit risk and liquidity risk. Details of such risks are set out in note 37 to the Consolidated Financial Statements in this annual report.

PROSPECTS

A description of the future development in the Company's future business is provided in the Chairman's Statement and the Management Discussion and Analysis on page 5 and page 26 respectively of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Issue of Super Short-term Commercial Papers

On February 8, 2018, Shanghai Yongda Investment Holdings Group Co., Limited (上海永達投資控股集團有限公司) ("Yongda Investment") issued the first tranche of super short-term commercial papers of 2018 in the PRC with aggregate principal amount of RMB0.5 billion and interest rate of 6.7% per annum for the purpose of repayment of outstanding debts of Yongda Investment. As at the date of this annual report, the aggregated principal amount of the first tranche of super short-term commercial papers of 2018 remains outstanding. For further details, please refer to the announcements of the Company dated March 9, 2017, February 5, 2018, February 9, 2018 and note 45 to the Consolidated Financial Statements.

DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this annual report are:

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

In accordance with article 104(1) of the Articles of Association, one-third of the Directors will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 99(3) of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the existing board of Directors will hold office until the next following annual general meeting of the Company and be eligible for re-election.

Details of the Directors to be re-elected at the AGM are set out in the circular to Shareholders dated April 30, 2018.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 28 to 36 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for a term of three years commencing from their respective effective date of appointment, which may be terminated by not less than one month's notice in writing served by either the executive Director or the Company. Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment. The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. LYU Wei, Mr. CHEN Xianglin and Ms. ZHU Anna Dezhen, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to December 31, 2017 and remain so as of the date of this annual report.

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

As at the date of this annual report, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and 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 entered 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, were as follows:

(A) 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)	20.923
	Interest of controlled corporation	237,080,000 (long position)	12.918
	Beneficial owner	8,303,000 (long position)	0.452
Mr. CAI Yingjie[2]	Interest of controlled corporation	88,288,000 (long position)	4.811
	Beneficial owner	674,500 (long position)	0.037
Mr. WANG Zhigao[3]	Interest of controlled corporation	37,160,000 (long position)	2.025
	Beneficial owner	910,500 (long position)	0.050
Mr. XU Yue	Beneficial owner	2,170,000 (long position)	0.118
Ms. CHEN Yi	Beneficial owner	900,000 (long position)	0.049

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 237,080,000 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 88,288,000 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 37,160,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

(B) 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	2,400,000	0.131
Ms. CHEN Yi	Beneficial owner	442,000	0.024
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 annual 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 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, 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 annual 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 as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity/Nature of Interest	Total number of shares	Appropriate Percentage of Shareholdings (%)
Palace Wonder[(1)]	Beneficial owner	384,000,000 (long position)	20.923
Regency Valley[(1)]	Interest of controlled corporation	384,000,000 (long position)	20.923
HSBC International Trustee Limited[(1)]	Trustee	384,000,000 (long position)	20.923
Asset Link[(2)]	Beneficial owner	237,080,000 (long position)	12.918
Ample Glory[(3)]	Beneficial owner	88,288,000 (long position)	4.811
Runda Holdings Limited ("Runda Holdings")[(4)]	Beneficial owner	26,800,000 (long position)	1.460

Name of Director	Capacity/Nature of Interest	Total number of shares	Appropriate Percentage of Shareholdings (%)
Sun Moon China Investment Company Limited ("Sun Moon")[4]	Beneficial owner	14,379,000 (long position)	0.783
	Interest of controlled corporation	26,800,000 (long position)	1.460
Mr. GU Mingchang[4]	Interest of controlled corporation	41,179,000 (long position)	2.244
Baring Private Equity Asia V Holding (7) Limited[5]	Beneficial owner	33,136,500 (long position)	1.806
Baring Private Equity Asia V Holding (17) Limited[5]	Beneficial owner	28,697,689 (long position)	1.564
The Baring Asia Private Equity Fund V, L.P.[5]	Interest of controlled corporation	61,834,189 (long position)	3.369
Baring Private Equity Asia GP V, L.P.[5]	Interest of controlled corporation	61,834,189 (long position)	3.369
Baring Private Equity Asia GP V Limited[5]	Interest of controlled corporation	61,834,189 (long position)	3.369
Jean Eric SALATA[5]	Interest of controlled corporation	61,834,189 (long position)	3.369

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 237,080,000 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 88,288,000 shares held by Ample Glory.

(4) Runda Holdings is wholly-owned by Sun Moon and Sun Moon is deemed to be interested in the 26,800,000 Shares held by Runda Holdings. Sun Moon is in turn wholly-owned by Mr. GU Mingchang, the brother of Ms. GU Lifang (being the wife of Mr. CHEUNG Tak On) and he is deemed to be interested in the 14,379,000 shares held by Sun Moon as well as 26,800,000 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 33,136,500 shares held by Baring Private Equity Asia V Holding (7) Limited and 28,697,689 shares held by Baring Private Equity Asia V Holding (17) Limited. Jean Eric SALATA disclaims beneficial ownership of such shares, other than to the extent of his economic interest in such entities.

Save as disclosed above, as at the date of this annual 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, at no time during the year and up to the date of this annual 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, 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, amount to approximately RMB977,000,000, will be used by the Group for establishing and acquiring 4S dealerships, and working capital. Assuming full conversion of the Bonds at the initial conversion price of HK$7.958 per share, the Bonds would be converted 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 of existing shares 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 have been 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 32 to the Consolidated Financial Statements.

References are also made to the announcements of the Company dated October 4, 2017 and November 1, 2017 in relation to the full conversion of the Bonds. On September 20, 2017, the Company notified the holders of the Bonds that all the Bonds that have not then been converted shall be redeemed in full on October 30, 2017. All the outstanding Bonds have been converted in full on October 30, 2017. The Bonds were effectively withdrawn from listing on the Hong Kong Stock Exchange on November 8, 2017.

As of the date of this annual 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 RMB980,000,000 of the Bonds was converted into 156,242,952 ordinary shares of the Company at the conversion price of HK$7.8995 per share. Principal amount of RMB17,000,000 of the Bonds were redeemed.

TOP-UP SUBSCRIPTION OF NEW SHARES 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"). The placing price represented a discount of approximately 8.6% to the closing price of HK$7.20 per share as quoted on the Hong Kong Stock Exchange on May 11, 2017, being the last trading day prior to the signing of the Placing and Subscription Agreement. The net placing price, after deduction of the relevant expenses, is approximately HK$6.52 per share.

On May 22, 2017, a top-up subscription of 135,000,000 new ordinary shares was completed whereby 135,000,000 new ordinary shares were allotted and issued to Asset Link, at a subscription price of HK$6.58 per share (the "Subscription") pursuant to the Placing and Subscription Agreement under the general mandate granted to the Board at the annual general meeting of the Company held on May 9, 2016.

The Directors considered that it would be in the interests of the Company to raise equity funding via the Placing and the Subscription to broaden its shareholder base, strengthen the capital base and to enhance its financial position and net assets base for long-term development and growth.

The net proceeds of the subscription were approximately HK$879,847,000, and shall be used for (1) further expansion of the Group's dealership network, mainly by way of acquisition or establishment of new 4S dealerships with an aim to consolidate the leading position of the Company in Eastern China region, and to further expand into Central and Western China regions with continual focus on ultra-luxury and luxury brands, (2) further expansion of the automobile financing business, and (3) general working capital purposes, subject to change in market conditions. For further details, please refer to the announcements of the Company dated May 12, 2017 and May 22, 2017.

ISSUANCE OF DEBT SECURITIES

On March 16, 2016, Yongda Investment issued the first tranche short-term debentures of 2016 in the PRC with an aggregate principal amount of RMB0.8 billion. The issuance of the first tranche short-term debentures of 2016 is for the purpose of raising funds for repayment of bank loans. The 2016 first tranche short-term debentures have been fully repaid. For further details, please refer to note 29 to the Consolidated 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 bank loans and as working capital of Yongda Investment and its subsidiaries. As at the date of this annual report, the aggregated principal amount of the first tranche corporate bonds of 2016 remains outstanding. For further details, please refer to note 31 to the Consolidated Financial Statements.

On April 12, 2017, Yongda Investment issued the first tranche super short-term commercial papers in the PRC with an aggregate principal amount of RMB1 billion and interest rate of 5.10% per annum for the purpose of repayment of debts and as working capital of Yongda Investment and its subsidiaries. The first tranche super short-term commercial papers have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017, April 11, 2017, April 13, 2017 and note 30 to the Consolidated Financial Statements.

On June 8, 2017, Yongda Investment issued the second tranche super short-term commercial papers in the PRC with an aggregate principal amount of RMB1 billion and interest rate of 5.89% per annum for the purpose of repayment of debts of Yongda Investment and its subsidiaries. The second tranche super short-term commercial papers have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017, June 5, 2017, June 8, 2017 and note 30 to the Consolidated Financial Statements.

On July 13, 2017, Yongda Investment issued the third tranche super short-term commercial papers in the PRC with an 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. The third tranche super short-term commercial papers have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017, July 10, 2017, July 13, 2017 and note 30 to the Consolidated Financial Statements.

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. As at the date of this annual report, the aggregated principal amount of the fourth tranche super short-term commercial papers remains outstanding. For further details, please refer to the announcements of the Company dated March 9, 2017, July 24, 2017, July 27, 2017 and note 30 to the Consolidated Financial Statements.

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

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

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

As at the date of this annual 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.

ACQUISITION OF CERTAIN TARGET COMPANIES WHICH OPERATE BMW 4S DEALERSHIPS

On July 19, 2017, Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司), a wholly owned subsidiary of the Company ("Automobile Group"), entered into a sale and purchase agreement with an independent third party (the "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 (the "Share Transaction") at a consideration of RMB413,000,000, 80% of which was settled by issuance of approximately 47,539,233 new shares by the Company and 20% was satisfied by cash. The Directors believe that the Share Transaction would help strengthen and expand the 4S outlets and network coverage of the Group especially in Shandong province, and further improve the ability to provide customers with comprehensive automobile related services, such as vehicle sales, after-sales services, automobile finance and pre-owned vehicles through its "one-stop shop" approach. For further details, please refer to the announcements of the Company dated June 22, 2017, July 19, 2017 and note 35 to the Consolidated Financial Statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Our History and Reorganisation — Onshore Reorganisation" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2017.

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

Our independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the financial year ended December 31, 2017 based on the information and confirmation provided by or obtained from the controlling shareholders, and were satisfied that our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 38 to the Financial Statements, the following transactions constitute continuing connected transactions for the Company under Rule 14A.76 of the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

On May 11, 2012, we entered into a properties leasing agreement with Yongda Holding and certain of its subsidiaries (the "Properties Leasing Agreement") pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain owned properties and properties rented from independent third parties to us. Both Yongda Holding and Yongda CLS are our connected persons and therefore the transactions under the Properties Leasing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. The term of lease of the properties under the Properties Leasing Agreement expired on December 31, 2014 (or such earlier date when the leases entered into between Yongda Holding or its subsidiaries and the independent third parties expire or terminate, where applicable). The Properties Leasing Agreement is renewable for a term of three years, subject to compliance with all applicable requirements under the PRC laws and the Listing Rules (and the term of the leases entered into between Yongda Holding or its subsidiaries and the independent third parties, where applicable).

On December 23, 2014, we entered into a new properties leasing agreement with Yongda Holding and certain of its subsidiaries (including Yongda CLS) (the "New Properties Leasing Agreement"), for renewal of the Properties Leasing Agreement with some modifications to the list of leased properties as set out in the Properties Leasing Agreement for a term of three years commencing from January 1, 2015 to December 31, 2017. As Mr. CHEUNG Tak On, one of the controlling Shareholders and Directors, is indirectly interested in more than 30% of the voting power at the general meeting of Yongda Holding and that Yongda CLS is its subsidiary, both Yongda Holding and Yongda CLS are connected persons of the Company and the transactions contemplated under the New Properties Leasing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The aggregate sum of rental payable under the New Properties Leasing Agreement for each of the three years ended December 31, 2015, 2016, 2017 are RMB22,967,300, RMB23,253,600 and RMB24,314,200 respectively. The rental payable was determined with reference to the historical rental amounts and the prevailing market rates of properties with similar locations and sizes. The annual caps under the New Properties Leasing Agreement for each of the three years ended December 31, 2015, 2016, 2017 are RMB25,264,000, RMB25,578,900 and RMB26,745,700 respectively. As one or more of the applicable percentage ratios for the annual caps under the New Properties Leasing Agreement for the three years ended December 31, 2017 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the New Properties Leasing Agreement are exempted from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties are for the purpose of the Group's operation of passenger vehicles dealership business which are used for 4S dealerships, city showrooms, repair and maintenance service centres and finance leasing outlets. For details of the New Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated December 23, 2014 and note 38 to the Consolidated Financial Statements on page 167.

On December 29, 2017, we entered into a new properties leasing agreement with Yongda Holding, as the lessors (the "2018 New Properties Leasing Agreement") whereby Yongda Holding and its relevant subsidiaries will lease certain properties to the Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

The aggregate sum of rental payable by the Group under the 2018 New Properties Leasing Agreement for each of the three years ending December 31, 2018, 2019 and 2020 are RMB34,600,000, RMB34,600,000 and RMB34,600,000, respectively. The rental payable was determined with reference to the historical rental amounts and the prevailing market rates of properties with similar locations and sizes. The annual caps under the 2018 New Properties Leasing Agreement for each of the three years ending 31 December 2018, 2019 and 2020 are RMB38,060,000, RMB38,060,000 and RMB38,060,000, respectively. As one or more of the applicable percentage ratios for the annual caps under the 2018 New Properties Leasing Agreement for the three years ending December 31, 2020 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2018 New Properties Leasing Agreement are exempted from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties are for the purpose of the Group's operation of passenger vehicles sales and services and proprietary finance business which are used for its 4S dealerships, city showrooms, repair and maintenance service centres and proprietary finance outlets. For details of the 2018 New Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated December 29, 2017 and note 38 to the Consolidated Financial Statements on page 167.

The auditor of the Group has reviewed the continuing connected transactions referred to above and confirmed to the Board that the continuing connected transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were entered into in accordance with the relevant agreement governing the transaction; and (iv) have not exceeded the caps.

The independent non-executive Directors have confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement (including the pricing principle and guidelines set out therein) governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for disclosed above, during the year, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Saved as disclosed in "Connected and Continuing Connected Transactions", no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2017 or at the end of the year ended December 31, 2017.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the "Connected and Continuing Connected Transactions" section above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this annual report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify and hold harmless out of the assets of the Company, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Director (including alternate Directors or person serves at the request of the Company as a Director) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Director. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended December 31, 2017.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2017, we had 13,387 employees. The remuneration of our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our Directors, and the Directors' remuneration are delegated by the Shareholders at general meeting to be fixed by the Board. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of our Group.

Details of the Directors' remuneration during the year are set out in note 10 to the Consolidated Financial Statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any Director (whether executive or non-executive, including any independent non-executive Director) or employee (whether full time or part time) of the Group; (b) any supplier to the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the Shareholders approved the Share Option Scheme, and shall expire on October 13, 2023, after which period no further share option shall be granted. Therefore, as at December 31, 2017, the remaining life of the Share Option Scheme was approximately five years and ten months.

Under the Share Option Scheme, 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 issued shares 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. As at the date of this annual report, the number of shares of the Company available for issue under the Share Option Scheme amounts to 130,892,200 Shares, representing 7.13% of the total issued shares of the Company.

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

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

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

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 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 and June 19, 2017, and note 34 to the Consolidated Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the year ended December 31, 2017 are as follows:

	Number of Share Options										Price of the Company's shares	Weighted average price of the Company's shares	
Name of category of grantee	As at January 1, 2017	Granted during the year	Forfeited during the year	Exercised during the year	Lapsed during the year	Expired during the year	As at December 31, 2017	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$ per share*	immediately before the grant date of options *HK$ per share*	Immediately before the exercise date *HK$ per share*	At exercise date of options *HK$ per share*
Executive Directors													
XU Yue	3,000,000	-	-	600,000	-	-	2,400,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	11.297	11.627
CHEN Yi	1,300,000	-	-	858,000	-	-	442,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	9.300	9.590
Non-executive Director													
WANG Liqun	200,000	-	-	-	-	-	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	-	-
Independent Non-executive Directors													
LYU Wei	200,000	-	-	-	-	-	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	-	-
CHEN Xianglin	200,000	-	-	-	-	-	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	-	-
ZHU Anna Dezhen	200,000	-	-	-	-	-	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	-	-
Other Employees in aggregate	29,600,000	-	900,000	13,685,000	-	-	15,015,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.112	8.277
	-	10,500,000	-	-	-	-	10,500,000	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	-	-
Other grantees/participants in aggregate*	200,000	-	-	-	-	-	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	-	-

* Other grantee, Mr. WANG Zhiqiang, is interested in 200,000 share options granted to him by the Company, representing 0.011% of the total issued share capital of the Company. On May 8, 2015, Mr. WANG Zhiqiang resigned as an independent non-executive Director.

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 beneficiaries, 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. Therefore, as at December 31, 2017, the remaining life of the Employee Pre-IPO Incentive Scheme was approximately 74 years and six months. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to 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 and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

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

During the year, 9,412,600 restricted shares were awarded to eligible persons in accordance with the terms of the Amended Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2017, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 21.4% and 62.9%. The percentage of the total sales attributable to the Group's five largest customers was below 30% of the total sales in the Group.

None of our Directors or any of their close associates or any Shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest suppliers or customers.

CHARITABLE DONATIONS

The donations by the Group for the year ended December 31, 2017 amounted to RMB3,353,000.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and has complied with the code provisions in the CG Code during the reporting period.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2017 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

Deloitte Touche Tohmatsu shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

RECORD DATE OF AGM

Shareholders whose names appear on the register of members of the Company at the close of business on May 28, 2018 (Monday) (the "Record Date") will be entitled to attend the AGM to be held on June 1, 2018 (Friday). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will also be closed from June 7, 2018 (Thursday) to June 11, 2018 (Monday), both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on June 6, 2018 (Wednesday).

By order of the Board
Cheung Tak On
Chairman of the Board

PRC, March 20, 2018

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2017.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules.

The CG Code sets out the principles of good corporate governance and two levels of corporate governance practices, as follows:

a) code provisions, which listed issuers are expected to comply with or to give considered reasons for deviation.

b) recommended best practices for guidance only, which listed issuers are encouraged to comply with.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the year ended December 31, 2017.

A. THE BOARD

1. Responsibilities

The Board is responsible for the leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the websites of the Hong Kong Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its shareholders at all times.

2. Delegation of Management Function

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group and overall strategies, risk management and internal control systems, notifiable and connected transactions, nomination of directors and company secretary, and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions are periodically reviewed. Approval has to be obtained from the Board prior to any significant transaction is entered into.

3. **Board Composition**

The Board of the Company comprises the following 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

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed in our prospectus dated June 29, 2012 and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

4. **Appointment and Re-election of Directors**

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective effective date of appointment unless terminated by not less than one month's notice in writing served by either the executive Directors or the Company. Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself for re-election by Shareholders at the first annual general meeting after appointment.

5. **Induction and Continuing Development for Directors**

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment, so as to ensure that he understands the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development materials for the Directors were arranged by the Company and its professional advisers.

Each of our Directors has attended training sessions arranged by the Company or has read materials prepared by external professional advisers on the continuing obligations of listed companies and its directors, disclosure obligations of listed companies and update on the Listing Rules.

On top of the above-mentioned trainings, some Directors and members of the management have also attended several presentations and trainings organized by the Company in relation to compliance of listed companies, Internet E-commerce business and automobile industry, and other trainings organized by external organizations on management, etc.

6. **Board Meetings and General Meetings**

Number of Meetings and Directors' Attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board met six times during the year ended December 31, 2017 for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2016 and unaudited interim results for the six months ended June 30, 2017, approving the Placing and the Subscription, the Share Transaction and the continuing connected transactions contemplated under the 2018 New Properties Leasing Agreement.

The attendance records of each Director at the Board meetings and general meeting are set out below:

Name of Director	Attendance/ Number of Board Meetings	Attendance/ Number of General Meeting(s)*
Mr. CHEUNG Tak *On*	6/6	1/1
Mr. CAI Yingjie	6/6	1/1
Mr. WANG Zhigao	6/6	1/1
Mr. XU Yue	6/6	1/1
Ms. CHEN Yi	6/6	1/1
Mr. WANG Liqun	5/6	0/1
Mr. LYU Wei	6/6	1/1
Mr. CHEN Xianglin	6/6	1/1
Ms. ZHU Anna Dezhen	6/6	1/1

* One annual general meeting had been held during the year ended December 31, 2017 on May 26, 2017.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice will generally be given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management (including the President) attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

B. CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. CHEUNG Tak On is the Chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of our Group and he participated in our Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole. He holds meetings with the non-executive Directors (including independent non-executive Directors) without the executive directors present at least annually. Mr. CAI Yingjie is our Vice-chairman and Chief Executive Officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for our Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman coordinates with the management to provide adequate, complete and reliable information to all Directors for consideration and review.

C. BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Audit and Compliance Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the websites of the Hong Kong Stock Exchange and the Company.

The majority of the members of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1. Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with code provision B.1 of the CG Code. The Remuneration Committee consists of two independent non-executive Directors, being Ms. ZHU Anna Dezhen and Mr. LYU Wei, and one executive Director, being Mr. WANG Zhigao. The chairman of the Remuneration Committee is Ms. ZHU Anna Dezhen.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining or making recommendation to the Board on the terms of the remuneration package of our Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The Remuneration Committee held one meeting during the year ended December 31, 2017 to review, among others, the remuneration policy and structure of the Company, and consider and make recommendation to the Board on the remuneration packages of the Directors and senior management.

The attendance records of the Remuneration Committee meetings are set out below:

Name of Director	Attendance/ Number of Meeting(s)
Ms. ZHU Anna Dezhen	1/1
Mr. WANG Zhigao	1/1
Mr. LYU Wei	1/1

Details of the Directors' remuneration are set out in note 10 to the Consolidated Financial Statements. In addition, the remuneration of each member of our senior management (except for members who are also Directors) for the year ended December 31, 2017 is below RMB1,635,000.

2. Audit and Compliance Committee

We have established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules as well as code provisions C.3 and D.3 of the CG Code. The Audit and Compliance Committee consists of three independent non-executive Directors, being Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. CHEN Xianglin. The chairman of the Audit and Compliance Committee is Ms. ZHU Anna Dezhen, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

In compliance with the Hong Kong Stock Exchange's implementation of the revised Listing Rules relating to the risk management and internal controls for accounting periods beginning on or after January 1, 2016, the terms of reference of the Audit and Compliance Committee were revised by the Board on December 30, 2015. The revised terms of reference setting out the Audit and Compliance Committee's authority, duties and responsibilities are available on the websites of the Hong Kong Stock Exchange and the Company.

The primary duties of the Audit and Compliance Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors; (vii) overseeing and monitoring the risk management and internal control systems of the Company on an ongoing basis and review with the Company's external auditor and senior management at least annually; (viii) reviewing the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems; and (ix) reviewing the Company's internal audit function to ensure co-ordination within the Group and between the Company's internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2017 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held three meetings during the year ended December 31, 2017 to review, among others, the unaudited interim results and report for the six months ended June 30, 2017, the financial reporting and the compliance procedures, the corporate governance policy and practice, the audited annual results and financial report for the year ended December 31, 2016, the policies and practices regarding compliance with laws and regulations, the code of conduct and the compliance manuals for employees and Directors, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditors, the service fees due to the external auditor as well as the misconduct-related reporting measures.

The attendance records of the Audit and Compliance Committee meetings are set out below:

Name of Director	Attendance/ Number of Meeting(s)
Ms. ZHU Anna Dezhen	3/3
Mr. LYU Wei	3/3
Mr. CHEN Xianglin	3/3

The Company's annual results for the year ended December 31, 2017 have been reviewed by the Audit and Compliance Committee on March 20, 2018.

3. Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with code provision A.5 of the CG Code. The Nomination Committee currently consists of one executive Director, being Mr. CHEUNG Tak On, and two independent non-executive Directors, being Mr. CHEN Xianglin and Mr. LYU Wei. The chairman of the Nomination Committee is Mr. CHEUNG Tak On. The Nomination Committee reviews the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes (if any) to it.

The primary duties of the Nomination Committee include, but are not limited to (i) identifying, selecting and recommending to our Board suitable candidates to serve as Directors and presidents of our Company, and formulating plans for succession for both executive Directors and non-executive Directors; (ii) reviewing the structure, size, composition and diversity of the Board as well as the Board Diversity Policy; (iii) overseeing the process for evaluating the performance of the Board; (iv) developing, recommending to the Board and monitoring nomination guidelines for our Company; and (v) assessing the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the year ended December 31, 2017 to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of our Company, to assess the independence of the independent non-executive Directors, and to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2017 annual general meeting of the Company and the trainings and continuous professional developments of directors and management.

The attendance records of the Nomination Committee meetings are set out below:

Name of Director	Attendance/ Number of Meeting(s)
Mr. CHEUNG Tak On	1/1
Mr. CHEN Xianglin	1/1
Mr. LYU Wei	1/1

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, our Company's needs and other relevant statutory requirements and regulations.

The Board has adopted the Board Diversity Policy on August 30, 2013. A summary of the Board Diversity Policy is set out below:

Purpose:	The Board Diversity Policy aims to set out the approach to achieve diversity of the Board.
Board Diversity Policy statement:	With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives:	Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In reviewing the structure, size, composition and diversity of the Board, the Nomination Committee has taken into account the measurable objectives as set out in the Board Diversity Policy. The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of knowledge, experience and skills of the Directors. However, the Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code set out in Appendix 10 to 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 year ended December 31, 2017.

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

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The management has provided sufficient explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 75 of this annual report.

The external auditor of the Company will be invited to attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year, the remuneration paid to the external auditor of the Company in respect of audit services for the year ended December 31, 2017 amounted to RMB6,860,000.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has delegated the Audit and Compliance Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit and Compliance Committee;

- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and

- Internal auditors provide independent assurance to the Board, the Audit and Compliance Committee and the management concerning the effectiveness of risk management and internal control systems.

During the reporting period, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit and Compliance Committee regarding the status of the systems;

- the management periodically followed-up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the internal audit function reported directly to the Audit and Compliance Committee. The internal audit reports on control effectiveness were submitted to the Audit and Compliance Committee in line with agreed audit plan approved by the Board. During the reporting period, the internal audit function carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, amongst others, examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function attended meetings of the Audit and Compliance Committee to explain the internal audit findings and responded to queries from members of the Audit and Compliance Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in the Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit and Compliance Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the reporting period, the Audit and Compliance Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The annual review included works such as (i) review of reports submitted by heads of operation units or departments and the management regarding the implementation of the risk management and internal control systems; (ii) periodic discussions with the management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of management's ongoing monitoring of the risk management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) made recommendations to the Board and the management on the scope and quality of the management's ongoing monitoring of the risk management and internal control systems.

On the basis of the aforesaid, the Audit and Compliance Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website at www.ydauto.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. During the year, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is also available on the websites of the Company and the Hong Kong Stock Exchange.

I. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors. Meanwhile, the procedures for Shareholder to (i) convene an extraordinary general meeting; (ii) direct their enquiries to the Board; and (iii) put forward proposals at Shareholders' meetings are available.

General meetings shall be convened on the written requisition of any two or more Shareholders deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting shall be reimbursed to them by the Company.

Shareholders holding not less than one-tenth of the total number of the Company's voting shares shall be entitled to propose new proposals in writing to the Company. The Company shall include in the agenda for the meeting the matters in the proposals that fall within the scope of duties of the Shareholders' meeting. The written request/statements must be signed by the Shareholders concerned and deposited at the Company's principal place of business in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office for the attention of the Company, not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company at Unit 5708, 57/F., The Center, 99 Queen's Road Central, Hong Kong.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In addition, the poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after the relevant shareholders' meeting.

J. JOINT COMPANY SECRETARIES

Ms. MOK Ming Wai ("Ms. MOK") of TMF Hong Kong Limited, external service provider was engaged by the Company as the company secretary during the year.

Ms. ZHANG Hong was appointed by the Company as the joint company secretary on March 20, 2018.

Mr. WANG Zhigao and Ms. MOK have been engaged by the Company as authorized representatives. During the year, Ms. MOK has undertaken over 15 hours of professional training to update her skill and knowledge.

K. PRIMARY CONTACT PERSON

Mr. WANG Zhigao, our executive Director and Vice-chairman, is the key contact person of Ms. Mok, our joint company secretary.

L. GOING CONCERN

Our Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to Shareholders through the optimization of the debt and equity balance. There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the 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 77 to 177, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the judgments involved in the management's impairment assessment of goodwill. As disclosed in Note 15 to the consolidated financial statements, as at December 31, 2017, the carrying amount of goodwill was approximately RMB903,791,000. As set out in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgments. Details of such judgements are disclosed in Note 15 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Understanding the processes and testing of the controls over the impairment assessment of goodwill; • Assessing the methodology used by the management to determine the recoverable amounts which are the value in use of cash-generating units to which goodwill has been allocated; • Challenging key inputs and assumptions used by the management in estimations of value in use, including discount rates applied, growth rates, selling prices and direct costs; and • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective cash-generating units as well as our knowledge of the business.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Jacky Wong Suk Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 20, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	**50,699,302**	43,032,502
Cost of sales and services		**(45,674,645)**	(39,227,078)
Gross profit		**5,024,657**	3,805,424
Other income and other gains and losses	6	**927,227**	760,367
Distribution and selling expenses		**(2,269,322)**	(1,915,093)
Administrative expenses		**(1,221,573)**	(1,052,121)
Finance costs	7	**(494,118)**	(479,492)
Share of profit of joint ventures		**9,086**	8,109
Share of profit of associates		**31,543**	24,809
Profit before tax	8	**2,007,500**	1,152,003
Income tax expense	9	**(405,712)**	(244,227)
Profit for the year		**1,601,788**	907,776
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale financial assets		**5,789**	–
Total comprehensive income for the year		**1,607,577**	907,776
Profit for the year attributable to:			
Owners of the Company		**1,509,930**	851,272
Non-controlling interests		**91,858**	56,504
		1,601,788	907,776
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,515,719**	851,272
Non-controlling interests		**91,858**	56,504
		1,607,577	907,776
Earnings per share – basic	12	**RMB0.91**	RMB0.58
Earnings per share – diluted	12	**RMB0.83**	RMB0.56

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	13	**4,729,155**	3,941,738
Prepaid lease payments	14	**1,111,600**	1,115,713
Goodwill	15	**903,791**	478,860
Intangible assets	16	**1,526,558**	827,440
Deposits paid for acquisition of property, plant and equipment		**91,514**	29,292
Deposits paid for acquisition of land use rights		**85,610**	16,000
Deposits paid for acquisition of a subsidiary		**3,000**	–
Available-for-sale investments	17	**250,429**	94,690
Interests in joint ventures	18	**101,628**	99,085
Interests in associates	19	**391,032**	354,989
Finance lease receivables	20	**1,337,893**	301,751
Loan receivables	21	**132,522**	7,687
Amount due from a related party	38	**31,435**	32,356
Deferred tax assets	22	**139,434**	83,793
Other assets	24	**30,000**	–
		10,865,601	7,383,394
Current assets			
Prepaid lease payments	14	**34,354**	31,487
Inventories	23	**6,111,751**	4,317,443
Finance lease receivables	20	**1,657,715**	788,934
Loan receivables	21	**735,260**	275,951
Trade and other receivables	24	**4,807,162**	4,362,340
Amounts due from related parties	38	**189,008**	89,353
Cash in transit	25	**211,096**	214,666
Time deposits	26	**–**	21,000
Pledged bank deposits	26	**1,597,166**	1,118,744
Bank balances and cash	26	**1,717,675**	1,771,813
		17,061,187	12,991,731
Current liabilities			
Trade and other payables	27	**6,710,155**	5,201,419
Amounts due to related parties	38	**6,610**	3,665
Income tax liabilities		**357,478**	127,659
Borrowings	28	**6,596,271**	5,319,251
Short-term debentures	29	**–**	799,333
Super short-term commercial papers	30	**2,598,926**	–
Convertible bonds	32	**–**	978,837
		16,269,440	12,430,164

(Continued)

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Net current assets		**791,747**	561,567
Total assets less current liabilities		**11,657,348**	7,944,961
Non-current liabilities			
Borrowings	28	**416,572**	157,521
Corporate bonds	31	**1,992,394**	1,990,344
Other liabilities	27	**126,393**	207,137
Deferred tax liabilities	22	**340,555**	187,026
		2,875,914	2,542,028
Net assets		**8,781,434**	5,402,933
Capital and reserves			
Share capital	33	**15,033**	12,066
Reserves		**8,273,278**	4,949,693
Equity attributable to owners of the Company		**8,288,311**	4,961,759
Non-controlling interests		**493,123**	441,174
Total equity		**8,781,434**	5,402,933

The consolidated financial statements on pages 77 to 177 were approved and authorised for issue by the Board of Directors on March 20, 2018 and are signed on its behalf by:

CHEUNG Tak On
DIRECTOR

WANG Zhigao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to owners of the Company									
	Paid-in Issued share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 *(note a)*	Special reserve RMB'000 *(note b)*	Share-based payments reserve RMB'000	Convertible bonds reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2016	12,065	1,059,883	476,795	254,076	44,284	62,490	2,327,602	4,237,195	363,240	4,600,435
Profit for the year	–	–	–	–	–	–	851,272	851,272	56,504	907,776
Capital injection	–	–	–	–	–	–	–	–	32,696	32,696
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	20	20
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(17,502)	(17,502)
Disposal of partial equity interests in subsidiaries	–	–	–	5,103	–	–	–	5,103	102,220	107,323
Acquisition of non-controlling interests of subsidiaries	–	–	–	1,228	–	–	–	1,228	(40,388)	(39,160)
Recognition of equity-settled share-based payments	–	–	–	–	22,036	–	–	22,036	–	22,036
Exercise of share options	1	325	–	–	–	–	–	326	–	326
Transfer to statutory reserve	–	–	137,289	–	–	–	(137,289)	–	–	–
Dividends recognized as distributions	–	(155,401)	–	–	–	–	–	(155,401)	–	(155,401)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(55,616)	(55,616)
At December 31, 2016	12,066	904,807	614,084	260,407	66,320	62,490	3,041,585	4,961,759	441,174	5,402,933
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,509,930**	**1,509,930**	**91,858**	**1,601,788**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**5,789**	**5,789**	**–**	**5,789**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,515,719**	**1,515,719**	**91,858**	**1,607,577**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**43,706**	**43,706**
Placement and subscription *(note c)*	**1,190**	**774,192**	**–**	**–**	**–**	**–**	**–**	**775,382**	**–**	**775,382**
Ordinary shares issued to acquire subsidiaries *(Note 35(b))*	**402**	**329,998**	**–**	**–**	**–**	**–**	**–**	**330,400**	**–**	**330,400**
Acquisition of non-controlling interests of subsidiaries	**–**	**–**	**–**	**7,094**	**–**	**–**	**–**	**7,094**	**(39,762)**	**(32,668)**
Recognition of equity-settled share-based payments *(Note 34)*	**–**	**–**	**–**	**–**	**25,245**	**–**	**–**	**25,245**	**–**	**25,245**
Exercise of share options	**131**	**49,573**	**–**	**–**	**–**	**–**	**–**	**49,704**	**–**	**49,704**
Transfer to statutory reserve	**–**	**–**	**261,246**	**–**	**–**	**–**	**(261,246)**	**–**	**–**	**–**
Conversion option of convertible bonds exercised during the year *(Note 32)*	**1,244**	**960,476**	**–**	**–**	**–**	**(62,490)**	**–**	**899,230**	**–**	**899,230**
Dividends recognized as distributions *(Note 11)*	**–**	**(276,222)**	**–**	**–**	**–**	**–**	**–**	**(276,222)**	**–**	**(276,222)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43,853)**	**(43,853)**
At December 31, 2017	**15,033**	**2,742,824**	**875,330**	**267,501**	**91,565**	**–**	**4,296,058**	**8,288,311**	**493,123**	**8,781,434**

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. The special reserve mainly consisted of:

   (i) an amount of RMB333,647,000 representing deemed distribution to the owners of the subsidiaries of the Group pursuant to a group reorganisation which was effected in 2011;

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

   (iii) an amount of RMB5,103,000 representing the difference between the fair value of the consideration received and the carrying amount of the non-controlling interests upon disposal of partial interests in subsidiaries in 2016;

   (iv) an amount of RMB1,228,000 representing the difference between the fair value of consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in 2016; and

   (v) an amount of RMB7,094,000 representing the difference between the fair value of consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in 2017.

c. A total of 135,000,000 new shares was issued at Hong Kong dollars (the "HK$") 6.58 in accordance with the placement and top-up subscription as announced on May 22, 2017.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,007,500**	1,152,003
Adjustments for:		
Finance costs	**494,118**	479,492
Interest income on bank deposits	**(23,492)**	(14,649)
Interest income from a related party	**(3,264)**	(921)
Loss on disposal of subsidiaries	**3,430**	1,221
Loss on disposal of interest in an associate	**2,232**	–
Depreciation of property, plant and equipment	**476,614**	440,248
Release of prepaid lease payments	**33,707**	30,581
Amortization of intangible assets	**24,100**	19,068
Share-based payment expenses	**25,245**	22,036
Gain on disposal of property, plant and equipment	**(20,595)**	(423)
Impairment loss on available-for-sale investments	**3,571**	9,806
Reversal of impairment loss on other receivables	**–**	(1,600)
Impairment loss of loan receivables	**1,559**	2,865
Impairment loss of finance lease receivables	**1,787**	1,440
Share of profit of associates	**(31,543)**	(24,809)
Share of profit of joint ventures	**(9,086)**	(8,109)
Operating cash flows before movements in working capital	**2,985,883**	2,108,249
Increase in inventories	**(1,376,895)**	(15,629)
Decrease (increase) in trade and other receivables	**348,682**	(835,552)
Increase in finance lease receivables	**(1,906,710)**	(314,480)
Increase in loan receivables	**(585,703)**	(286,503)
Decrease (increase) in cash in transit	**3,570**	(114,849)
(Decrease) increase in other liabilities	**(150,142)**	6,797
Increase in trade and other payables	**204,441**	402,092
Increase in amounts due from related parties	**(30,319)**	(117)
Increase in amounts due to related parties	**2,945**	1,157
Withdrawal of pledged bank deposits	**1,012,744**	1,138,209
Placement of pledged bank deposits	**(1,407,835)**	(976,917)
Cash (used in) generated from operations	**(899,339)**	1,112,457
Income taxes paid	**(208,448)**	(541,365)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,107,787)**	571,092

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(1,295,171)**	(929,114)
Purchase of intangible assets	**(86,619)**	(41,326)
Purchase of available-for-sale investments	**(159,000)**	(11,951)
Refund of consideration paid for prepaid lease payments	**–**	71,232
Additions to and deposits paid for prepaid land lease payments	**(44,506)**	(16,835)
Proceeds on disposal of property, plant and equipment, land use rights and intangible assets	**365,133**	348,328
Advance to related parties	**(68,415)**	(79,933)
Advance to independent third parties	**(76,215)**	(20,000)
Advance to non-controlling shareholders of subsidiaries	**(33,585)**	(46,900)
Collection of advance to non-controlling shareholders of subsidiaries	**6,700**	39,550
Collection of advance to related parties	**–**	26,644
Collection of advance to independent third parties	**20,000**	25,100
Payment for acquisition of subsidiaries	**(81,252)**	–
Acquisition of subsidiaries	**(607,122)**	(502,795)
Proceeds on disposal of subsidiaries	**–**	8,984
Proceeds on disposal of an associate	**893**	–
Proceeds on disposal of available-for-sale investments	**5,479**	–
Interest received	**26,756**	14,649
Dividends received from joint ventures	**6,543**	10,090
Dividends received from associates	**–**	188
Investment in a joint venture	**–**	(20,957)
Investments in associates	**(7,625)**	(165,000)
Placement of time deposits	**–**	(21,000)
Withdrawal of time deposits	**21,000**	–
NET CASH USED IN INVESTING ACTIVITIES	**(2,007,006)**	(1,311,046)

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**20,372,710**	28,681,407
Repayment of borrowings	**(19,194,812)**	(27,783,428)
Proceeds on issue of short-term debentures	**–**	800,000
Proceeds on issue of super short-term commercial papers	**3,000,000**	–
Proceeds on issue of corporate bonds	**–**	2,000,000
Repayment of short-term debentures	**(800,000)**	(800,000)
Repayment of super short-term commercial papers	**(400,000)**	–
Repayment of medium-term note	**–**	(1,160,000)
Payment for transaction costs of issue of super short-term commercial papers	**(7,987)**	–
Payment for transaction costs of issue of corporate bonds	**–**	(10,000)
Payment for transaction costs of issue of convertible bonds	**–**	(16,912)
Payment for transaction costs of issue of short-term debentures	**–**	(4,200)
Payment for early redemption of convertible bonds	**(17,130)**	–
Capital injection by non-controlling shareholders of subsidiaries	**43,706**	32,696
Acquisition of non-controlling interests of subsidiaries	**(32,668)**	(39,160)
Advance from non-controlling shareholders of subsidiaries	**2,619**	8,500
Prepayment of advance from non-controlling shareholders of subsidiaries	**–**	(31,789)
Interest paid	**(486,527)**	(470,982)
Placement of deposits to entities controlled by suppliers for borrowings	**(49,841)**	(28,723)
Withdrawal of deposits to entities controlled by suppliers for borrowings	**19,574**	11,733
Placement of pledged bank deposits pledged for borrowings	**–**	(106,000)
Withdrawal of pledged bank deposits pledged for borrowings	**106,000**	–
Dividends paid as distribution	**(276,222)**	(155,401)
Dividends paid to non-controlling shareholders of subsidiaries	**(43,853)**	(55,616)
Proceeds from partial disposal of subsidiaries without losing control	**–**	107,323
Proceeds from placement and subscription	**775,382**	–
Proceeds from exercise of share options	**49,704**	326
NET CASH FROM FINANCING ACTIVITIES	**3,060,655**	979,774
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(54,138)**	239,820
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**1,771,813**	1,531,993
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**1,717,675**	1,771,813

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the IASB for the first time in the current year:

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRSs 2012-2014 Cycle*

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs in issue but not yet effective

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

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[4]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*[1]
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*[2]

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

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of the Company anticipated that the application of all other new and amendments to IFRSs and Interpretations would have no material impact to the Group's consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 which are relevant to the Group are described as follows:

- all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipated the following potential impact on initial application of IFRS 9:

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement

Unlisted equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 17: these unlisted equity securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these unlisted equity securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognized as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, the fair value gains or losses relating to these securities would be adjusted to investments revaluation reserve at January 1, 2018.

Impairment

In general, the directors of the Company anticipated that the application of the expected credit loss model of IFRS 9 would result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that subject to the impairment provision upon application of IFRS 9 by the Group.

Based on the assessment of the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by Group as at January 1, 2018 would be increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit loss provision on finance lease receivables, loan receivables, trade and other receivables, amounts due from related parties, pledged bank deposits, time deposits and bank balances and cash. Such further impairment recognized under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets as at January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipated that the application of IFRS 15 would result in more disclosures, however, the directors of the Company do not anticipated that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 16 Leases (continued)

As at December 31, 2017, the Group has non-cancellable operating lease commitments of RMB1,874.02 million as disclosed in Note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of under IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurements, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In additional, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies as below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for the recognition of revenue from operating leases and finance leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases of passenger vehicles are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term.

Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract. Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicles purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to the directors and employees of the Company

Equity-settled share-based payments to the directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair values determined at the grant-date fair value of the equity-settled payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognized on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, amount due from a related party, finance lease receivables, loan receivables, cash in transit, time deposits, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale ("AFS") financial assets

AFS financial assets of the Group are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amounts due to related parties, borrowings, super short-term commercial papers, short-term debentures, corporate bonds, convertible bonds and other liabilities are subsequently measured at amortized cost, using the effective interest method.

Compound instruments

The component parts of the compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Compound instruments (continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest method.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment on goodwill acquired through business combination

Determining whether goodwill acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in Note 15. As at December 31, 2017 and 2016, the carrying amount of goodwill of the Group was approximately RMB903,791,000 and RMB478,860,000, respectively.

Estimated useful lives and impairment of intangible assets acquired through business combination

The Group's management determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired through business combination. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated. In addition, determining whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017 and 2016, the carrying amounts of intangible assets acquired in business combination are approximately RMB1,269,897,000 and RMB655,359,000, respectively.

Estimated useful lives and impairment of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at December 31, 2017 and 2016, the carrying amounts of property, plant and equipment are approximately RMB4,729,155,000 and RMB3,941,738,000, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash inflows from the outstanding trade and other receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017 and 2016, the carrying amounts of trade and bills receivables of the Group are approximately RMB680,256,000 and RMB828,636,000, respectively.

Deferred tax asset

As at December 31, 2017 and 2016, a deferred tax asset of approximately RMB99,375,000 and RMB81,466,000, respectively, in relation to unused tax losses has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the Group's chief operating decision maker who reviews the segment revenue and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, the executive directors of the Company review the financial information of each outlet, hence each outlet constitutes a separate operating unit. However, the outlets possess similar economic characteristics, and are similar in terms of products and services, customers, methods used to distribute products and provide services, and regulatory environment. Therefore, all outlets are aggregated into one reportable segment, namely "passenger vehicle sales and services", for segment reporting purposes.

The Group's reportable segments are as follows:

- Passenger vehicle sales and services – (i) sale of passenger vehicles; and (ii) provision of after-sales services, including primarily repair and maintenance services, certain auxiliary automobile sales related services and provision of other automobile-related services, such as vehicle inspection, title transfer and registration and pre-owned vehicle agency;

- Automobile rental services; and

- Proprietary finance business.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results

	Passenger vehicle sales and services *RMB'000*	Automobile rental services *RMB'000*	Proprietary finance business *RMB'000* *(note d)*	Elimination *RMB'000*	Total *RMB'000*
For the year ended December 31, 2017					
External revenue	50,019,832	379,735	299,735	–	50,699,302
Inter-segment revenue	157,004	–	31,658	(188,662)	–
Segment revenue *(note a)*	50,176,836	379,735	331,393	(188,662)	50,699,302
Segment cost *(note b)*	45,502,321	279,278	119,663	(226,617)	45,674,645
Segment gross profit	4,674,515	100,457	211,730	37,955	5,024,657
Service income	883,502	–	–	(23,618)	859,884
Segment results	5,558,017	100,457	211,730	14,337	5,884,541
Other income and other gains and losses *(note c)*					67,343
Distribution and selling expenses					(2,269,322)
Administrative expenses					(1,221,573)
Finance costs					(494,118)
Share of profit of joint ventures					9,086
Share of profit of associates					31,543
Profit before tax					2,007,500

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Passenger vehicle sales and services *RMB'000*	Automobile rental services *RMB'000*	Proprietary finance business *RMB'000* *(note d)*	Elimination *RMB'000*	Total *RMB'000*
For the year ended December 31, 2016					
External revenue	42,586,275	363,991	82,236	–	43,032,502
Inter-segment revenue	164,305	–	40,077	(204,382)	–
Segment revenue *(note a)*	42,750,580	363,991	122,313	(204,382)	43,032,502
Segment cost *(note b)*	39,104,843	260,054	26,486	(164,305)	39,227,078
Segment gross profit	3,645,737	103,937	95,827	(40,077)	3,805,424
Service income	711,842	–	–	(5,681)	706,161
Segment results	4,357,579	103,937	95,827	(45,758)	4,511,585
Other income and other gains and losses *(note c)*					54,206
Distribution and selling expenses					(1,915,093)
Administrative expenses					(1,052,121)
Finance costs					(479,492)
Share of profit of joint ventures					8,109
Share of profit of associates					24,809
Profit before tax					1,152,003

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Notes:

a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2017 was RMB50,176,836,000 (2016: RMB42,750,580,000) which included the sales revenue of passenger vehicles amounting to approximately RMB43,491,716,000 (2016: RMB37,304,149,000) and the after-sales services revenue amounting to approximately RMB6,685,120,000 (2016: RMB5,446,431,000).

b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2017 was RMB45,502,321,000 (2016: RMB39,104,843,000) which included the cost of sales of passenger vehicles amounting to approximately RMB41,898,730,000 (2016: RMB36,148,357,000) and the cost of after-sales services amounting to approximately RMB3,603,591,000 (2016: RMB2,956,486,000).

c. The amount excludes the services income generated from the passenger vehicle sales and services segment, which is included in the segment results 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 the same as those of the Group as described in Note 3. 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 6), distribution and selling expenses, administrative expenses, finance costs, share of profit of joint ventures and share of profit of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the board of the directors.

Geographical information

All of the Group's revenue is generated from passenger vehicle sales and services, provision of automobile rental services, proprietary finance business in the PRC and all of the Group's principal assets and liabilities for operation are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for both years.

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major products and services

	2017 RMB'000	2016 RMB'000
Sale of passenger vehicles:		
– Luxury and ultra-luxury brands *(note a)*	**34,258,565**	29,297,654
– Mid- to high-end brands *(note b)*	**9,076,147**	7,849,887
Subtotal	**43,334,712**	37,147,541
After-sales services	**6,685,120**	5,438,734
Automobile rental services	**379,735**	363,991
Proprietary finance business	**299,735**	82,236
	50,699,302	43,032,502

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.

6. OTHER INCOME/OTHER GAINS AND LOSSES

	2017 *RMB'000*	2016 *RMB'000*
Other income comprises:		
Service income *(note a)*	**859,884**	706,161
Advertising support received from automobile manufacturers	**–**	1,323
Government grants *(note b)*	**45,814**	51,363
Interest income on bank deposits	**23,492**	14,649
Interest income from a related party *(Note 38)*	**3,264**	921
Others	**3,616**	4,670
	936,070	779,087
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment	**20,595**	423
Impairment loss on available-for-sale investments	**(3,571)**	(9,806)
Reversal of impairment loss on other receivables	**–**	1,600
Impairment loss of loan receivables	**(1,559)**	(2,865)
Impairment loss of finance lease receivables	**(1,787)**	(1,440)
Net foreign exchange losses	**(1,526)**	(2,196)
Loss on disposal of interest in an associate	**(2,232)**	–
Loss on disposal of subsidiaries	**(3,430)**	(1,221)
Others	**(15,333)**	(3,215)
	(8,843)	(18,720)
Total	**927,227**	760,367

Notes:

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

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

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on borrowings:		
– bank loans	**242,157**	161,808
– other borrowings from entities controlled by suppliers	**43,625**	38,226
– reimbursement to suppliers *(note a)*	**79,638**	89,128
– short-term debentures *(Note 29)*	**6,689**	53,488
– super short-term commercial papers *(Note 30)*	**94,473**	–
– medium-term note	**–**	54,221
– convertible bonds *(Note 32)*	**27,736**	64,926
– corporate bonds *(Note 31)*	**78,000**	13,433
Gain recognized for the re-measurement of liability component of the convertible bonds *(Note 32)*	**(83,770)**	–
Release of capitalized transaction cost in relation to issue of short-term debentures *(Note 29)*	**667**	5,111
Release of capitalized transaction cost in relation to issue of super short-term commercial papers *(Note 30)*	**6,913**	–
Release of capitalized transaction cost in relation to issue of medium-term note	**–**	2,528
Release of capitalized transaction cost in relation to issue of corporate bonds *(Note 31)*	**2,050**	344
Less: interest capitalized *(note b)*	**(4,060)**	(3,721)
	494,118	479,492

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 purchase of new passenger vehicles.

b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 4.81% (2016: 5.35%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2017 RMB'000	2016 RMB'000
Staff costs, including directors' remuneration *(Note 10)*:		
Salaries, wages and other benefits	**1,329,495**	894,210
Retirement benefits scheme contributions	**119,053**	97,586
Share-based payment expenses	**25,245**	22,036
Total staff costs	**1,473,793**	1,013,832
Auditors' remuneration:		
– in respect of audit service for the Company	**6,860**	6,500
– in respect of the statutory audits for the subsidiaries of the Company	**3,258**	2,659
Total auditors' remuneration	**10,118**	9,159
Cost of inventories recognized as an expense	**45,345,317**	38,916,997
Depreciation of property, plant and equipment	**476,614**	440,248
Release of prepaid lease payments	**33,707**	30,581
Amortization of intangibles assets	**24,100**	19,068
Impairment loss on available-for-sale investments	**3,571**	9,806
Reversal of impairment loss on other receivables	**–**	(1,600)
Impairment loss of loan receivables	**1,559**	2,865
Impairment loss of finance lease receivables	**1,787**	1,440
Operating lease expenses	**307,728**	228,159

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**435,248**	245,846
Underprovision (overprovision) of PRC EIT in prior years	**958**	(1,487)
	436,206	244,359
Deferred tax		
Current year *(Note 22)*	**(30,494)**	(132)
	405,712	244,227

9. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before tax as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	**2,007,500**	1,152,003
Tax at the PRC EIT rate of 25% (2016: 25%)	**501,875**	288,001
Tax effect of expenses not deductible for tax purpose	**9,485**	4,095
Tax effect of income not taxable for tax purpose	**(75,815)**	(74,888)
Tax effect of share of results of associates and joint ventures	**(10,157)**	(8,230)
Tax effect of different tax rate of subsidiaries operation in other jurisdiction	**(15,356)**	19,085
Tax effect of withholding tax associated with distributed earnings of subsidiaries in PRC *(note)*	**4,250**	4,750
Tax effect of withholding tax associated with interest income arising from intra-group borrowings	**1,073**	6,434
Tax effect of income tax on (losses) gains arising from intra-group equity transfer	**(3,535)**	6,769
Tax effect of preferential tax rates for certain subsidiaries	**(146)**	(302)
Utilization of tax losses previously not recognized	**(6,920)**	–
Underprovision (overprovision) of PRC EIT in prior years	**958**	(1,487)
Income tax expense for the year	**405,712**	244,227

Note: During the year ended 31 December 2017, withholding tax was paid on dividends amounting to RMB85,000,000 declared in respect of profit earned by PRC subsidiaries from January 1, 2008 onward.

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 had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

Under the Law of the PRC on EIT 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.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the chief executive and the directors of the Company for the year are as follows:

	2017 RMB'000	2016 RMB'000
Fees	960	990
Other emoluments		
Salaries and other benefits	7,428	5,790
Contributions to retirement benefits scheme	215	197
Share-based payments	2,100	3,566
	10,703	10,543

The emoluments of the chief executive and the directors on a named basis are as follows:

For the year ended December 31, 2017

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000	Total RMB'000
Executive Directors					
Cheung Tak On	–	2,242	46	–	2,288
Cai Yingjie	–	1,294	46	–	1,340
Wang Zhigao	–	1,282	31	–	1,313
Xu Yue	–	1,193	46	1,288	2,527
Chen Yi	–	1,417	46	696	2,159
Non-Executive Directors					
Wang Liqun	240	–	–	29	269
Independent Non-Executive Directors					
Lyu Wei	240	–	–	29	269
Chen Xianglin	240	–	–	29	269
Zhu Anna Dezhen	240	–	–	29	269
	960	7,428	215	2,100	10,703

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended December 31, 2016

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Executive Directors					
Cheung Tak On	–	1,681	42	–	1,723
Cai Yingjie	–	1,067	42	–	1,109
Wang Zhigao	–	1,054	29	–	1,083
Xu Yue	–	1,017	42	2,071	3,130
Chen Yi	–	971	42	1,175	2,188
Non-Executive Directors					
Wang Liqun	250	–	–	102	352
Independent Non-Executive Directors					
Lyu Wei	250	–	–	102	352
Chen Xianglin	250	–	–	102	352
Zhu Anna Dezhen	240	–	–	14	254
	990	5,790	197	3,566	10,543

Mr. Cai Yingjie is the Chief Executive and one of the directors of the Company and his emoluments disclosed above include those services rendered by him as the Chief Executive.

Mr. Xu Yue is the President and one of the directors of the Company and his emoluments disclosed above include those services rendered by him as the President.

Ms. Chen Yi is the Vice-president and one of the directors of the Company and her emoluments disclosed above include those services rendered by her as the Vice-president.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The five highest paid individuals of the Group for the year included three directors for the year ended December 31, 2017 (2016: three). The remuneration of the remaining two individuals for the year ended December 31, 2017 (2016: two) are as follows:

	2017 RMB'000	2016 RMB'000
Employees		
Salaries and other benefits	**1,118**	1,042
Contributions to retirement benefits scheme	**92**	84
Share-based payments	**1,934**	2,079
	3,144	3,205

The emolument of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2017 RMB'000	2016 RMB'000
HK$1,500,001-HK$2,000,000	**2**	3
HK$2,000,001-HK$2,500,000	**–**	1
HK$2,500,001-HK$3,000,000	**2**	–
HK$3,000,001-HK$3,500,000	**1**	1
	5	5

During the year ended December 31, 2017, no emoluments were paid by the Group any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors of the Company waived any emoluments during the two years.

11. DIVIDENDS

During the year ended December 31, 2017, a final dividend of HK$0.19 (equivalent to RMB0.17) per share in respect of the year ended December 31, 2016 was declared and paid out of share premium to the owners of the Company in HK$. The aggregate amount of the final dividend declared and paid in the year ended December 31, 2017 amounted to RMB276,222,000.

A final dividend of HK$0.336 (equivalent to RMB0.27) per share with the total amount of approximately RMB495,321,000 in respect of the year ended December 31, 2017 has been proposed by the directors and is subject to approval by the shareholders in the upcoming annual general meeting.

12. 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:

	2017 *RMB'000*	2016 *RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,509,930**	851,272
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**27,736**	64,926
Gain recognized for the re-measurement of liability component of the convertible bonds	**(83,770)**	–
Earnings for the purpose of diluted earnings per share	**1,453,896**	916,198

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,654,181**	1,480,052
Effect of dilutive potential ordinary shares:		
Convertible bonds	**94,998**	158,260
Share options	**12,324**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,761,503**	1,638,312

Outstanding share options of the Company during the year ended December 31, 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 year ended December 31, 2016.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2016	1,677,159	395,852	851,713	276,483	1,168,967	186,497	4,556,671
Additions	62,488	37,969	133,203	34,282	566,695	149,765	984,402
Acquired on acquisition of subsidiaries	175,621	9,596	9,123	14,272	36,335	2,270	247,217
Transfer	76,603	24,855	194,488	14,265	–	(310,211)	–
Disposals	–	(6,999)	(10,083)	(22,323)	(519,660)	–	(559,065)
Disposal of subsidiaries	(45,307)	(15,353)	(36,343)	(5,724)	(9,017)	(151)	(111,895)
At December 31, 2016	**1,946,564**	**445,920**	**1,142,101**	**311,255**	**1,243,320**	**28,170**	**5,117,330**
Additions	**134,850**	**15,531**	**157,624**	**53,839**	**633,087**	**279,885**	**1,274,816**
Acquired on acquisition of subsidiaries *(Note 35)*	**156,060**	**26,144**	**44,898**	**31,436**	**38,502**	**36,713**	**333,753**
Transfer	**149,703**	**11,375**	**2,029**	**8,791**	**–**	**(171,898)**	**–**
Disposals	**–**	**(5,406)**	**(73,196)**	**(18,121)**	**(511,628)**	**–**	**(608,351)**
At December 31, 2017	**2,387,177**	**493,564**	**1,273,456**	**387,200**	**1,403,281**	**172,870**	**6,117,548**
DEPRECIATION							
At January 1, 2016	166,364	179,983	190,457	140,893	300,906	–	978,603
Provided for the year	44,035	55,485	107,440	43,559	189,729	–	440,248
Eliminated on disposals	–	(5,509)	(660)	(12,716)	(192,275)	–	(211,160)
Eliminated on disposal of subsidiaries	(1,941)	(8,435)	(15,643)	(3,506)	(2,574)	–	(32,099)
At December 31, 2016	**208,458**	**221,524**	**281,594**	**168,230**	**295,786**	**–**	**1,175,592**
Provided for the year	**85,698**	**49,157**	**83,333**	**53,900**	**204,526**	**–**	**476,614**
Eliminated on disposals	**–**	**(3,738)**	**(67,148)**	**(12,017)**	**(180,910)**	**–**	**(263,813)**
At December 31, 2017	**294,156**	**266,943**	**297,779**	**210,113**	**319,402**	**–**	**1,388,393**
CARRYING VALUES							
At December 31, 2016	1,738,106	224,396	860,507	143,025	947,534	28,170	3,941,738
At December 31, 2017	**2,093,021**	**226,621**	**975,677**	**177,087**	**1,083,879**	**172,870**	**4,729,155**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land on which buildings are located and useful life of buildings of 20 – 40 years
Plant and machinery	11.88% – 31.67%
Leasehold improvements	10% – 20%
Furniture, fixtures and equipment	19%
Motor vehicles	14% – 19%

The Group's buildings are situated on land in the PRC held by the Group under medium-term leases. Details of the Group's buildings and motor vehicles pledged to secure bank borrowings granted to the Group are set out in Note 28.

14. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At January 1, 2016	1,057,474
Additions	25,442
Refund of consideration paid for prepaid land lease payments *(note)*	(71,232)
Acquired on acquisition of subsidiaries	216,792
At December 31, 2016	**1,228,476**
Additions	**1,320**
Acquired on acquisition of subsidiaries *(Note 35)*	**31,141**
At December 31, 2017	**1,260,937**
AMORTIZATON	
At January 1, 2016	50,695
Provided for the year	30,581
At December 31, 2016	**81,276**
Provided for the year	**33,707**
At December 31, 2017	**114,983**
CARRYING VALUES	
At December 31, 2016	1,147,200
At December 31, 2017	**1,145,954**

14. PREPAID LEASE PAYMENTS (continued)

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

	2017	2016
	RMB'000	*RMB'000*
Analyzed for reporting purpose as:		
Current assets	**34,354**	31,487
Non-current assets	**1,111,600**	1,115,713
	1,145,954	1,147,200

The carrying amount represents the prepayment of rentals for land use rights situated in the PRC.

Details of the Group's land use rights pledged to secure bank borrowings granted to the Group are set out in Note 28.

15. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
COST		
At the beginning of the year	**478,860**	286,624
Acquisitions of subsidiaries *(Note 35)*	**424,931**	192,236
At the end of the year	**903,791**	478,860

In opinion of the Company's directors, the goodwill comprises the fair value of future profit from expected business synergies arising from acquisitions, which is not separately recognized.

The recoverable amounts of the Cash Generating Units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, changes in selling prices and direct costs during the period. The management of the Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Cash Generating Units. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year ended December 31, 2017, the Group performed impairment review for goodwill and intangible assets of the Cash Generating Units based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by the management using discount rates ranging from 12% to 13% (2016: 12% to 13%) which reflects current market assessments of the time value of money and the risks specific to the Cash Generating Units. The cash flows beyond the next five years are extrapolated using a growth rate of 3% per annum (2016: 3%). The growth rates are by reference to industry growth forecasts. During the year ended December 31, 2017 and 2016, the management of the Group determines that there are no impairments of any of its Cash Generating Units containing goodwill.

16. INTANGIBLE ASSETS

	Dealership agreements RMB'000	Customer relationship RMB'000	Vehicle licence plates RMB'000	Software RMB'000	Total RMB'000
COST					
At January 1, 2016	366,868	56,319	126,637	–	549,824
Acquisition of subsidiaries	234,900	43,700	–	4,133	282,733
Additions	–	–	39,450	1,876	41,326
Disposals of subsidiaries	(8,000)	–	–	–	(8,000)
At December 31, 2016	593,768	100,019	166,087	6,009	865,883
Acquisition of subsidiaries *(Note 35)*	600,000	36,600	–	–	636,600
Additions	–	–	62,967	23,651	86,618
At December 31, 2017	1,193,768	136,619	229,054	29,660	1,589,101
AMORTIZATION					
At January 1, 2016	14,323	5,448	–	–	19,771
Provided for the year	13,772	5,281	–	15	19,068
Elimination of disposal of subsidiaries	(396)	–	–	–	(396)
At December 31, 2016	27,699	10,729	–	15	38,443
Provided for the year	15,926	6,136	–	2,038	24,100
At December 31, 2017	**43,625**	**16,865**	**–**	**2,053**	**62,543**
CARRYING VALUES					
At December 31, 2016	**566,069**	**89,290**	**166,087**	**5,994**	**827,440**
At December 31, 2017	**1,150,143**	**119,754**	**229,054**	**27,607**	**1,526,558**

Dealership agreements and customer relationship are stated at cost less any impairment losses and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of these intangible assets are as follows:

Dealership agreements	40 years
Customer relationship	15 years

16. INTANGIBLE ASSETS (continued)

The majority of vehicle licence plates were issued by the relevant authorities in Shanghai and Guangzhou with no expiration dates. As such, the management of the Group considers such licence plates to have an indefinite useful life and they are carried at cost less any subsequent impairment losses, if any.

The licence plates will not be amortized until its useful life is determined to be finite. Instead, they will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The management of the Group determined that there was no impairment of licence plates as their market value exceeds their carrying amount as at the end of the reporting periods.

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017	2016
	RMB'000	*RMB'000*
Listed equity securities *(note a)*	**50,082**	29,166
Unlisted equity securities *(note b)*	**200,347**	65,524
	250,429	94,690

Notes:

a. The above listed equity investments represent shares in two listed entity. They are measured at fair value at the end of each reporting period. In 2015, the Group acquired the first unlisted equity securities at cost of approximately RMB53,002,000, which subsequently became listed equity securities in 2015. During the year ended December 31, 2017, losses of approximately RMB3,571,000 (2016: RMB9,806,000) that arise as a result of changes in fair value in the listed equity investments are recognized as impairment loss and recorded in other gains and losses. In 2015, the Group acquired the second unlisted equity securities at cost of approximately RMB18,699,000, which subsequently became listed equity securities in 2017. During the year ended December 31, 2017, gains of approximately RMB5,789,000 (2016: nil) that arise as a result of changes in fair value in the listed equity investments are recognized as other comprehensive income.

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

18. INTERESTS IN JOINT VENTURES

	2017	2016
	RMB'000	*RMB'000*
Cost of unlisted investments in joint ventures	**82,455**	82,455
Share of post-acquisition profits, net of dividends received	**19,173**	16,630
	101,628	99,085

18. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2017 %	2016 %	2017 %	2016 %	
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda") 上海巴士永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S (sales, spare parts, service and survey) dealership
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Harbin Yongda Internationa Automobile Plaza Co., Ltd. ("Harbin Yongda") 哈爾濱永達國際汽車廣場有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**36**	36	**36**	36	4S dealership
Ryde 88 Pty Limited	Australian limited liability enterprise	Australia	Australia	Limited by shares	**40**	40	**40**	40	Proprietary company

* The English names of the above entities established in the PRC are translated for identification purpose only.

None of the joint ventures are considered individually material, and the aggregate information of all the joint ventures are as follows:

	2017 *RMB'000*	2016 *RMB'000*
The Group's share of profit and total comprehensive income for the year	**9,086**	8,109

19. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of unlisted investments in associates	**338,018**	333,518
Share of post-acquisition profits and other comprehensive income, net of dividends received	**53,014**	21,471
	391,032	354,989

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group 2017 %	2016 %	Proportion of voting power held 2017 %	2016 %	Principal activity
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	50	50	50	4S dealership
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	4S dealership
Changjiang United Finance Leasing Co., Ltd ("Changjiang United") *(note 1)* 長江聯合金融租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	15	15	15	15	Finance leasing

19. INTERESTS IN ASSOCIATES (continued)

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group 2017 %	2016 %	Proportion of voting power held 2017 %	2016 %	Principal activity
Guandao Network Technology (Shanghai) Co., Ltd. 觀道網絡科技(上海)有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	30	30	30	30	Software development
Sichuan Yongzhida second-hand car sales Co. Ltd. ("Sichuan Yongzhida") *(note 2)* 四川永智達二手車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	40.5	N/A	40.5	N/A	Sale of used cars
Leshan Yongzhida second-hand car sales Co. Ltd. ("Leshan Yongzhida") *(note 3)* 樂山永智達二手車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	18	N/A	18	N/A	Sale of used cars
Anhui Jiajia Yongda Automobile Sales Co. Ltd. ("Auhui Jiajia") *(note 4)* 安徽家家永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	N/A	49	N/A	Sale of used cars

Notes:

1. Pursuant to the articles of Changjiang United, the Group has the right to appoint one board director. As such, the Group considers it could have significant influence over Changjiang United and treated it as an interest in an associate.

2. The Group acquired 45% equity interests of Sichuan Yongzhida through its subsidiary which the Group owns 90% equity interests. The Group has significant influence over Sichuan Yongzhida and treated it as an interest in an associate.

3. The Group acquired 45% equity interests of Leshan Yongzhida through Sichuan Yongzhida. The Group has significant influence over it and treated it as an interest in an associate.

4. Pursuant to the articles of Anhui Jiajia, the Group has the right to appoint two board directors. As such, the Group considers it could have significant influence over Anhui Jiajia and treated it as an interest in an associate.

* The English names of the above entities established in the PRC are translated for identification purpose only.

19. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of a material associate

Summarized financial information in respect of the Group's material associate is set out below.

Changjiang United

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Current assets	**8,514,841**	15,644,763
Non-current assets	**14,188,078**	199,391
Current liabilities	**19,868,520**	12,642,803
Non-current liabilities	**500,000**	1,062,475

	2017	2016
	RMB'000	*RMB'000*
Revenue for the year	**664,051**	457,608
Profit and total comprehensive income for the year	**195,254**	134,147

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2017	2016
	RMB'000	*RMB'000*
Net asset of Changjiang United	**2,334,129**	2,138,876
Proportion of the Group's ownership interest in Changjiang United	**15%**	15%
Carrying amount of the Group's ownership interest in Changjiang United	**350,119**	320,831

19. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of profit and total comprehensive income of associates for the year/period before disposal	**2,255**	4,687
Aggregate carrying amount of the Group's interests in these associates	**40,913**	34,158

20. 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.

	2017 RMB'000	2016 RMB'000
Analyzed as:		
Current	**1,657,715**	788,934
Non-current	**1,337,893**	301,751
	2,995,608	1,090,685

	Minimum lease payments		Present value of minimum lease payments	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Finance lease receivables comprise:				
Within one year	**1,839,684**	803,388	**1,657,715**	788,934
In more than one year but not more than two years	**879,674**	261,416	**786,456**	226,679
In more than two years but not more than five years	**615,278**	87,520	**558,241**	76,512
	3,334,636	1,152,324	**3,002,412**	1,092,125
Less: unearned finance income	**(332,224)**	(60,199)	**N/A**	N/A
Less: allowance for impairment loss	**(6,804)**	(1,440)	**(6,804)**	(1,440)
Present value of minimum lease payment receivables	**2,995,608**	1,090,685	**2,995,608**	1,090,685

20. FINANCE LEASE RECEIVABLES (continued)

At December 31, 2017, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB126,393,000 (2016: RMB207,137,000) and RMB204,586,000 (2016: RMB273,983,000) (Note 27) were recognized as other non-current liabilities and current liabilities, respectively.

21. LOAN RECEIVABLES

	2017 RMB'000	2016 RMB'000
Guaranteed but unsecured loans	**365,317**	123,333
Collateralised but unguaranteed loans	**506,889**	163,170
Gross loan receivables	**872,206**	286,503
Less: Allowances for impairment losses		
– Collectively assessed	**(4,424)**	(2,865)
Net loan receivables	**867,782**	283,638
Analyzed as:		
Current	**735,260**	275,951
Non-current	**132,522**	7,687
	867,782	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 and/or secured by collateral.

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

	2017 RMB'000	2016 RMB'000
Fixed-rate loan receivables:		
Within one year	**735,260**	275,951
In more than one year but not more than two years	**84,768**	4,782
In more than two years but not more than three years	**47,754**	2,905
	867,782	283,638

The past due loan receivables is immaterial as at the end of the reporting period.

22. DEFERRED TAXATION

(a) Deferred tax assets

The following are the major deferred tax assets recognized and movements thereon during the current and prior years:

	Tax losses *RMB'000*	PPE impairment *RMB'000*	Accrued expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2016	83,781	–	3,141	5,834	92,756
Credit (charge) to profit or loss	1,268	–	(3,117)	(3,468)	(5,317)
Eliminated on disposal of subsidiaries	(3,583)	–	–	(63)	(3,646)
At December 31, 2016	81,466	–	24	2,303	83,793
Credit (charge) to profit or loss	17,909	–	(24)	6,184	24,069
Addition due to acquisition	–	31,572	–	–	31,572
At December 31, 2017	99,375	31,572	–	8,487	139,434

The deferred tax balances have reflected the tax rates that are expected to apply in the respective periods when the asset is realized or the liability is settled.

The Group's unused tax losses of approximately RMB397,500,000 and RMB325,864,000 as at December 31, 2017 and 2016, respectively have been recognized as deferred tax assets as at the end of the reporting periods.

22. DEFERRED TAXATION (continued)

(b) Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries *RMB'000*
At January 1, 2016	104,418
Recognized in profit or loss	(5,449)
Acquired on acquisition of subsidiaries	88,057
At December 31, 2016	187,026
Recognized in profit or loss	(6,425)
Acquired on acquisition of subsidiaries *(Note 35)*	159,954
At December 31, 2017	**340,555**

Under the EIT Law of the PRC, 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 amounting to RMB4,333,129,000 (2016: RMB3,360,444,000) 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.

23. INVENTORIES

	2017 ***RMB'000***	2016 *RMB'000*
Motor vehicles	**5,509,866**	3,887,906
Spare parts and accessories	**601,885**	429,537
	6,111,751	4,317,443

Certain of the Group's inventories with a carrying amount of approximately RMB1,627,427, 000 and RMB670,054,000 as at December 31, 2017 and 2016, respectively, were pledged as security for the Group's short-term bank loans and other borrowings (Note 28).

Certain of the Group's inventories with a carrying amount of approximately RMB1,464,187,000 and RMB1,152,718,000 as at December 31, 2017 and 2016, respectively, were pledged as security for the Group's bills payables.

24. 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 90 days is granted;

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

	2017 *RMB'000*	2016 *RMB'000*
Trade receivables	**678,968**	757,363
Bills receivables	**1,288**	71,273
	680,256	828,636
Other receivables comprise:		
Payments and deposits to suppliers	**1,267,519**	1,048,103
Deposits to entities controlled by suppliers for borrowings	**192,299**	151,002
Payments and rental deposits on properties	**38,025**	52,768
Rebate receivables from suppliers	**1,756,629**	1,659,630
Insurance commission receivables	**116,533**	72,307
Staff advances	**7,075**	8,888
Value-Added Tax recoverable	**459,270**	270,817
Advances to non-controlling shareholders of subsidiaries *(note a)*	**43,784**	46,899
Advances to independent third parties *(note a)*	**76,215**	20,000
Receivables on disposal of a subsidiary	**6,420**	6,420
Others	**169,557**	203,290
Less: allowance for doubtful debts	**(6,420)**	(6,420)
	4,126,906	3,533,704
	4,807,162	4,362,340
Non-current		
Other assets		
Advances to non-controlling shareholders of subsidiaries *(note b)*	**30,000**	–

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

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.

Bills receivables held by the Group as at December 31, 2017 will mature within 4 months.

The following is an ageing analysis of the Group's trade and bills receivables presented based on the invoice date at the end of the reporting periods, which approximated the respective revenue recognition dates:

	2017 ***RMB'000***	2016 *RMB'000*
0 to 180 days	**680,256**	828,636

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

Movement in the allowance for doubtful debts

	2017 ***RMB'000***	2016 *RMB'000*
January 1	**(6,420)**	(8,020)
Impairment losses reversed on other receivables	**–**	1,600
December 31	**(6,420)**	(6,420)

25. CASH IN TRANSIT

Cash in transit represents sales settled by credit cards, which have yet to be credited to the Group by banks.

26. TIME DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at December 31, 2017, the Group had no fixed-term deposits in banks in the PRC.

During the year ended December 31, 2017, the Group withdrew certain of its bank deposits with carrying amounts of approximately RMB106,000,000 from banks as security for the Group's short-term bank loans (Note 28) and the pledged bank deposits carry fixed-rate interests ranging from 0.40% to 1.40% per annum.

The Group also pledged certain of its bank deposits with carrying amounts of RMB1,597,166,000 to banks as security for bills payables and the pledged bank deposits carry variable-rate interests ranging from 0.35% to 1.30% (2016: 0.35% to 1.30%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bills payables.

26. TIME DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

The Group's bank balances and cash denominated in RMB, HK$ and United States Dollars ("US$") carry variable-rate interests as follows:

	2017	2016
	Interest rate per annum	
The Group		
– RMB	**0.35%**	0.35%
– HK$	**0.01%**	0.01%
– US$	**0.001%**	0.001%

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than RMB are set out below:

	2017 *RMB'000*	2016 *RMB'000*
HK$	**21,335**	1,499
US$	**2,398**	753
	23,733	2,252

27. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	2017	2016
	RMB'000	*RMB'000*
Current		
Trade payables	**404,143**	282,007
Bills payables	**3,942,504**	2,774,540
	4,346,647	3,056,547
Other payables		
Other tax payables	**127,215**	170,718
Advances and deposits from customers	**1,282,068**	1,101,267
Payable for acquisition of property, plant and equipment	**82,024**	40,157
Payable for acquisition of land use right	**25,104**	–
Rental payables	**21,644**	27,526
Salary and welfare payables	**76,900**	51,273
Accrued interest	**115,915**	55,479
Accrued audit fee	**5,686**	4,300
Other accrued expenses	**17,207**	13,683
Transaction costs payable for issue of medium-term note	**626**	626
Consideration payables for acquisition of subsidiaries *(note)*	**116,227**	86,206
Advance from non-controlling shareholders of subsidiaries *(note)*	**106,111**	103,492
Advance from former shareholders of acquired subsidiaries	**35,627**	2,688
Deposits received from customers under finance leases *(Note 20)*	**204,586**	273,983
Others	**146,568**	213,474
	2,363,508	2,144,872
	6,710,155	5,201,419
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 20)*	**126,393**	207,137

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

The Group's trade payables mainly relate to 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 payables primarily relate to the Group's use of bank acceptance notes to finance its purchase of passenger vehicles, with a credit period of one to six months.

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

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

	2017 RMB'000	2016 RMB'000
0 to 180 days	**4,346,647**	3,056,547

28. BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank loans	**5,360,343**	4,037,963
Other borrowings	**1,652,500**	1,438,809
	7,012,843	5,476,772
Secured borrowings, by the Group's assets	**2,330,916**	1,514,596
Unsecured borrowings	**4,681,927**	3,962,176
	7,012,843	5,476,772
Unguaranteed borrowings	**7,012,843**	5,476,772
Fixed-rate borrowings	**6,547,511**	4,186,281
Variable-rate borrowings	**465,332**	1,290,491
	7,012,843	5,476,772
Carrying amount repayable:		
Within one year	**6,596,271**	5,319,251
More than one year, but not exceeding two years	**394,146**	103,486
More than two years, but not exceeding five years	**22,426**	54,035
	7,012,843	5,476,772
Less: amounts due within one year shown under current liabilities	**(6,596,271)**	(5,319,251)
Amounts shown under non-current liabilities	**416,572**	157,521

28. BORROWINGS (continued)

The ranges of effective interest rates on the Group's bank and other borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	**4.13% to 6.09%**	4.00% to 5.44%
Variable-rate borrowings	**4.35% to 5.23%**	3.92% to 5.23%

The Group's variable-rate bank borrowings carry interest at the People's Bank of China benchmark rate plus a premium/London Inter-Bank Offer Rate ("LIBOR") plus a margin.

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 one or four months after drawdown; and (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.

During the years ended December 31, 2017 and 2016, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	2017 *RMB'000*	2016 *RMB'000*
Land use rights	**156,827**	239,104
Property, plant and equipment (buildings and motor vehicles)	**105,936**	234,789
Inventories	**1,627,427**	670,054
Pledged bank deposits	**–**	106,000
Total	**1,890,190**	1,249,947

As at December 31, 2017, the Group has also pledged the total equity interests of one subsidiary with a carrying amount of RMB764 million for bank loans which was newly raised during the current year.

29. 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 with an aggregate principal amount of RMB0.8 billion and with a term of one year from the 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 year ended December 31, 2017 was as follows:

	RMB'000
At January 1, 2016	797,422
Issued on March 16, 2016	800,000
Less: capitalized transaction costs in relation to issuance	(3,200)
Less: repayment of the first tranche	(800,000)
Add: interest expenses *(Note 7)*	5,111
At December 31, 2016	799,333
Less: repayment of the second tranche	(800,000)
Add: interest expenses *(Note 7)*	667
At December 31, 2017	–

During the year ended December 31, 2017, interest expense of approximately RMB6,689,000 was recognized (2016: RMB53,488,000). As at December 31, 2017, the Company has fully repaid the principal amount of RMB0.8 billion in respect of the short-term debenture and its interests.

30. SUPER SHORT-TERM COMMERCIAL PAPERS

On March 9, 2017, Shanghai Yongda Investment 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 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.

30. SUPER SHORT-TERM COMMERCIAL PAPERS (continued)

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, with a principal amount of RMB0.4 billion and RMB0.6 billion, with a term of 170 days and 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.

The Group paid transaction costs of approximately RMB7,987,000 during the year ended December 31, 2017 (2016: nil).

Movement of the super short-term commercial papers during the year ended December 31, 2017 was as follows:

	RMB'000
Issued on April 12, 2017	1,000,000
Issued on June 8, 2017	1,000,000
Issued on July 13, 2017	400,000
Issued on July 27, 2017	600,000
Less: repayment of the third tranche	(400,000)
Less: capitalized transaction costs in relation to issuance	(7,987)
Add: interest expenses *(Note 7)*	6,913
At December 31, 2017	2,598,926

During the year ended December 31, 2017, interest expenses of approximately RMB94,473,000 (2016: nil) was recognized. As at December 31, 2017, unpaid interest expense of approximately RMB85,214,000 was accrued in other payables (2016: nil).

31. CORPORATE BONDS

On October 12, 2016, Shanghai Yongda Investment 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 its 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 an over-allotment of RMB1 billion, totalling RMB2 billion. The First Tranche Bonds are fixed rate bonds with a term of five years, in which Shanghai Yongda Investment has an option to adjust 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.

31. CORPORATE BONDS (continued)

Movement of the First Tranche Corporate Bonds during the year ended December 31, 2017 was as follows:

	RMB'000
Issued on November 2, 2016	2,000,000
Less: capitalized transaction costs in relation to issuance	(10,000)
Add: interest expenses *(Note 7)*	344
At December 31, 2016	1,990,344
Add: interest expenses *(Note 7)*	2,050
At December 31, 2017	1,992,394

During the year ended December 31, 2017, interest expense of approximately RMB78,000,000 (2016: RMB13,433,000) was recognized. As at December 31, 2017, unpaid interest expense of approximately RMB13,433,000 (2016: RMB13,433,000) was accrued in other payables.

32. CONVERTIBLE BONDS

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

The principal terms of the bonds

(1) Denomination of the bonds – The Bonds are denominated in RMB and settled in US$.

(2) Maturity date – Five years from the date of issuance, which is July 18, 2019 ("Maturity Date").

(3) Interest – The Bonds bear interest at 1.50 per cent per annum and is payable in US$ at the US$ equivalent of each interest amount semiannually. The first interest payment date will be 18 January 2015.

(4) Letter of Credit – Payments of principal and premium in respect of the Bonds has the benefit of an irrevocable standby letter of credit (the "Letter of Credit") issued by DBS Bank Ltd., Hong Kong Branch which, subject to certain exceptions, expires on August 17, 2017.

32. CONVERTIBLE BONDS (continued)

(5) Conversion

a) Conversion price – The price is HK$7.958 per each new share to be issued upon conversion of the bonds ("Conversion Share"), subject to anti-dilutive adjustment in accordance with the terms of the bonds, including subdivision, reclassification or consolidation of shares of the Company, capitalisation of profits or reserves, capital distribution, issuance of options or rights, and certain other events.

b) Conversion period – The Bondholder has the right to convert the bonds into shares at any time on or after August 28, 2015 up to the close of business on the tenth day prior to the Maturity Date or if such bonds shall have been called or put for redemption at any time before the Maturity Date, then up to the close of business on a date no later than ten days (both days inclusive) prior to the date fixed for redemption, which is discussed below.

c) Number of Conversion Shares issuable – 158,259,610 Conversion Shares will be issued upon full conversion of the bonds based on the initial conversion price of HK$7.958 (translated at the fixed exchange rate of HK$1 = RMB0.79401 as pre-determined).

(6) Redemption

a) At the option of the Company:

(I) Redemption at maturity – The Company will redeem the bonds outstanding at principal amount on the Maturity Date.

(II) Redemption for tax reasons – The Company will redeem all and not only some of the Bonds at their principal amount, at its option, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders on the date specified in the Tax Redemption Notice.

(III) Redemption at the Option – The Company may redeem all and not only some of the Bonds on the date specified in the Option Redemption Notice at the US Dollar Equivalent of the Early Redemption Amount as at such date plus accrued and unpaid interest to such date at any time after July 18, 2017, provided that the closing price of a Share at least 130 percent of the Conversion Price then in effect immediately prior to the date upon which notice of such redemption is given. If at least 90% in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled, the Issuer may redeem all and not only some of such outstanding Bonds.

32. CONVERTIBLE BONDS (continued)

(6) Redemption (continued)

b) At the option of the Bondholder:

(I) Redemption on change of control – Upon the occurrence of a Change of Control, the Bondholder will have the right, at such holder's option, to require the Company to redeem all or some only of such holder's bonds on the Change of Control put date at their principal amount of the bonds.

(II) Redemption at the option – The holders of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Optional Put Date (on July 18, 2017) at 100.767% of their principal amount.

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 costs	(73,737)
Liability component at the date of issue	(863,773)
Equity component	62,490

32. CONVERTIBLE BONDS (continued)

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 is set out below:

	2017 *RMB'000*	2016 *RMB'000*
Liability component at January 1	**978,837**	928,911
Interest charged *(Note 7)*	**27,736**	64,926
Interest paid	**(6,443)**	(15,000)
Redemption	**(17,130)**	–
Gain recognized for the re-measurement of liability component *(note)*	**(83,770)**	–
Conversion options exercised during the year	**(899,230)**	–
Liability component at December 31	**–**	978,837

Note: As most of the Bondholders did not choose to exercise the option to redeem the bonds in July 2017, the liability component of the convertible bonds was re-measured by discounting the revised estimated cash flows at the original effective interest rate of 6.83%, and resulted in a change in carrying amount of the liability component of the convertible bonds by approximately RMB83,770,000, which are required to be recognized in current year's profit or loss in accordance with IAS39.

As at December 31, 2017, all the outstanding convertible bonds have been fully converted to ordinary shares.

33. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At December 31, 2015, 2016 and 2017	2,500,000	25,000

33. SHARE CAPITAL (continued)

	Number of shares *'000*	Amount *HK$'000*	Shown in financial statements as *RMB'000*
Issued and fully paid:			
At January 1, 2017	1,480,122	14,801	12,066
Exercise of share options *(Note 34)*	15,143	152	131
Placement and subscription	135,000	1,350	1,190
Conversion option of convertible bonds exercised during the year *(Note 32)*	156,718	1,567	1,244
Issuance to acquire subsidiaries	47,539	475	402
At December 31, 2017	1,834,522	18,345	15,033

34. 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. Options granted must be taken up within 28 days from the date of grant, upon payment of RMB1.00. Subject to the vesting as detailed below, options may be exercised at any time from the grant date of the share options to the fifth anniversary of the date of grant. The exercise price of the shares in the Company shall be a price determined by the board of directors of the Company with reference to future earnings potential of the Company and notified to the eligible grantees.

At December 31, 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 29,357,000 (2016: 34,900,000), representing 1.6% (2016: 2.4%) of the shares of the Company in issue at that date.

On July 26, 2016, the board of directors of the Company resolved to cancel the outstanding options previously granted on December 30, 2013 to certain individuals (the "Existing Grantees") to subscribe for a total of 29,700,000 Shares (including 5,100,000 Shares to directors) at the exercise price of HK$6.950 per Share with validity period from December 30, 2013 to December 29, 2018.

34. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Granted on July 26, 2016

On July 26, 2016, the Company granted a total of 35,000,000 share options with validity period from date of grant to December 31, 2020 under the Share Option Scheme to the Existing Grantees and certain new grantees (the "New Grantees", collectively the "Grantees"). Among the total of 35,000,000 Options granted 5,100,000 Options were granted to the directors of the Company. Details are set out as follows:

(1) All options granted are at an exercise price of HK$3.78 per share.

(2) The share options granted to the Existing Grantees will be vested in three tranches, i.e. the first and second 1/3 immediately after the date of grant, the third 1/3 from the first anniversary after the date of grant. The share options granted to the New Grantees will be vested in three tranches, i.e. 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 July 26, 2016 was RMB25,009,000. The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

	July 26, 2016
Share price	HK$3.78
Exercise price	HK$3.78
Expected volatility	37.61%
Option life	4.5 years
Risk-free interest rate	0.56%

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.

34. 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 "New 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 New 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.

34. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Granted on June 19, 2017 (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 year ended December 31, 2017:

	Number of options				
	Outstanding as at 1 January 2017	Issued during the year	Forfeited during the year	Exercised during the year *(Note 33)*	Outstanding as at 31 December 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 *(note)*	3,000,000	–	–	600,000	2,400,000
Ms. Chen Yi *(note)*	1,300,000	–	–	858,000	442,000
Employees and other grantees	29,800,000	10,500,000	900,000	13,685,000	25,715,000
	34,900,000	10,500,000	900,000	15,143,000	29,357,000
Exercisable at the end of the year	18,301,800				15,324,000
Weighted average exercise price (HK$)	3.78	8.14	3.78	3.78	5.34

Note: Mr. Xu Yue and Ms. Chen Yi were appointed as executive directors on March 23, 2015.

Amount of RMB6,382,000 (2016: RMB15,772,000) was recognized for the year ended December 31, 2017 in relation to share options granted by the Company under the Share Option Scheme.

34. SHARE-BASED COMPENSATION (continued)

(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.

During the year ended December 31, 2017, awards of approximately 9,413,000 (2016: 3,520,000) restricted shares have been made pursuant to the Amended Scheme. Details are set out as follows:

	Number of shares	Vesting period	Fair value
	'000		*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
January 3, 2017	9,413	1-28 years	63,888

Amount of approximately RMB18,863,000 (2016: RMB6,264,000) was recognized for the year ended December 31, 2017 in relation to such awards made by the Company under the Amended Scheme.

35. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Sichuan 4S dealerships

In August 2017, the Group acquired 100% equity interests of four subsidiaries from an independent third party for total consideration of RMB485.29 million, including two Porsche 4S dealerships, one Jaguar 4S dealership and one authorized to be opened dealership 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	67,685
Intangible assets	224,400
Inventories	120,764
Trade and other receivables	294,083
Bank balances and cash	12,985
Borrowings	(130,070)
Trade and other payables	(196,723)
Deferred tax liabilities	(56,100)
Net assets acquired	337,024
Goodwill	148,266
Consideration transferred	485,290
Satisfied by:	
Cash	415,690
Consideration payable	69,600
	485,290
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	12,985
Consideration paid	(415,690)
	(402,705)

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

Included in the profit for the year is RMB14.65 million attributable to the subsidiaries acquired since the acquisition date. Revenue for the year includes RMB387.36 million generated from these subsidiaries.

35. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Sichuan 4S dealerships (continued)

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for the year ended December 31, 2017 would have been RMB51,322.57 million and the amount of the profit for the year would have been RMB1,628.21 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) Acquisition of Shangdong BMW 4S dealerships

In July 2017, the Group acquired 100% equity interests of six subsidiaries from an independent third party for cash consideration of RMB86.71 million and issued share capital consideration of RMB330.40 million, including four BMW 4S dealerships and two holding companies, 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	62,544
Intangible assets	326,400
Inventories	126,708
Trade and other receivables	237,581
Pledged bank deposits	40,373
Bank balances and cash	18,660
Borrowings	(153,576)
Trade and other payables	(333,456)
Deferred tax liabilities	(81,600)
Net assets acquired	243,634
Goodwill	173,473
Consideration transferred	417,107
Satisfied by:	
Cash	45,407
Issued ordinary shares of the Company	330,400
Consideration payable	41,300
	417,107
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	18,660
Consideration paid	(45,407)
	(26,747)

35. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of Shangdong BMW 4S dealerships (continued)

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

Included in the profit for the year is RMB34.93 million attributable to the subsidiaries acquired since the acquisition date. Revenue for the year includes RMB634.78 million generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for year ended December 31, 2017 would have been RMB51,487.38 million and the amount of the profit for the year would have been RMB1,624.60 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) Acquisition of Baitai

In June 2017, the Group acquired 100% equity interests of six subsidiaries from an independent third party for cash consideration of RMB103 million, including three Porsche 4S dealerships, one BWM 4S dealership and two trading companies to expand the Group's dealership network.

35. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of Baitai (continued)

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

	RMB'000
Property, plant and equipment	197,617
Prepaid lease payments	16,641
Intangible assets	63,500
Deferred tax assets	31,572
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)*	(499,542)
Borrowings	(56,527)
Income tax liabilities	(1,929)
Deferred tax liabilities	(16,121)
Net assets acquired	49,029
Goodwill	54,081
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	(99,610)
	(75,728)

Note: The amount of RMB207,648,000 which was included in the total trade and other payables of RMB499,542,000 was advance from former shareholders of the acquiree before the acquisition. As at December 31, 2017, the unsettled amount of approximately RMB35,627,000 was recorded as advance from former shareholders of acquired subsidiaries.

35. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of Baitai (continued)

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

Included in the profit for the year is RMB23.05 million attributable to the subsidiaries acquired since the acquisition date. Revenue for the year includes RMB479.17 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 year ended December 31, 2017 would have been RMB51,094.83 million and the amount of the profit for the year would have been RMB1,601.77 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.

(d) Acquisition of Chongqing 4S dealerships

In April 2017, the Group acquired 100% equity interests of a limited company registered in the PRC 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.

35. ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of Chongqing 4S dealerships (continued)

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

	RMB'000
Property, plant and equipment	5,444
Intangible assets	22,300
Inventories	54,280
Trade and other receivables	84,860
Pledged bank deposits	59,561
Bank balances and cash	10,933
Borrowings	(18,000)
Trade and other payables	(178,847)
Income tax liabilities	913
Deferred tax liabilities	(5,575)
Net assets acquired	35,869
Goodwill	42,131
Consideration transferred	78,000
Satisfied by:	
Cash	77,574
Consideration payable	426
	78,000
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	10,933
Consideration paid	(77,574)
	(66,641)

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

35. ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of Chongqing 4S dealerships (continued)

Included in the profit for the year is RMB18.28 million attributable to the subsidiaries acquired since the acquisition date. Revenue for the year includes RMB377.12 million generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for year ended December 31, 2017 would have been RMB50,849.89 million and the amount of the profit for the year would have been RMB1,607.32 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.

(e) Acquisition of Haina

In August 2017, the Group acquired 100% equity interests in Qingdao Haina Automobile Insurance Agency Co., Ltd. ("Haina") from an independent third party for cash consideration of RMB23.41 million to facilitate the Group's finance information services. Haina is principally engaged in providing Insurance services support and is located in Qingdao, the PRC.

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

	RMB'000
Property, plant and equipment	463
Trade and other receivables	522
Pledged bank deposits	12,963
Bank balances and cash	3,713
Trade and other payables	(124)
Income tax liabilities	(1,045)
Deferred tax liabilities	(58)
Net assets acquired	16,434
Goodwill	6,980
Consideration transferred	23,414
Satisfied by:	
Cash	23,414
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	3,713
Consideration paid	(22,014)
	(18,301)

35. ACQUISITION OF SUBSIDIARIES (continued)

(e) Acquisition of Haina (continued)

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

Included in the loss for the year is RMB0.51 million attributable to the subsidiaries acquired since the acquisition date. Revenue for the year includes RMB4.22 million generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for year ended December 31, 2017 would have been RMB50,762.79 million and the amount of the profit for the year would have been RMB1,600.83 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.

(f) Acquisition of Changjiang Runtong

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	14,000
Trade and other payables *(note)*	17,189
	31,189
Net cash outflow arising on acquisition:	
Consideration paid	(14,000)

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.

35. ACQUISITION OF SUBSIDIARIES (continued)

(f) Acquisition of Changjiang Runtong (continued)

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

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

(g) 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. As at December 31, 2017, the Group has paid the remaining consideration of RMB76,400,000.

(h) As at December 31, 2017, the Group has paid RMB3,000,000 (2016: nil) as deposits for acquisition of a subsidiary for business expansion.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors review the capital structure on an ongoing basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	10,968,637	7,814,251
AFS financial assets	250,429	94,690
Financial liabilities		
Amortized cost	16,961,138	13,334,249

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sales investments, trade and other receivables, finance lease receivables, loan receivables, amounts due from related parties, cash in transit, time deposits, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, super short-term commercial papers, short-term debentures, convertible bonds, corporate bonds, other liabilities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The primary economic environment in which the Company and most of its principal subsidiaries operate is the PRC and their functional currency is RMB. However, certain financial assets (principally bank balances) and financial liabilities are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

The carrying amounts of the monetary assets and monetary liabilities denominated in foreign currencies of the group entities at the end of each reporting period are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Assets		
US$	**2,398**	753
HK$	**21,335**	1,499
Australia Dollars ("AU$")	**32,033**	32,356

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies of the group entities. A sensitivity rate of 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates of foreign currencies of the group entities. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies of the group entities and adjusts their translation at the end of each reporting period for a 5% change in related currency rates.

A positive number below indicates an increase in post-tax profit where foreign currencies of the group entities strengthen 5% against RMB, whereas a negative number indicates a decrease in post-tax profit. For a 5% weakening of foreign currencies of the group entities against RMB, there would be an equal and opposite impact on the post-tax profit.

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	Foreign currencies of the Group entities impact	
	2017	2016
	RMB'000	*RMB'000*
Increase in post-tax profit for the year	**2,069**	1,298

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, super short-term commercial papers, short-term debentures, corporate bonds, convertible bonds and other borrowings. The directors consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest-bearing bank deposits are with a short maturity period.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and borrowings. It is the Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances, pledged bank deposits and borrowings. The analysis is prepared assuming the variable-rate financial assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 5 basis-point (2016: 5 basis-point) increase or decrease in deposit interest rates and a 10 basis-point (2016: 10 basis-point) increase or decrease in lending interest rates are the sensitivity rates used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rates.

If the deposit interest rate had been 5 basis points (2016: 5 basis points) higher/lower, the lending interest rate had been 10 basis points (2016: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2017 and 2016 would have been decreased/increased by approximately RMB894,000 and RMB80,000, respectively.

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The Group's credit risk primarily relates to the Group's trade and other receivables (including rebate receivables from suppliers), amounts due from related parties, bank balances and cash and pledged bank deposits.

The Group's trade receivables consist of a large number of customers located in the PRC which poses insignificant concentration of credit risk.

76% (2016: 73%) of the Group's amounts due from related parties is from a related party which is financially strong.

The Group's advances to non-controlling shareholders of subsidiaries consist of several balances with different non-controlling shareholders of subsidiaries in the PRC and there is no concentration of credit risk.

The Group has concentration of credit risk as about 85% (2016: 83%) of rebate receivables made to suppliers was due from the Group's five largest suppliers of passengers vehicles in the PRC as at December 31, 2017. In order to further minimize the credit risk, the management of the Group delegates teams to deal with these suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. Teams also reconcile with these suppliers on outstanding balances, prepayments made and transactions recorded in relevant reporting period periodically to ensure trading information is properly recorded. In addition, the Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In view of the actions taken by the Group and the fact that the counterparties are the joint ventures of renowned automobile manufacturers with high credit quality, the Group considers that credit risk in the rebate receivables made to suppliers is significantly reduced.

In addition, the credit risk in relation to the Group's bank balances and cash and pledged bank deposits is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rates, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

	Weighted average interest rate %	Repayable on demand or within 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	After 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2017							
Trade and other payables	–	5,223,972	–	–	–	5,223,972	5,223,972
Amounts due to related parties	–	6,610	–	–	–	6,610	6,610
Borrowings	3.57%	3,792,745	2,913,792	429,030	–	7,135,567	7,012,843
Super short-term commercial papers	5.46%	2,015,832	601,361	–	–	2,617,193	2,598,926
Corporate bonds	3.90%	19,500	59,583	2,223,144	–	2,302,227	1,992,394
Other liabilities	–	–	–	126,393	–	126,393	126,393
		11,058,659	3,574,736	2,778,567	–	17,411,962	16,961,138

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate %	Repayable on demand or within 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	After 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2016							
Trade and other payables	–	3,878,161	–	–	–	3,878,161	3,878,161
Amounts due to related parties	–	3,665	–	–	–	3,665	3,665
Borrowings	4.39%	2,076,661	3,334,153	175,410	–	5,586,224	5,476,772
Short-term debentures	4.30%	834,400	–	–	–	834,400	799,333
Corporate bonds	3.90%	–	78,000	2,156,000	–	2,234,000	1,990,344
Convertible bonds	1.50%	7,500	1,015,170	–	–	1,022,670	978,837
Other liabilities	–	–	–	207,137	–	207,137	207,137
		6,800,387	4,427,323	2,538,547	–	13,766,257	13,334,249

c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

38. RELATED PARTY DISCLOSURES

I. Amounts due from related parties/a related party

	2017 RMB'000	2016 RMB'000
Current		
Associates held by the Group		
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	–	64
Sichuan Yongzhida	3,000	–
Joint ventures held by the Group		
Harbin Yongda	102,097	89,118
Shanghai Bashi Yongda	80,463	–
Ryde 88 Pty Limited	598	–
Entities controlled by the shareholders		
Shanghai Yongda Property Development Co., Ltd.	–	171
Zhejiang Yongda Internet Financial Information Services Limited	2,850	–
	189,008	89,353
Analyzed as:		
Trade-related *(note a)*	30,554	235
Non trade-related *(note b)*	158,454	89,118
	189,008	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.

	2017 RMB'000	2016 RMB'000
Non-current		
Joint venture held by the Group		
Ryde 88 Pty Limited	31,435	32,356

The balance is an 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 once a year. As at December 31, 2017, unreceived interest of approximately AU$120,000, equivalent to RMB598,000, was accrued.

38. RELATED PARTY DISCLOSURES (continued)

II. Amounts due to related parties

	2017 RMB'000	2016 RMB'000
Joint venture held by the Group		
Shanghai Bashi Yongda	**2,220**	3,665
Associates held by the Group		
Shanghai Yongda Changrong	**4,361**	–
Sichuan Yongzhida	**28**	–
Entity controlled by the shareholders		
Shanghai Yongda Property Development Co., Ltd.	**1**	–
	6,610	3,665
Analyzed as:		
Trade-related *(note)*	**6,610**	3,665

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

III. Related party transactions

	2017 RMB'000	2016 RMB'000
a) Sales of motor vehicles		
Shanghai Bashi Yongda	**72,224**	3,233
Shanghai Yongda Changrong	**818**	–
	73,042	3,233

38. 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 RMB874,961,000 and RMB741,847,000 for the years ended December 31, 2017 and 2016, respectively. A commission of approximately RMB8,191,000 and RMB5,899,000 was paid to Shanghai Oriental Yongda for the marketing and promotion activities it carried out for the Group for the years ended December 31, 2017 and 2016, respectively.

		2017 *RMB'000*	2016 *RMB'000*
b)	**Purchase of motor vehicles**		
	Shanghai Bashi Yongda	**15,844**	19,730
	Shanghai Yongda Changrong	**4,315**	3,318
		20,159	23,048
c)	**Sales of spare parts**		
	Shanghai Bashi Yongda	**132**	200
	Shanghai Yongda Changrong	**–**	811
		132	1,011
d)	**Interest income from**		
	Ryde 88 Pty Limited *(Note 6)*	**3,264**	921
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. *(note)*	**24,795**	9,958
	Associate held by the Group		
	Shanghai Yongda Fengdu Automobile	**4,260**	3,800
		29,055	13,758

note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected and Continuing Connected Transactions" in this annual report.

38. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

Sales of motor vehicles via Shanghai Oriental Yongda (continued)

		2017 *RMB'000*	2016 *RMB'000*
f)	**Compensation of key management personnel**		
	Short-term benefits	**10,403**	8,490
	Post-employment benefits	**485**	439
	Shared-based payments	**6,272**	6,989
		17,160	15,918

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

39. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's outlets which fall due as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within one year	**234,146**	183,695
In the second to fifth years inclusive	**632,281**	552,197
After five years	**1,007,593**	916,928
	1,874,020	1,652,820

Operating lease payments represent rentals payable by the Group for certain properties and land. The leases in general run for an initial period of two to twenty years with an option to renew the leases when all the terms are renegotiated. Certain leases also contain an escalation clause.

39. OPERATING LEASES (continued)

The Group as lessor

At the end of each reporting period, the Group had contracted with car renters for the following future minimum lease payments:

	2017 RMB'000	2016 RMB'000
Within one year	**171,062**	148,827
In the second to fifth years inclusive	**69,651**	47,719
	240,713	196,546

The Group provides automobile rental services for a term of no more than three years and for fixed rentals.

40. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure in respect of acquisition of – property, plant and equipment contracted for but not provided	**65,798**	75,123

41. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The total costs charged to the consolidated statements of comprehensive income of approximately RMB119,053,000 and RMB97,586,000 for the years ended December 31, 2017 and 2016, respectively, represent contributions payable to the scheme by the Group for the respective years.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB'000* *(Note 28)*	Short-term debentures *RMB'000* *(Note 29)*	Super short-term commercial papers *RMB'000* *(Note 30)*	Corporate bonds *RMB'000* *(Note 31)*	Convertible bonds *RMB'000* *(Note 32)*	Dividend payable *RMB'000*	Interest payable *RMB'000* *(Note 27)*	Total carrying amount *RMB'000*
At January 1, 2017	5,476,772	799,333	–	1,990,344	978,837	–	55,479	9,300,765
Financing cash flows	1,177,898	(800,000)	2,592,013	–	(23,573)	(320,075)	(480,086)	2,146,177
Conversion option of convertible bonds exercises during the year	–	–	–	–	(899,230)	–	–	(899,230)
Non-cash charges in finance costs		667	6,913	2,050	27,736	–	–	37,366
Interest expenses	–	–	–	–	–	–	540,522	540,522
Gain recognized for the re-measurement of liability component	–	–	–	–	(83,770)	–	–	(83,770)
Dividends recognized as distributions and paid to non-controlling interests	–	–	–	–	–	320,075	–	320,075
Addition due to acquisition of subsidiaries	358,173	–	–	–	–	–	–	358,173
At December 31, 2017	**7,012,843**	**–**	**2,598,926**	**1,992,394**	**–**	**–**	**115,915**	**11,720,078**

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2017 is as follows:

	NOTE	2017 RMB'000	2016 RMB'000
Non-current Assets			
Unlisted investment in a subsidiary and amounts due from subsidiaries		623,319	1,568,612
		623,319	1,568,612
Current Assets			
Other receivables		1,056	7,967
Bank balances and cash		24,484	9,100
Amounts due from subsidiaries		2,055,040	249,499
		2,080,580	266,566
Current Liabilities			
Other payables		–	301
Convertible bonds		–	978,837
Amounts due to subsidiaries		2,919	–
		2,919	979,138
Net Current Assets (Liabilities)		2,077,661	(712,572)
Total assets less current liabilities		2,700,980	856,040
Net assets		2,700,980	856,040
Capital and reserves			
Share capital		15,033	12,066
Reserves	(a)	2,685,947	843,974
Total equity		2,700,980	856,040

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (a):

	Share Premium RMB'000	Share-based payments reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2016	1,059,883	44,284	62,490	(107,846)	1,058,811
Loss for the year	–	–	–	(81,797)	(81,797)
Exercise of share options	325	–	–	–	325
Dividends recognized as distributions	(155,401)	–	–	–	(155,401)
Recognition of equity-settled share-based payments	–	22,036	–	–	22,036
At December 31, 2016	904,807	66,320	62,490	(189,643)	843,974
Profit for the year	–	–	–	41,201	41,201
Placement and subscription	774,192	–	–	–	774,192
Ordinary shares issued to acquire subsidiaries *(Note 35(b))*	329,998	–	–	–	329,998
Exercise of share options	49,573	–	–	–	49,573
Recognition of equity-settled share-based payments	–	25,245	–	–	25,245
Conversion option of convertible bonds during the year	960,476	–	(62,490)	–	897,986
Dividends recognized as distributions	(276,222)	–	–	–	(276,222)
At December 31, 2017	2,742,824	91,565	–	(148,442)	2,685,947

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2017 and 2016 are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31,		Principal activities @
				2017 %	2016 %	
Directly held:						
Sea of Wealth International Investment Company Limited 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	1 share of US$1.00 each	100	100	Investment holding
Indirectly held:						
Grouprich International Investment Holdings Limited 香港匯富國際投資集團有限公司	Hong Kong	September 10, 2004	1,000,000 shares of HK$1.00 each	100	100	Investment holding
Shanghai Yongda Investment Holdings Group Co., Ltd. 上海永達投資控股集團有限公司 (formerly known as Shanghai Yongda Investment Co., Ltd. 上海永達投資有限公司)	PRC	September 25, 2003	RMB2,320,000,000	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB1,893,204,250	100	100	Investment holding
Shanghai Yongda Automobile Leasing Co., Ltd. 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB150,000,000	100	100	Automobile rental services
Shanghai Baozen Automobile Sales and Services Co., Ltd. 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB80,000,000	100	100	4S dealership
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB50,000,000	100	100	4S dealership
Taiyuan Baozen Automobile Sales and Services Co., Ltd. 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	60	60	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB30,000,000	100	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB30,000,000	100	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. ("Wuxi Yongda Oriental") 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB50,000,000	70	70	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. 上海永達英菲尼迪汽車銷售服務有限公司	PRC	September 18, 2006	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. 上海永達英菲尼迪七寶汽車銷售服務有限公司	PRC	August 14, 2009	RMB25,000,000	100	100	4S dealership

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2017 %	2016 %	Principal activities @
Guangzhou Yongda Automobile Rental Co., Ltd. ("Guangzhou Yongda Automobile Rental") 廣州永達汽車租賃有限公司	PRC	July 6, 2012	RMB20,700,107	**100**	100	Automobile rental services
Yongsheng Finance Leasing Co., Ltd 永昇融資租賃有限公司	PRC	August 22, 2014	RMB25,500,000	**100**	100	Finance leasing services
Shanghai Yongda Finance Leasing Co., Ltd. 上海永達融資租賃有限公司	PRC	March 29, 2013	RMB500,000,000	**100**	100	Finance leasing services
Linyi Yubaohang Automobile Sales and Services Co., Ltd. 臨沂宇寶行汽車銷售服務有限公司	PRC	October 26, 2006	RMB30,000,000	**100**	100	4S dealership
Lishui Jiacheng Automobile Sales and Services Co., Ltd. 麗水市嘉誠汽車銷售有限公司	PRC	May 17, 2010	RMB80,000,000	**100**	100	4S dealership
Jiangyin Leichi Automobile Sales and Services Co., Ltd. 江陰雷馳汽車銷售服務有限公司	PRC	August 23, 2010	RMB35,000,000	**51**	51	4S dealership
Yancheng Yuebao Trading Co., Ltd. 鹽城悦寶貿易有限公司	PRC	October 31, 2015	RMB20,396,500	**100**	100	Operation to be commenced
Haerbin Baozen Automobile Sales and Services Co., Ltd. 哈爾濱寶誠汽車銷售服務有限公司	PRC	March 7, 2015	RMB30,000,000	**100**	100	4S dealership
Tianjin Zhongshun Jinbao Automobile Sales and Services Co., Ltd. 天津市中順津寶汽車服務有限公司	PRC	March 31, 2015	RMB45,000,000	**100**	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. 無錫寶尊汽車銷售服務有限公司	PRC	August 31, 2015	RMB20,000,000	**100**	100	4S dealership
Shenzhen Yongda South Investing Co., Ltd. 深圳永達南方投資有限公司	PRC	June 09, 2015	RMB266,000,000	**70**	70	Holding
Taixing Yongda Zhongcheng Automobile Sales and Services Co., Ltd. 泰興永達眾誠汽車銷售服務有限公司	PRC	February 28, 2015	RMB20,000,000	**100 (note 2)**	51	4S dealership
Shengzhou Yongda Bencheng Automobile Sales and Services Co., Ltd. 嵊州市永達本誠汽車銷售服務有限公司	PRC	June 30, 2015	RMB43,300,000	**100**	100	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. 南通東方永達佳晨汽車銷售服務有限公司	PRC	November 16, 2011	RMB40,000,000	**60**	60	4S dealership
Shanghai West Shanghai Shenjie Automobile Sales and Services Co., Ltd. 上海西上海申傑汽車銷售服務有限公司	PRC	March 3, 2011	RMB30,000,000	**100**	100	4S dealership
Shanghai West Shanghai Jiawo Automobile Sales and Services Co., Ltd. 上海西上海嘉沃汽車銷售服務有限公司	PRC	March 1, 2011	RMB30,000,000	**100**	100	4S dealership

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2017 %	2016 %	Principal activities @
Rui'an Yongda Nanyang Lujie Automobile Sales and Services Co., Ltd. 瑞安市永達南洋路捷汽車銷售服務有限公司	PRC	March 5, 2014	RMB30,000,000	100	100	4S dealership
Kunshan Yongda Lujie Automobile Sales and Services Co., Ltd. 昆山永達路捷汽車銷售服務有限公司	PRC	March 15, 2014	RMB40,000,000	100	100	4S dealership
Changshu Yongda Lujie Automobile Sales and Services Co., Ltd. 常熟永達路捷汽車銷售服務有限公司	PRC	June 8, 2014	RMB30,000,000	100	100	4S dealership
Shanghai West Shanghai Hongjie Automobile Sales and Services Co., Ltd. 上海西上海弘傑汽車銷售服務有限公司	PRC	July 5, 2011	RMB60,000,000	100	100	4S dealership
Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd. 上海永達啟明汽車銷售服務有限公司	PRC	January 27, 2015	RMB22,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB100,000,000	88	88	4S dealership
Jiangsu Baozun Investment Group Co., Ltd. 江蘇寶尊投資集團有限公司	PRC	April 25, 2011	RMB589,910,000	100	100	Investment holding
Changzhou Baozun Automobile Sales and Services Co., Ltd. 常州寶尊汽車銷售服務有限公司	PRC	May 11, 2006	RMB22,220,000	100	100	4S dealership
Changzhou Xin Baozun Automobile Sales and Services Co., Ltd. 常州新寶尊汽車銷售服務有限公司	PRC	October 29, 2009	RMB10,000,000	100	100	4S dealership
Changzhou Kaidi Automobile Sales and Services Co., Ltd. 常州凱帝汽車銷售服務有限公司	PRC	August 29, 2012	RMB10,000,000	100	100	4S dealership
Changzhou Changtong Auto sales and Service Co., Ltd.. 常州常通汽車銷售服務有限公司	PRC	January 9, 2003	RMB23,000,000	100	100	4S dealership
Changzhou Zunyue Automobile Sales and Services Co., Ltd. 常州尊越汽車銷售服務有限公司	PRC	June 25, 2007	RMB10,000,000	100	100	4S dealership
Yulin Ruibao Automobile Sales Service Co. Ltd. 榆林睿寶行汽車銷售服務有限公司	PRC	June 25, 2007	RMB25,000,000	100 *(note 1)*	N/A	4S dealership
Dezhou Shengbao Automobile Sales Service Co. Ltd. 德州聖寶汽車銷售服務有限公司	PRC	October 17, 2013	RMB99,890,000	100 *(note 1)*	N/A	4S dealership
Weifang Shengbao Automobile Sales Service Co. Ltd. 濰坊聖寶汽車銷售服務有限公司	PRC	October 10, 2013	RMB20,000,000	100 *(note 1)*	N/A	4S dealership
Zibo Shengbao Automobile Sales Service Co. Ltd. 淄博聖寶汽車銷售服務有限公司	PRC	October 18, 2013	RMB10,000,000	100 *(note 1)*	N/A	4S dealership

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2017 %	2016 %	Principal activities @
Dongying Yibaoxuan Automobile Sales Service Co. Ltd. 東營宜寶軒汽車銷售服務有限公司	PRC	March 1, 2011	RMB10,000,000	100 *(note 1)*	N/A	4S dealership
Yulin Baitai Automobile Sales and Services Co., Ltd. 榆林百泰汽車銷售服務有限公司	PRC	May 24, 2012	RMB52,000,000	100 *(note 1)*	N/A	4S dealership
Fujian Quanzhou Baitai Automobile Sales and Services Co., Ltd. 福建省泉州百泰汽車銷售服務有限公司	PRC	March 23, 2011	RMB50,000,000	100 *(note 1)*	N/A	4S dealership
Fujian Baitai Automobile Sales and Services Co., Ltd. 福建百泰汽車銷售服務有限公司	PRC	December 19, 2013	RMB69,000,000	100 *(note 1)*	N/A	4S dealership
Yulin Chengtai Automobile Sales Service Co., Ltd. 榆林誠泰汽車銷售服務有限公司	PRC	August 21, 2013	RMB25,000,000	100 *(note 1)*	N/A	4S dealership
Fuqing Dachangjiang Runtong auto sales Services Ltd. 福清大長江潤通汽車銷售服務有限公司	PRC	December 10, 2013	RMB30,000,000	100 *(note 1)*	N/A	4S dealership
Haina Automobile Insurance Sales Co., Ltd. 海納汽車保險銷售有限公司	PRC	May 4, 2012	RMB50,000,000	100 *(note 1)*	N/A	Insurance services
Weifang Yongda Investment management Ltd. 濰坊永達投資管理有限公司	PRC	May 4, 2012	RMB13,580,595	100 *(note 1)*	N/A	Consultation
Fuzhou Tianchu Machinery Co., Ltd. 福州天楚機械有限公司	PRC	August 13, 1998	RMB13,500,000	100 *(note 1)*	N/A	Machinery
Nanchong Yongda Lujie Sales Service Co., Ltd. 南充永達路捷汽車銷售服務有限公司	PRC	April 3, 2014	RMB64,500,000	100 *(note 1)*	N/A	4S dealership
Chengdu Xin Jin Feng Automobile Sales and Services Co., Ltd. 成都新錦豐汽車銷售服務有限責任公司	PRC	February 22, 2013	RMB62,300,000	100 *(note 1)*	N/A	4S dealership
Mianyang Xinjincheng Automobile Sales and Services Co., Ltd. 綿陽新錦程汽車銷售服務有限責任公司	PRC	May 23, 2014	RMB81,000,000	100 *(note 1)*	N/A	4S dealership
Nanchong Xinshuangli Automobile Sales Service Co. Ltd. 南充新雙立汽車銷售服務有限責任公司	PRC	April 4, 2014	RMB26,700,000	100 *(note 1)*	N/A	4S dealership

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Except for Sea of Wealth and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.

^ The English names of all subsidiaries established in the PRC are translated for identification purpose only.

@ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, services and survey.

Notes:

1. These companies were newly acquired in 2017. Details are set out in Note 35.

2. The Group acquired partial equity interests of the subsidiary in 2017.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year, except for Shanghai Yongda Investment Holdings Group Co., Ltd. which issued super short-term commercial papers with principal amount of RMB2.6 billion, corporate bonds with principal amount of RMB2 billion. Details of the super short-term commercial papers are set out in Note 30, details of the corporate bonds are set out in Note 31.

45. SUBSEQUENT EVENT

Issuance of super short-term commercial papers

On February 8, 2018, Shanghai Yongda Investment issued the first tranche of the super short-term commercial papers of 2018, with an aggregate principal amount of RMB0.5 billion and a term of 180 days from the respective dates of issuance. The super short-term commercial papers are unsecured and carry interests at rates of 6.7% per annum. 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.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended December 31,				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
REVENUE	**50,699,302**	43,032,502	35,657,593	32,937,975	26,096,526
Profit before tax	**2,007,500**	1,152,003	776,535	705,235	852,577
Income tax expense	**(405,712)**	(244,227)	(209,201)	(165,755)	(210,540)
Profit for the year	**1,601,788**	907,776	567,334	539,480	642,037
Other comprehensive income	**5,789**	–	–	–	–
Total comprehensive income for the year	**1,607,577**	907,776	567,334	539,480	642,037
Profit for the year attributable to:					
Owners of the Company	**1,509,930**	851,272	524,468	501,130	588,310
Non-controlling interests	**91,858**	56,504	42,866	38,350	53,727
	1,601,788	907,776	567,334	539,480	642,037
Total comprehensive income for the year attributable to:					
Owners of the Company	**1,515,719**	851,272	524,468	501,130	588,310
Non-controlling interests	**91,858**	56,504	42,866	38,350	53,727
	1,607,577	907,776	567,334	539,480	642,037
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**27,926,788**	20,375,125	17,207,264	16,919,270	12,898,157
TOTAL LIABILITIES	**(19,145,354)**	(14,972,192)	(12,606,829)	(12,743,580)	(9,206,701)
NON-CONTROLLING INTERESTS	**(493,123)**	(441,174)	(363,240)	(331,799)	(267,391)
	8,288,311	4,961,759	4,237,195	3,843,891	3,424,065