# INTERIM REPORT 2018


YONDA 永达汽车

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
中國永達汽車服務控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code：03669


上海宝诚
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Audi
一汽-大众
JAGUAR

# CONTENT

# Corporate Information

## BOARD OF DIRECTORS

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

**Non-executive Director**
Mr. WANG Liqun

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

## CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5708, 57/F, The Center
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Central
Hong Kong

## REGISTERED OFFICE

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## LEGAL ADVISERS TO HONG KONG LAW

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

## 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

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

## STOCK CODE

03669

## AUDITOR

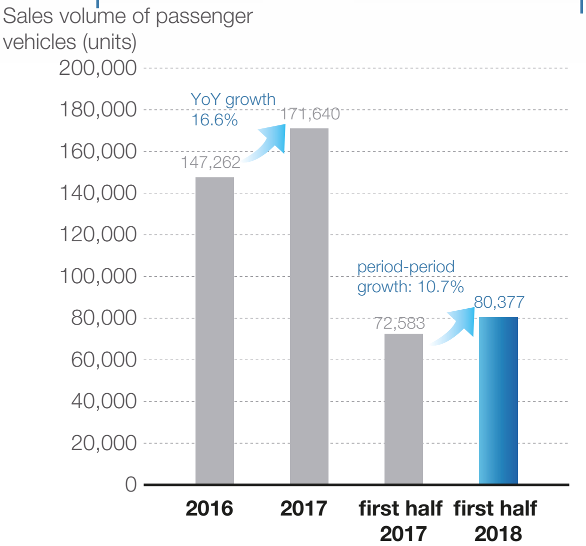
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

## COMPANY WEBSITE

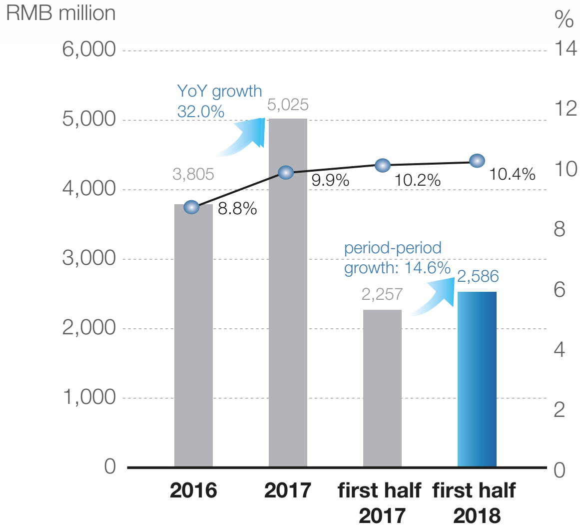
www.ydauto.com.cn

# Financial Highlights

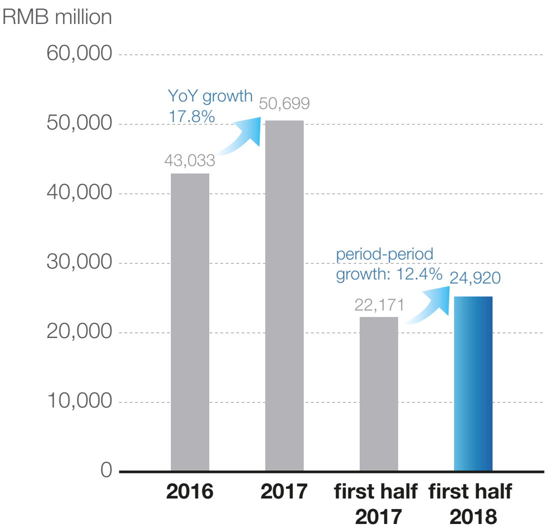
Passenger vehicles sales volume (units)



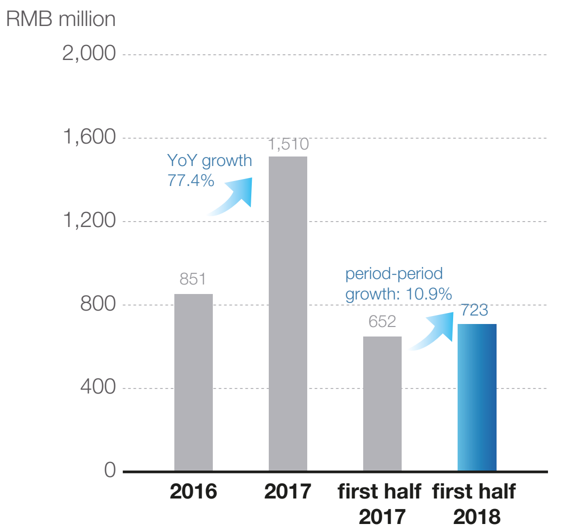

Gross profit and gross profit margin




Revenue




Profit attributable to owners of the Company



# Chairman's Statement


Dear Shareholders,

On behalf of the board of directors (the "Board") and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the Interim Report for the first half of 2018 of the Company and its subsidiaries (collectively referred to as the "Group", "we" or "us").

In the first half of 2018, the sales volume of passenger vehicles in China reached 11.78 million units, representing an increase of 4.6% as compared to the same period in 2017, among which, the sales volume of luxury vehicles reached 1.33 million units, representing a year-on-year growth rate of 12.4%. At the same time, the after-sales services business for passenger vehicles, the automobile finance business and the pre-owned vehicle transactions were all in rapid growth.

Benefiting from good market environment, in the first half of 2018, the Group achieved comprehensive revenue of RMB25,371 million and comprehensive gross profit of RMB3,037 million, representing an increase of 12.5% and 14.9%, respectively, as compared to the same period in 2017. In the first half of 2018, the Group achieved net profit of RMB770 million and net profit attributable to owners of the Company of RMB723 million, representing an increase of 10.3% and 10.9%, respectively, as compared to the same period in 2017.

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

1. Our sales volume of new vehicles reached 80,377 units, representing an increase of 10.7% as compared to the same period in 2017. Our sales revenue of new vehicles reached RMB20,876 million, representing an increase of 10.5% as compared to the same period in 2017. Of which, the sales volume of new vehicles of luxury brand was 49,082 units, representing an increase of 14.3% as compared to the same period in 2017; our sales revenue of new vehicles of luxury brand reached RMB16,906 million, representing an increase of 12.3% as compared to the same period in 2017;

2. Our revenue of after-sales services business, which included repair and maintenance services and automobile extended products and services, reached RMB3,700 million, representing an increase of 20.5% as compared to the same period in 2017. Our gross profit margin for after-sales services business was 46.41%, which was generally in line with that of the same period in 2017;

3. The sales volume of the pre-owned vehicles effected by us reached 19,251 units, representing an increase of 19.0% as compared to 16,171 units in the same period in 2017;

4. Our automobile finance and insurance agency services achieved a revenue of RMB467 million, representing an increase of 19.3% compared to the same period in 2017; revenue from our proprietary finance business reached RMB245 million, representing a 113.6% increase from the same period in 2017;

5. The Group continued to adhere to refined and digitalized management, branding strengthening and organization optimization as well as customer-oriented strategy to enhance the operating efficiency of the Company.

## II. FUTURE PROSPECTS

The Group considers that the development of luxury and ultra-luxury brand vehicles in the PRC's market will further enjoy a more rapid growth in the future benefiting from the demand for upgrading and the downward adjustment policy of duties effective from July of this year. Meanwhile, driven by the environmental protection policies, there will be a golden times full of opportunities for strong development of new energy vehicles. 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, repair and relevant services industries of new vehicles of luxury and ultra-luxury brand;

2. We will adhere to the measures combining with self-development and acquisitions and mergers, to steadily promote the nationwide network layout; meanwhile, we will intensify the upgrade of existing outlets and capability improvement work;

3. While improving the capability of pre-owned vehicles business of the existing 4S dealerships, we will actively propel the nationwide expansion of "Yongda Pre-owned Vehicle Mall", the proprietary pre-owned vehicle chain brand of the Group;

4. Recently, we will adhere to the principle of prudence for investment in interest-bearing assets and risk control and management according to the development of macroeconomic condition to ensure sound development of our finance business;

5. We will actively promote the sales and service industry of new energy vehicles; and leverage on the internet platforms and the industrial experience accumulated in the automobile rental industry, to develop automobile travelling services business;

6. We will consistently center on the customers, fully take advantages of internet tools, to push ahead the digital management construction, and efficiently develop the new commercial mode of "smart retail" 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*

August 28, 2018

# Management Discussion & Analysis


## MARKET REVIEW

In the first half of 2018, the sales volume of passenger vehicles in China continued to grow as compared to the same period in 2017. According to the information of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in China was 11.78 million units in the first half of 2018, representing an increase of 4.6% as compared to the same period in 2017, among which, the sales volume of luxury brand passenger vehicles amounted to 1.33 million units, representing a year-on-year growth of 12.4%. In the first half of 2018, under the influence of automobile tariff adjustment and other comprehensive factors, the domestic passenger vehicle market still achieved a higher growth rate than last year, reflecting the fact that the domestic market maintained a good momentum of growth in consumer demand. As monthly sales data reveals, in the second quarter, especially in April, passenger vehicles sales volume achieved a double-digit growth. In the following two months, especially in June, the year-on-year sales growth was narrowed as affected by the tariff cuts which resulted in consumers adopting a wait-and-see approach when purchasing imported vehicles. However, in end of June, the overall market sales have begun to recover significantly, and the inventory level has been further reduced. It is expected that in the second half of 2018, as various policies gradually stabilized, the overall passenger vehicle market will continue to rise. Despite the higher growth base in the second half of 2017, we still expect that the overall passenger vehicle sales to maintain a stable growth at a higher rate than that of last year throughout 2018, among which, luxury vehicles sales will continue to maintain a double-digit growth.

The new tariff adjustment policy for automobile and vehicle parts and components implemented on July 1, 2018 is an important industrial policy in the first half of this year. We believe that this policy will bring benefits to domestic automobile, especially luxury brand vehicle consumer market, in the medium- and long-term. From late May this year, all manufacturers of relevant brands have adjusted their official guidance prices of all imported for-sale models in accordance with the latest tariff policy, and implemented a comprehensive inventory price subsidy for all vehicles already declared. At the same time, due to the downward adjustment of tariffs, the customs clearance of major brand vehicles imported slowed down and the quantity supplied of imported vehicles in the second quarter decreased significantly as compared to that in the previous quarter. After more than one month of market adjustment period, consumer demand began to pick up, and the turnover of tax-related imported vehicles increased significantly. We expect that with the implementation of the new policies, the sales volume of imported vehicles will rebound significantly in the second half of the year.

Certain luxury brand manufacturers, led by brands such as Porsche and BMW, are still in the process of product upgrading and updating. Although affected by the tariff adjustment policy of imported vehicles, the sales of luxury brand passenger vehicles have maintained a steady growth. We expect the sales growth of luxury brand passenger vehicles will be further enhanced in the second half of 2018. In the first half of 2018, the sales of luxury brand passenger vehicles accounted for 11.3% of the overall passenger vehicle market. From the medium- and long-term perspective, as the luxury vehicle sales volume accounted for a low proportion of the overall passenger vehicle sales volume at present, and benefited from strong demand for upgrading and more convenient automobile consumption finance products, we expect that luxury and ultra-luxury brand passenger vehicle sales in China will still maintain a relatively high growth rate for a fairly long period of time.

According to the information of China Association of Automobile Manufacturers, during the first half of 2018, sales volume of new energy passenger vehicles reached 355,000 units, a year-on-year increase of 70%, among which, the proportion of pure electric vehicle sales reached 63%. In China, the overall passenger vehicle market trend is usually higher at the beginning of the year, and then declines continuously, reaching the bottom in the summer. Despite this trend, the new energy passenger vehicle market showed a tenacious monthly upward trend. The growth momentum of new energy vehicles started to shift from led by purchase limits and subsidies policies to led by market. With the launch of new energy vehicles by major automobile manufacturers, the mass


production of competitive models by innovative new energy vehicle enterprises, and the continuous improvement of infrastructures which facilitate the use of new energy vehicles, we believe that new energy vehicles will show great potential for development.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC, vehicle ownership in China reached 185 million units by the end of 2017. With the rising passenger vehicle ownership and the aging of vehicles in China, the after-sales services market for passenger vehicles in China will maintain a fast growing pace in the first half of 2018. The composition of revenue and gross profit of Chinese automobile dealers experienced a preliminary structural transformation from new vehicle sales to after-sales service, which would have a continuous positive effect on the profitability of automobile dealers.

According to the information from China Automobile Dealers Association, the transaction volume of preowned vehicles in China reached 6.6 million units in the first half of 2018, representing a year-on-year increase of 13.1%. We noted that with the application of Internet technology, a number of iconic second-hand car platform companies such as Youxin (優信) and Guazi (瓜子) have emerged, further promoting the transformation and upgrading of the overall industry. In the future, with the constant optimization and regulation of the pre-owned vehicle industrial and taxation policies in China, the market resources will start to become concentrated as compared with the then dispersed state, and we believe that the integration of all sales channels both online and offline will become increasingly obvious.

According to the data of China Industrial Research Institute Database, the overall scale of automobile finance market in China has reached RMB1.16 trillion in 2017, and the finance penetration rate has reached 39%. Meanwhile, we noted that as there was an increasing number of younger vehicle buyers and that the credit system had been improved, the "hire-purchase" (以租代購) model under the finance leasing business enjoyed growing popularity in the market. A large number of innovative retail models have emerged and it is expected that the compound annual growth rate (CAGR) of the automobile finance leasing market in China will remain at over 50% in the coming few years and the penetration rate will reach 6% by 2020.

# Management Discussion & Analysis


## BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved a strong growth in the first half of 2018. In the first half of 2018, our comprehensive revenue and comprehensive gross profit, taking into account the revenue from finance and insurance agency services amounted to RMB25,371 million and RMB3,037 million, respectively, representing an increase of 12.5% and 14.9%, respectively, compared to the same period in 2017. Taking into account the revenue from finance and insurance agency services, our comprehensive gross profit margin for the first half of 2018 was 11.97%, representing an increase of 0.26 percentage point compared to 11.71% for the same period in 2017. In the first half of 2018, our operating profit was RMB1,301 million, representing an increase of 15.2% compared with the same period in 2017. Meanwhile, our net profit and net profit attributable to owners of the Company were RMB770 million and RMB723 million, respectively, representing an increase of 10.3% and 10.9%, respectively, as compared to the same period in 2017. Set forth below is a summary of major developments of our business in the first half of 2018:

### Steady Growth in New Vehicle Sales

In the first half of 2018, our new vehicle sales maintained a steady growth, increased by 10.7% to 80,377 units compared to the same period in 2017, among which, the new vehicle sales of luxury brands increased by 14.3% to 49,082 units compared to the same period in 2017. Sales volume of several luxury vehicles brands achieved rapid growth, among which, the sales volume of Porsche brand and Calladic brand increased by 50.2% and 38.9% year-on-year respectively, which strongly supported the increase of new vehicle sales. During the same period, BMW brand sales volume increased by 11.2% on a year-on-year basis.

In the first half of 2018, the revenue from new vehicle sales of our passenger vehicle sales and service segment amounted to RMB20,876 million, representing a 10.5% increase compared to the same period in 2017. Among which, the revenue from new vehicle sales of luxury brands increased to RMB16,906 million, representing an increase of 12.3% compared to the same period in 2017. Affected by tariff reduction and other policies, consumers adopt a wait-and-see attitude, which in turn caused short-term fluctuations in the transaction price of new vehicles. In the first half of 2018, the gross profit margin of new vehicle sales of our passenger vehicle sales and service segment was 3.03%, representing a decrease compared to 3.78% in the first half of 2017.

# Management Discussion & Analysis

After the introduction of the tariff reduction policy for imported vehicles in the second quarter of 2018, there was a significant fluctuation in the market. We maintained communication with the manufacturers and adjusted our sales strategy in a timely manner, thus avoiding the risks caused by the adjustment of the end retail price; we also actively communicated with the customers by speeding up the order conversion, thereby ensuring that our new vehicle sales maintained a steady growth; meanwhile, we made use of marketing hotspots to strengthen marketing publicity, accumulated a large number of potential buyers, and prepared for further sales growth in the second half of the year.

With respect to the internal management optimization of our new vehicle sales, we further enhanced the assessment and management model centering around the comprehensive gross profit of sales, comprehensively carried out benchmarking management of key KPIs of operating outlets and enhanced their profitability. In the case that the gross profit of new vehicles sales being highly affected by the market, we capitalized on the opportunities from the sales of extended businesses for each vehicle, 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 comprehensive profitability of our new vehicle sales.

With respect to the optimization of sales models for our new vehicles, we further enhanced the service experience of customers in the process of car purchase, and launched a new experience sales model of "smart retail" to improve the efficiency of services and reduce the waiting time of customers. On this basis, we constantly research and improve the customer service experience of the new retail model. Meanwhile, we reinforced our advantages in television sales channels and expanded our new model of vehicle sales on televisions to many provinces with rapid economic development in China, thus bringing fresh vehicle purchase experience to our consumers as well as enhancing our brand influence and awareness.

# Management Discussion & Analysis

With regard to the changes in the pace of importing new vehicles and the market retail price of new vehicles caused by national policy adjustment to "tariff on imported vehicles", we timely adjusted our sales strategy and well communicated with customers. Such effective solutions ensured our healthy and reasonable inventory level, increased efficiency of use of working capital and controlled cost of sales effectively. We thoroughly carried out an effective integration and sharing of our enterprise resources within the Group, built our resource sharing model for new vehicle inventories, launched centralized multi-brand marketing activities, intensified the development and effective utilization of customer resources and achieved the growth of new vehicle sales in the first half of 2018 through improving coordinated management of sales.

**Rapid and Healthy Growth in After-sales Services**

In the first half of 2018, our after-sales services business (including repair and maintenance services and automobile extended products and services) achieved a healthy and rapid growth, and the revenue from our after-sales services reached RMB3,700 million, representing an increase of 20.5% compared to the same period in 2017. In the first half of 2018, the gross profit margin of our after-sales services was 46.41%, which remained basically flat as compared to 46.76% of the same period in 2017.

In terms of maintaining customer solicitation, we attempted to establish an interactive system for customers under management based on an Internet platform to provide our customers with convenient and multi-channel application tools such as online reservation and instant customers satisfaction survey. By virtue of setting up mobile service systems, customers' experience has been improved via enhancing the precision of customer solicitation, which led to a continuous increase in the number of customers under management.

In terms of improving the repair and maintenance services, on one side, we have formulated specific business upgrading proposals to ensure the continuing growth of sales of regular maintenance parts and consumable parts, which effectively raised the unit price of electromechanical repair maintenance services. On the other side, while we dedicating to improving the repair and maintenance rate in the referral repair business and increase the loss ratio, we constantly made adjustments for customers under management, optimized the exclusive guaranteed services and products, guided customers to repair tiny damages or losses of their vehicles on their own cost, so as to continuously extend the scale of sheet metal painting business.

In terms of improving the extended services business, we paid close attention to the trends of development of various extended services businesses, and introduced unique extended services and products according to the demands of different brands and regional customers in a timely manner. Meanwhile, we recommended different types of extended services and products targeting different phases of new car sales and after-sales customers, with an aim to create more sales opportunities. As such, the revenue and gross profit from after-sales service have been effectively increased, and our competitiveness has been enhanced.

In terms of cost control, we increased our sales of maintenance products under our proprietary "QUICKACT" brand, meanwhile, we carried out centralized invitation for bids for many products with high universality and high volume of procurement capitalized on our economies of scale, thereby further reducing our procurement costs while ensuring the quality of products and services.

In terms of internal management optimization, we adjusted and optimized the business appraisal system and management structure according to the business development needs. We perfected our maintenance capacity appraisal system, and periodically collected our maintenance capacity and operating data, as well as formulated and implemented capacity upgrade proposals for entities of saturated or to be saturated maintenance business, so as to ensure continuous rapid improvement of our maintenance business.

In terms of expertise upgrading, we persisted to adjust and optimize the content and system of training in compliance with the development trend of vehicle technology, and irregularly organized various expertise contest, motivating our employees' initiative on improving their expertise and capability, so that we could not only identify and retain professional talents in a better and faster manner, but also stabilize our maintenance team, ensuring our leading position in the industry in respect of expertise.

**High-speed Growth of Our Pre-owned Vehicle Business**

In the first half of 2018, the sales volume of pre-owned vehicles effected by us was 19,251 units, representing an increase of 19.0% as compared to 16,171 units in the same period 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 112 pre-owned vehicle retail outlets across China, including 83 business outlets officially certified by OEM brands and 29 "Yongda Pre-owned Vehicle Mall" chain outlets.

# Management Discussion & Analysis

In the first half of 2018, by virtue of further enhancing the management and control of pre-owned vehicles of 4S dealership channels, we achieved rapid growth. Leveraging on the high efficiency of the pre-owned vehicles ERP management system, we realized business and financial integrated management of pre-owned vehicles business. We strengthened our price determination ability of pre-owned vehicles and team buildings, fully made use of existing 4S dealership channels and extensive customer base, and continued to increase the pre-owned vehicle replacement ratio through replacement of new cars and successful after-sales services and secured more pre-owned vehicle sources. By screening vehicle sources, together with strict testing and refurbishment, those retail sales sources in compliance with manufacturers' certified standards will be retailed at the officially certified pre-owned vehicle showrooms, to gain considerable revenue from pre-owned vehicles retail sales while broadening customer base.

"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 four regional management centers in East China, Southwest China, South China and Inner Mongolia, and have achieved rapid development by way of independent construction, cooperation, franchise, etc.. Via linking with new vehicle sales for consolidating the comprehensive advantages of supply chain finance, we have further promoted the vehicle residue value and buy-back business with large operating and leasing companies, financial leasing companies and manufacturers in China, so as to make sure that we have substantial and steady volume of quality pre-owned vehicles resources annually. Leveraging on the strategic branding management, we established the regional repair and refurbishment center under regional centralized management, implemented professional inspection with 15 categories and 178 items, built an all-process quality control system characterized with product standardization and process management. We 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" assurance. In the first half of 2018, the Company received the award of "Leading Enterprise in the Pre-owned Vehicle Industry in China" granted by authoritative bodies including China Automobile Dealers Association.

**Strong and Upward Growth Momentum of Automobile Finance**

In the first half of 2018, the automobile financing and insurance business of the Group maintained a growth trend, with penetration ratio improving steadily and profitability growing rapidly. In the first half of 2018, the gross profit of financing and insurance business amounted to RMB630 million, representing a 32.2% increase as compared to the same period of last year, and its contribution to the gross profit of our Group also rose from 18.0% of the same period of last year to 20.7%. The penetration ratio of the Group's finance reached 50.0%, up by 3.8 percentage points from 46.2% for the same period last year.

In the first half of 2018, the revenue from automobile finance and insurance business of our Group totaled RMB712 million, representing a 40.7% increase as compared to the same period in 2017, of which, the revenue derived from proprietary finance business was RMB245 million, representing a 113.6% increase from RMB115 million for the same period last year, and the revenue of our proprietary finance business as a percentage of the revenue of our finance and insurance business significantly increased to 34.5%. Our finance and insurance agency business continued to keep healthy growth, and achieved revenue of RMB467 million, representing a 19.3% increase compared to the same period last year, among which, the agency revenue derived from our finance business amounted to RMB282 million, representing a 16.3% increase, and the agency revenue derived from our insurance business amounted to RMB185 million, representing an increase of 24.1%.

This year, affected by the macro-economic trend and the global capital environment, with the principle of prudent investment in interest-bearing assets in the proprietary finance business, we totally invested RMB2,570 million, slower than that of the same period last year. Additionally, we kept a closer eye on development and persisting promotion of products combining industry and financing, to bring new momentum for the growth of performance of the Group via product innovation. In addition, the adherence to prevention against financial risks in a long run enabled us always maintaining good quality of asset operation. As of the first half of 2018, our overdue rate was 0.43%, and the overdue rate more than six months was 0.06%. Because of our moderate investment amount and good management and control, our net profit from proprietary finance business increased by 78.9% to RMB90 million from RMB50 million of the same period last year, and its proportion of total net profit of the Group reached 11.6%.

**Sustainable Growth in Automobile Rental**

In the first half of 2018, our automobile rental services recorded a revenue of RMB191 million, representing an increase of 2.9% compared to the same period in 2017.

In the first half of 2018, 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 successively secured long-term rental businesses from a number of large customers, such as SAIC-GM, Samsung Semiconductor and Honeywell (China), and the total amount of orders increased by 7.4% from the same period of last year.

Meanwhile, with respect to the short-term rental business for high-end businesses and conferences, we kept forging ahead to become the designated service provider of numerous influential international and domestic conferences, major sports and cultural events, such as the "2018 National Press Release of New Collections of Blue Moon" (藍月亮2018年全國新品發佈會), "2018 Dior High-end Channel Award" (Dior 2018年高端渠道年終盛典), "2018 Formula 1 Chinese Grand Prix" (2018年F1中國大獎賽), "2018 Longines Global Champions Tour" (2018年浪琴環球馬術冠軍賽), "2018 Global Mobile Telecommunication Conference" (2018年全球移動通信大會), "United Innovation Summit 2018" (2018年聯影醫療全球創新大會), and "Global Exhibition CEO Shanghai Summit 2018" (2018年國際會展業CEO上海峰會) and attained positive marketing effects.

In the first half of 2018, 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 socialization of the leasing of vehicles for public affairs for many district governments and Public Security Bureau branches of Shanghai, and 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 the first half of 2018, we continued to deploy our rental network in China. Currently, we have invested in and established more than 30 rental service outlets in more than ten cities nationwide, and successively acquired an automobile leasing company with license resources in Shenzhen. Meanwhile, we actively explored opportunities for cooperation with companies and agencies with advantages in terms of customer base and license resources in Chinese cities.

**Stable Development of New Energy Vehicle Business**

In the first half of 2018, we set up a designated new energy automobile business department, highlighted the strategic position of the development of new energy automobile industry, and further clarified the strategic direction of the development of new energy automobile business. We continued to expand the cooperation with different emerging new energy automobile brands, and broadly conducted the network layout. We paid close attention to the direction of convenience on demand of travelling service in the market and of clean energy on the travelling field, and formed a specialized travelling service company, realizing and extending the integration of new energy automobile business and travelling service business.

In the first half of 2018, we also obtained the authorization from domestic renowned innovative new energy vehicle enterprises such as WM Motor (威馬汽車) and Dearcc (電咖汽車) to prepare to open authorized outlets in Shanghai, Guangzhou and Wuhan, of which the construction of Shanghai outlet of Dearcc new energy was officially completed, and the construction of the sales and service outlets of WM Motor new energy in the foresaid three cities will be completed in September 2018. At the same time, we are cooperating with the above and other new energy vehicle brands, and we are closely negotiating the outlet authorization in other cities, laying a good foundation for us to further expand the scale of sales and services business of new energy vehicles.

In the first half of 2018, our travelling business platform of new energy vehicles in Shanghai was under healthy operation, and new outlets were established in Guangzhou, Shenzhen and Hangzhou, etc., to provide travelling service business of new energy vehicles. With number of outlets and scale gradually increasing, it continuously accumulated our experience in the travelling service business.

**Continuous Optimization and Improvement of Our Network**

In the first half of 2018, 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 the first half of 2018, we opened 8 new passenger vehicles sales and services outlets which focused on luxury and ultra-luxury brands, including one Porsche 4S dealership, one Cadilac 4S dealership, three Volvo 4S dealerships, one Dearcc 4S dealership and two Porsche city showrooms.

In respect of new outlets authorizations, in the first half of 2018, we obtained authorization to open 12 new passenger vehicles sales and services outlets which focused on luxury and ultra-luxury brands, including one BMW 4S dealership, one Lexus 4S dealership, one Volvo 4S dealership, one Infiniti 4S dealership, four WM 4S dealerships, one Dearcc 4S dealership, two BMW motorcycle showrooms and one Aston Martin 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 the first half of 2018, we completed the acquisition of two Lynkco 4S dealerships, and are actively negotiating with several potential acquisition targets.

In the first half of 2018, with respect to the construction of self-owned outlets, we opened three "Yongda Pre-owned Vehicle Malls" and one comprehensive showroom of passenger vehicles.

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 June 30, 2018, our total number of outlets that are opened and outlets with authorisation to be opened amounted to 254. Such outlets spread all over 4 municipalities and 18 provinces in China, including 181 opened outlets with manufacturers' authorization, 55 outlets without manufacturers' authorization and 18 outlets with authorizations to be opened. Set out below are the details of our outlets as at June 30, 2018:

| | Opened outlets | Outlets with authorizations to be opened | Total |
|---|---|---|---|
| 4S dealerships of luxury and ultra-luxury brands | 110 | 10 | 120 |
| 4S dealerships of mid- to high-end brands | 53 | 4 | 57 |
| City showrooms of luxury brands | 13 | 4 | 17 |
| Authorized service centers of luxury brands | 3 | – | 3 |
| Authorized certified pre-owned vehicle center of luxury brands | 2 | – | 2 |
| Subtotal of the outlets authorized by the manufacturers | **181** | **18** | **199** |
| "Auto Repair" maintenance centers of luxury automobiles | 15 | – | 15 |
| Comprehensive showrooms of passenger vehicles | 11 | – | 11 |
| Yongda Pre-owned Vehicle Malls | 29 | – | 29 |
| Subtotal of non-manufacturer authorized outlets | **55** | **–** | **55** |
| Total outlets | **236** | **18** | **254** |

**Continuously Improved Management**

We firmly adhered to management with integrity and excellence-pursuing cultural traditions, 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 of our channel 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 automobile services business while maintaining a rapid growth of our vehicle services business as we provided 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 relied on the platform of channel enterprises and strive to achieve full life cycle coverage of vehicle products focused on vehicle consumers through multi-dimensional deep integration and customization in the areas of whole 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 improved our service quality and fully utilized the advantages of our large user base to build the brand image of the Group as a leading domestic passenger vehicle sales service provider in China.

Organization Optimization: We continuously strengthened our efforts in the introduction of external talents and enhanced the 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 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 have initiated thorough improvement in the management of our industrial entities by digitalized means, constructed our clear digital management mode through consolidating customer, business and financial data by utilizing the data center, realized agile operation of businesses leveraging on the flexible allocation of resources and control, thus eventually promoting the transformation and upgrading of businesses by constant innovations driven by data.

## FINANCIAL REVIEW

### Revenue

Revenue was RMB24,919.7 million for the six months ended June 30, 2018, a 12.4% increase from RMB22,170.8 million for the six months ended June 30, 2017, which was primarily due to the growth of sales of luxury and ultra-luxury passenger vehicles and after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

| | For the six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | 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 | **16,906,044** | **49,082** | **344** | 15,058,591 | 42,944 | 351 |
| Mid-to high-end brands | **3,970,412** | **31,295** | **127** | 3,841,310 | 29,639 | 130 |
| Subtotal | **20,876,456** | **80,377** | **260** | 18,899,901 | 72,583 | 260 |
| After-sales services | **3,699,781** | **–** | **–** | 3,069,720 | – | – |
| Automobile rental services | **190,511** | **–** | **–** | 185,083 | – | – |
| Proprietary finance business | **245,488** | **–** | **–** | 114,922 | – | – |
| Less: inter-segment eliminations | **(92,552)** | **–** | **–** | (98,869) | – | – |
| **Total** | **24,919,684** | **–** | **–** | 22,170,757 | – | – |

The sales volume of passenger vehicles of the passenger vehicle sales and services segment was 80,377 units for the six months ended June 30, 2018, a 10.7% increase from 72,583 units for the six months ended June 30, 2017, among which the sales volume of luxury and ultra-luxury brand passenger vehicles for the six months ended June 30, 2018 was 49,082 units, a 14.3% increase from 42,944 units for the six months ended June 30, 2017.

Revenue of sales of passenger vehicles from the passenger vehicle sales and services segment was RMB20,876.5 million for the six months ended June 30, 2018, a 10.5% increase from RMB18,899.9 million for the six months ended June 30, 2017, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB16,906.0 million for the six months ended June 30, 2018, a 12.3% increase from RMB15,058.6 million for the six months ended June 30, 2017.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB3,699.8 million for the six months ended June 30, 2018, a 20.5% increase from RMB3,069.7 million for the six months ended June 30, 2017.

Revenue from the automobile rental services segment was RMB190.5 million for the six months ended June 30, 2018, a 2.9% increase from RMB185.1 million for the six months ended June 30, 2017.

Revenue from the proprietary finance business segment was RMB245.5 million for the six months ended June 30, 2018, a 113.6% increase from RMB114.9 million for the six months ended June 30, 2017.

**Cost of Sales and Services**

Cost of sales and services was RMB22,333.9 million for the six months ended June 30, 2018, a 12.2% increase from RMB19,914.0 million for the six months ended June 30, 2017, which was generally in line with the growth of our revenue.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB20,242.9 million for the six months ended June 30, 2018, a 11.3% increase from RMB18,184.7 million for the six months ended June 30, 2017, which was a higher growth than the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB1,982.7 million for the six months ended June 30, 2018, a 21.3% increase from RMB1,634.4 million for the six months ended June 30, 2017, which was generally in line with the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB140.8 million for the six months ended June 30, 2018, a 1.4% increase from RMB138.9 million for the six months ended June 30, 2017, which was a slightly lower than the growth in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB82.4 million for the six months ended June 30, 2018, a 178.1% increase from RMB29.6 million for the six months ended June 30, 2017, which was higher than the growth in our revenue from the proprietary finance business segment.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, gross profit was RMB2,585.8 million for the six months ended June 30, 2018, a 14.6% increase from RMB2,256.8 million for the six months ended June 30, 2017. Gross profit margin increased to 10.38% for the six months ended June 30, 2018 from 10.18% for the six months ended June 30, 2017.

Gross profit of sales from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB633.6 million for the six months ended June 30, 2018, a 11.4% decrease from RMB715.2 million for the six months ended June 30, 2017. Gross profit margin for passenger vehicle sales decreased to 3.03% for the six months ended June 30, 2018 from 3.78% for the six months ended June 30, 2017.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB1,717.1 million for the six months ended June 30, 2018, a 19.6% increase from RMB1,435.3 million for the six months ended June 30, 2017. Gross profit margin for after-sales services was 46.41% for the six months ended June 30, 2018, which was generally in line with that of 46.76% for the six months ended June 30, 2017.

Gross profit from the automobile rental services segment was RMB49.7 million for the six months ended June 30, 2018, a 7.5% increase from RMB46.2 million for the six months ended June 30, 2017. For the six months ended June 30, 2018, gross profit margin for automobile rental services increased to 26.07% from 24.96% for the six months ended June 30, 2017.

Gross profit from the proprietary finance business segment for the six months ended June 30, 2018 was RMB163.1 million, a 91.2% increase from RMB85.3 million for the six months ended June 30, 2017. Gross profit margin for proprietary finance business segment was 66.45% for the six months ended June 30, 2018, a decrease from 74.23% for the six months ended June 30, 2017, mainly due to the increase in gearing ratio of the proprietary finance business.

**Other Income and Other Gains and Losses**

Other income and other gains and losses were RMB476.3 million for the six months ended June 30, 2018, a 14.7% increase from RMB415.2 million for the six months ended June 30, 2017. The increase was primarily due to the fact that revenue of our after-market finance and insurance agency related services of the passenger vehicle sales and services segment amounted to RMB467.0 million for the six months ended June 30, 2018, a 19.3% increase from RMB391.3 million for the six months ended June 30, 2017.

**Distribution and Selling Expenses**

Distribution and selling expenses were RMB1,147.8 million for the six months ended June 30, 2018, a 13.4% increase from RMB1,012.3 million for the six months ended June 30, 2017, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the percentage of our distribution and selling expenses increased slightly from 4.57% for the six months ended June 30, 2017 to 4.61% for the six months ended June 30, 2018.

**Administrative Expenses**

Administrative expenses were RMB613.8 million for the six months ended June 30, 2018, a 15.6% increase from RMB531.2 million for the six months ended June 30, 2017, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the percentage of our administrative expenses slightly increased from 2.40% for the six months ended June 30, 2017 to 2.46% for the six months ended June 30, 2018.

**Finance Costs**

Finance costs were RMB312.4 million for the six months ended June 30, 2018, a 31.1% increase from RMB238.3 million for the six months ended June 30, 2017, 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 well as the rise in average finance rate. As a percentage of revenue, the percentage of our financial costs increased from 1.08% for the six months ended June 30, 2017 to 1.25% for the six months ended June 30, 2018.

**Profit before Tax**

As a result of the foregoing, profit before tax was RMB1,012.5 million for the six months ended June 30, 2018, a 10.7% increase from RMB914.6 million for the six months ended June 30, 2017.

**Income Tax Expenses**

Income tax expenses were RMB242.3 million for the six months ended June 30, 2018, a 12.0% increase from RMB216.3 million for the six months ended June 30, 2017. Our effective income tax rate was 23.9% for the six months ended June 30, 2018, which was generally in line with that of 23.7% for the six months ended June 30, 2017.

**Profit**

As a result of the foregoing, profit was RMB770.2 million for the six months ended June 30, 2018, a 10.3% increase from RMB698.3 million for the six months ended June 30, 2017.

### Profit Attributable to the Owners of the Company

As a result of the foregoing, profit attributable to the owners of the Company was RMB723.4 million for the six months ended June 30, 2018, a 10.9% increase from RMB652.0 million for the six months ended June 30, 2017.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

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

For the six months ended June 30, 2018, our net cash from operating activities was RMB461.3 million, of which the net cash generated from operating activities of automobile sales and services business was RMB445.8 million, and the net cash generated from operating activities of proprietary finance business was RMB15.5 million. For the six months ended June 30, 2017, our net cash used in operating activities was RMB1,538.1 million, of which the net cash used in operating activities of automobile sales and services business was RMB18.3 million, and the net cash used in operating activities of proprietary finance business was RMB1,519.8 million. Compared to the same period in 2017, our net cash generated from operating activities of automobile sales and services business increased by RMB464.1 million, and the net cash generated from operating activities of proprietary finance business increased by RMB1,535.3 million.

For the six months ended June 30, 2018, our net cash used in investment activities was RMB755.7 million, which mainly included the amounts for purchase of property, plant and equipment, land use rights and intangible assets of RMB819.7 million and the amount for acquisition of subsidiaries of RMB72.8 million, which was partially offset by the proceeds from the disposal of property, plant and equipment of RMB238.8 million. For the six months ended June 30, 2017, our net cash used in investing activities was RMB903.1 million.

For the six months ended June 30, 2018, our net cash generated from financing activities was RMB538.3 million, which mainly included the proceeds from bank loans and other borrowings of RMB16,092.2 million and the proceeds from the issuance of super short-term commercial papers of RMB1,500.0 million, which was partially offset by the repayment of bank loans and other borrowings of RMB13,532.9 million, the repayment of super short-term commercial papers of RMB2,600.0 million, the payment of interest of RMB338.4 million and the payment of dividends of RMB520.4 million. For the six months ended June 30, 2017, our net cash generated from financing activities was RMB1,860.7 million.

### Inventories

Our inventories mainly include passenger vehicles and spare parts.

Our inventories were RMB7,141.8 million as of June 30, 2018, a 18.6% increase from RMB6,020.5 million as of June 30, 2017. The following table sets forth our average inventory turnover days for the periods indicated:

| | **For the six months ended June 30, 2018** | For the six months ended June 30, 2017 |
|---|---|---|
| Average inventory turnover days[1] | **54.2** | 47.4 |

*Note:*

(1) The average inventory turnover days 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 and then divided by 2.

### Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of property, plant and equipment, land use rights, intangible assets (vehicle licence plates) and acquisition of subsidiaries, which was partially offset by the proceeds from the disposal of property, plant and equipment. For the six months ended June 30, 2018, our total capital expenditures were RMB653.7 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

| | **For the six months ended June 30, 2018** ***(in RMB millions)*** |
|---|---|
| Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for operating lease purposes) | **482.4** |
| Expenditures on purchase of property, plant and equipment – primarily used for establishing new automobile sales and service outlets | **313.0** |
| Expenditures on purchase of land use rights | **5.3** |
| Expenditures on purchase of intangible assets (vehicle licence plates) | **19.0** |
| Expenditures on acquisition of subsidiaries | **72.8** |
| Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles and vehicles for operating lease purposes) | **(238.8)** |
| Total | **653.7** |

### Borrowings and Bonds

We obtained borrowings consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufactures and issued bonds to fund our working capital and network expansion demand. As of June 30, 2018, the outstanding amount of our borrowings and bonds amounted to RMB13,064.6 million, a 12.6% increase from RMB11,604.2 million as of December 31, 2017. The following table sets forth the maturity profile of our borrowings and bonds as of June 30, 2018:

| | As of June 30, 2018 *(in RMB millions)* |
|---|---|
| Within one year | **9,731.5** |
| One to two years | **3,307.1** |
| Two to five years | **26.0** |
| Total | **13,064.6** |

As of June 30, 2018, our gearing ratio (being total liabilities divided by total assets) was 69.7% (as of June 30, 2017: 71.9%).

As of June 30, 2018, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2018 consisted of (i) inventories of RMB1,555.5 million; (ii) property, plant and equipment of RMB198.6 million; (iii) land use rights of RMB133.5 million; and (iv) equity interests of the subsidiaries of RMB764.0 million.

### Contingent Liabilities

As of June 30, 2018, 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. Increases in interest rates could result in an increase in our cost of borrowing, which in turn could adversely affect our finance costs, profit and our financial condition. We do not currently use any derivative financial instruments to hedge our interest rate risk.

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

## FUTURE OUTLOOK AND STRATEGIES

In the first half of 2018, the passenger vehicles market in China maintained a sustainable growth. Tariff adjustment policy on imported automobiles, spare parts and accessories since July 2018 will accelerate the integration of domestic automobile industry and is expected to further speed up the development of luxury brands. Meanwhile, under the guidance of environmental policy, new energy vehicles will also usher in a historical opportunity period.

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 recent years, there have been update cycles of major luxury brands, such as BMW, Porsche and Audi. Jaguar and Land Rover, Volvo, Cadillac and Lincoln, which are in the second echelon of luxury brands, also recorded fast growth of sales. Therefore, the market share of luxury brand vehicles continued to increase, which will promote the sustainable growth of our business. Meanwhile, we also focus on the high-speed growth of new energy vehicle industry, so 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.

We will be committed to upgrading the scale and capability of our national sales and services network. Apart from expanding the outlets of major luxury brands such as BMW, Porsche, Audi and increasing rapidly regional market share through merger and acquisition, as for existing outlets in operation, we will break through time and geographical limitations by various means, such as satellite service outlets establishment, “smart retail” model transformation and Internet technology application, to develop more diversified service carrying capacity of existing outlets.

With respect to our pre-owned vehicle business, we will actively push forward the nationwide network expansion of front-end light-asset physical chain outlets , namely “Yongda Pre-owned Vehicle Mall” through building the mid- and background system which have the integration of unified 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.

With respect to our finance and insurance 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 an innovative product strategy of industry-finance integration, adopt a sales model of integrated finance and insurance, implement a partnership program to push forward channel building, further invest in financial technology and continue to explore new finance development model in line with the development of automobile industry.

We noted that the travelling services demand of new generation of consumer groups is increasing, so we established a professional traveling service company with a professional team, and carried out relevant layout and exploitation of travelling service industry. Leveraging on our industrial experience in automobile rental industry and competitive edge of asset operation and management, we established a strategic cooperation with certain new energy vehicle brands relying on Internet platforms. We hope to achieve intelligent, compliant and effective operation of localized fleet of automobiles, satisfying the need for safe, convenient and comfortable travelling services.

We have been adhering to our strategic development concept of taking customers base as one of our most important assets, and realized refined management and standardised operation in automobile sales and services business through continuous in-depth digitalization, thus forming a new internally and externally integrated digital retail system by utilizing mega data smart applications and focusing on customer experience. 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 the 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 realizing a multi-win situation among our shareholders, employees, customers and the community.

# Corporate Governance and Other Information

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

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

**Long positions in the Company's shares**

| Name of Director | Capacity/Nature of Interest | Total number of shares | Approximate Percentage of Shareholding (%) |
|---|---|---|---|
| Mr. CHEUNG Tak On(1) | Founder of a discretionary trust | 389,909,500 (long position) | 21.217 |
| | Interest of controlled corporation | 217,080,000 (long position) | 11.813 |
| | Beneficial owner | 9,303,000 (long position) | 0.506 |
| Mr. CAI Yingjie(2) | Interest of controlled corporation | 89,288,000 (long position) | 4.859 |
| | Beneficial owner | 674,500 (long position) | 0.037 |
| Mr. WANG Zhigao(3) | Interest of controlled corporation | 37,460,000 (long position) | 2.038 |
| | Beneficial owner | 910,500 (long position) | 0.050 |
| Mr. XU Yue | Beneficial owner | 2,270,000 (long position) | 0.124 |
| Ms. CHEN Yi | Beneficial owner | 1,392,000 (long position) | 0.076 |

*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 389,909,500 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 217,080,000 shares held by Asset Link.

(iii) Mr. CHEUNG Tak On also holds 9,303,000 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 89,288,000 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 37,460,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

### Long positions in underlying shares of the Company

| Number of Director | Capacity | Name 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[(1)] | N/A | 0 | 0 |
| 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 |

*Note:*

(1) Ms. Chen Yi exercised 442,000 share options on May 2, 2018.

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

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

As at the date of this interim report, to the best of knowledge of the Company and the directors, the followings are the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

**Interests in the shares and underlying shares of the Company**

| Name of Shareholder | Capacity/ Nature of Interest | Total number of shares | Approximate Percentage of Shareholding (%) |
|---|---|---|---|
| Palace Wonder[1] | Beneficial owner | 389,909,500 (long position) | 21.217 |
| Regency Valley[1] | Interest of controlled corporation | 389,909,500 (long position) | 21.217 |
| HSBC International Trustee Limited[1] | Trustee | 389,914,500 (long position) | 21.218 |
| Asset Link[2] | Beneficial owner | 217,080,000 (long position) | 11.813 |

*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 389,909,500 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 217,080,000 shares held by Asset Link.

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## ISSUANCE OF DEBT SECURITIES

On November 2, 2016, 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 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 interim report, the aggregated principal amount of the first tranche corporate bonds of 2016 remains outstanding. For further details, please refer to the announcements of the Company dated October 31, 2016, November 3, 2016, and note 22 to the Condensed Consolidated Financial Statements.

On February 8, 2018, Yongda Investment issued the first tranche 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 existing debts of Yongda Investment. As at the date of this interim report, the aggregated principal amount of the first tranche super short-term commercial papers of 2018 is due and repaid. For further details, please refer to the announcements of the Company dated March 9, 2017, February 5, 2018, February 9, 2018 and note 21 to the Condensed Consolidated Financial Statements.

On April 10, 2018, Yongda Investment issued the second tranche super short-term commercial papers of 2018 in the PRC with aggregate principal amount of RMB0.5 billion and interest rate of 6.5% per annum for the purpose of repayment of existing debts of Yongda Investment. As at the date of this interim report, the aggregated principal amount of the second tranche super short-term commercial papers of 2018 remains outstanding. For further details, please refer to the announcements of the Company dated March 9, 2017, March 14, 2018, April 11, 2018 and note 21 to the Condensed Consolidated Financial Statements.

On June 28, 2018, Yongda Investment issued the third tranche super short-term commercial papers of 2018 in the PRC with aggregate principal amount of RMB0.5 billion and interest rate of 7.3% per annum for the purpose of repayment of existing debts of Yongda Investment. As at the date of this interim report, the aggregated principal amount of the third tranche super short-term commercial papers of 2018 remains outstanding. For further details, please refer to the announcements of the Company dated March 9, 2017, June 28, 2018 and note 21 to the Condensed Consolidated Financial Statements.

## STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at June 30, 2018, we had 13,892 employees (as at June 30, 2017: 14,028 employees). The remuneration of our employees includes salaries and allowances. We also provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our directors, and the directors' remuneration are subject to shareholders' approval at a general meeting of the Company. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of our Group.

## SHARE OPTION SCHEME

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

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

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

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

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

On July 26, 2016, the Company cancelled the outstanding share options previously granted to certain individuals (the "Existing Grantees") to subscribe for a total of 29,700,000 shares at the exercise price of HK$6.950 per share with validity period from December 30, 2013 to December 29, 2018. On the same day, the Company granted a total of 35,000,000 share options under the Share Option Scheme to the Existing Grantees, subject to their acceptance of cancellation of the outstanding options, and certain new grantees at the exercise price of HK$3.780 per share. On June 19, 2017, the Company granted a total of 10,500,000 share options under the Share Option Scheme to the certain grantees at the exercise price of HK$8.140 per share.

Further details of the Share Option Scheme are set out in the circular of the Company dated September 5, 2013, announcements of the Company dated July 26, 2016, June 19, 2017, and note 24 to the Condensed Consolidated Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the six months ended June 30, 2018 are as follows:

| Category and Name of grantee | Date of grant of share options | Number of Share Options<br>Outstanding as at January 1, 2018 | Granted during the period | Forfeited during the period | Exercised during the period | Lapsed during the period | Expired during the period | Outstanding as at June 30, 2018 | Exercise period of share options | Exercise price of share options | Price of the Company's shares immediately before the grant date of options | Weighted average closing price of the Company's shares<br>Immediately before the exercise dates | At exercise dates of options |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | HK$ per share | | | |
| *Executive Directors* | | | | | | | | | | | | | |
| XU Yue | July 26, 2016 | 2,400,000 | – | – | – | – | – | 2,400,000 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | – | – |
| CHEN Yi | July 26, 2016 | 442,000 | – | – | 442,000 | – | – | 0 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | 9.04 | 9.01 |
| *Non-executive Director* | | | | | | | | | | | | | |
| WANG Liqun | July 26, 2016 | 200,000 | – | – | – | – | – | 200,000 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | – | – |
| *Independent Non-executive Directors* | | | | | | | | | | | | | |
| LYU Wei | July 26, 2016 | 200,000 | – | – | – | – | – | 200,000 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | – | – |
| CHEN Xianglin | July 26, 2016 | 200,000 | – | – | – | – | – | 200,000 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | – | – |
| ZHU Anna Dezhen | July 26, 2016 | 200,000 | – | – | – | – | – | 200,000 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | – | – |
| *Other Employees in aggregate* | July 26, 2016 | 15,015,000 | – | – | 2,200,500 | 134,000 | – | 12,680,500 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | 9.27 | 9.37 |
| | June 19, 2017 | 10,500,000 | – | – | – | – | – | 10,500,000 | June 19, 2017 to June 19, 2022 | 8.140 | 8.020 | – | – |
| *Other grantees/ participants in aggregate** | July 26, 2016 | 200,000 | – | – | – | – | – | 200,000 | July 26, 2016 to December 31, 2020 | 3.780 | 3.690 | – | – |

* 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 beneficiary, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme. Under the Pre-IPO Employee Incentive Scheme, the total number of Shares underlying the restricted Shares to be granted from time to time must not be, in any event, exceed 5% of the number of the Shares in issue on such date without the Board's prior approval.

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

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

During the six months ended June 30, 2018, awards of approximately 6,450,000 restricted shares have been granted to eligible persons pursuant to the terms of the Amended Scheme.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

## CHANGES IN DIRECTORATE AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

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

| Name of director | Details of changes in position/particulars |
|---|---|
| WANG Zhigao | Transferred as the vice president from the chairman of Shanghai Yongda Asset Management Company Limited (上海永達資產管理股份有限公司) since March 2018 |
| LYU Wei | Served as an independent director of Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司) (SZSE Stock Code: 002293) since January 2017 |

| Name of senior management | Details of changes in position/particulars |
|---|---|
| YE Ming | Received a Master of EMBA from Fudan University in June 2018 |
| TANG Hua | Promoted from vice-president to president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會) since August 2018 |
| | Ceased to serve as the deputy secretary general of Shanghai Young Entrepreneurs' Association (上海青年企業家協會) since January 2018 |
| ZHANG Zhenyu | Appointed as the vice president of the Group since June 2018 |

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules and has complied with the code provisions under the CG Code during the six months ended June 30, 2018.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2018.

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

## AUDIT AND COMPLIANCE COMMITTEE

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2018. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2018 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

### Selection as a Constituent Stock of Certain Indexes of Hang Seng Indexes Company Limited

The Company has been selected as a constituent stock of Hang Seng Composite LargeCap & MidCap Index, Hang Seng Stock Connect Hong Kong Index and some other Indexes by Hang Seng Indexes Company Limited, with effect from September 10, 2018. For further details, please refer to the announcement of the Company dated August 14, 2018.

## USE OF PROCEEDS FROM THE PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

The Company confirms that all of the net proceeds from the placing of existing shares and top-up subscription of new shares as disclosed in the announcements dated May 12, 2017 and May 22, 2017 respectively (the "Placing") in the amount of HK$879,847,000 million has been fully utilized as at December 31, 2017.

The Company further confirms the net proceeds from the Placing were used according to the purposes previously disclosed in the said announcements, that is, for (1) further expansion of its dealership network, mainly by way of acquisition or establishment of new 4S dealerships; (2) further expansion of the automobile financing business; and (3) general working capital, and there was no material change in the actual use of the net proceeds from the intended use.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2018 (for the six months ended June 30, 2017: nil) to the shareholders of the Company.

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

Hong Kong, August 28, 2018

# Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 84, which comprise the condensed consolidated statement of financial position as of June 30, 2018 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

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

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

August 28, 2018

# Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2018

| | NOTES | Six months ended June 30, 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 4 | **24,919,684** | 22,170,757 |
| Cost of sales and services | | **(22,333,932)** | (19,913,990) |
| Gross profit | | **2,585,752** | 2,256,767 |
| Other income and other gains and losses | 5 | **476,316** | 415,168 |
| Distribution and selling expenses | | **(1,147,771)** | (1,012,274) |
| Administrative expenses | | **(613,795)** | (531,184) |
| Profit from operations | | **1,300,502** | 1,128,477 |
| Finance costs | 6 | **(312,389)** | (238,338) |
| Share of profits of joint ventures | | **3,010** | 4,948 |
| Share of profits of associates | | **21,327** | 19,533 |
| Profit before tax | 7 | **1,012,450** | 914,620 |
| Income tax expense | 8 | **(242,280)** | (216,342) |
| Profit for the period | | **770,170** | 698,278 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **723,372** | 652,017 |
| Non-controlling interests | | **46,798** | 46,261 |
| | | **770,170** | 698,278 |
| Earnings per share – basic | 10 | **RMB0.39** | RMB0.43 |
| Earnings per share – diluted | 10 | **RMB0.39** | RMB0.41 |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2018

| | | Six months ended June 30, | |
|---|---|---|---|
| | *NOTES* | **2018** | 2017 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Profit for the period** | | **770,170** | 698,278 |
| **Other comprehensive income** | | | |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI") | | **(6,668)** | – |
| **Total comprehensive income for the period** | | **763,502** | 698,278 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **716,704** | 652,017 |
| Non-controlling interests | | **46,798** | 46,261 |
| | | **763,502** | 698,278 |

# Condensed Consolidated Statement of Financial Position

At June 30, 2018

| | NOTES | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **4,990,822** | 4,729,155 |
| Prepaid land lease payments | 11 | **1,126,444** | 1,111,600 |
| Goodwill | | **908,484** | 903,791 |
| Intangible assets | | **1,525,236** | 1,526,558 |
| Deposits paid for acquisition of property, plant and equipment | | **97,042** | 91,514 |
| Deposits paid for acquisition of land use rights | | **62,634** | 85,610 |
| Deposits paid for acquisition of a subsidiary | | **–** | 3,000 |
| Available-for-sale investments | | **–** | 250,429 |
| Equity instruments at FVTOCI | 16 | **17,820** | – |
| Financial assets at fair value through profit or loss ("FVTPL") | 17 | **363,672** | – |
| Interests in joint ventures | | **95,255** | 101,628 |
| Interests in associates | | **416,859** | 391,032 |
| Finance lease receivables | 12 | **1,599,549** | 1,337,893 |
| Loan receivables | 13 | **180,868** | 132,522 |
| Amounts due from a related party | 27 | **31,435** | 31,435 |
| Deferred tax assets | | **169,629** | 139,434 |
| Other assets | 15 | **30,000** | 30,000 |
| | | **11,615,749** | 10,865,601 |
| **Current assets** | | | |
| Prepaid land lease payments | 11 | **34,564** | 34,354 |
| Inventories | 14 | **7,141,766** | 6,111,751 |
| Finance lease receivables | 12 | **1,669,007** | 1,657,715 |
| Loan receivables | 13 | **393,430** | 735,260 |
| Trade and other receivables | 15 | **5,187,948** | 4,807,162 |
| Amounts due from related parties | 27 | **182,582** | 189,008 |
| Cash in transit | | **208,247** | 211,096 |
| Pledged bank deposits | | **1,213,808** | 1,597,166 |
| Bank balances and cash | | **1,961,650** | 1,717,675 |
| | | **17,993,002** | 17,061,187 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **4,987,820** | 6,710,155 |
| Amounts due to related parties | 27 | **415,314** | 6,610 |
| Income tax liabilities | | **454,415** | 357,478 |
| Borrowings | 20 | **8,232,509** | 6,596,271 |
| Advances and deposits from customers | | **1,222,845** | – |
| Super short-term commercial papers | 21 | **1,498,991** | 2,598,926 |
| | | **16,811,894** | 16,269,440 |

(Continued)

# Condensed Consolidated Statement of Financial Position

At June 30, 2018

| | NOTES | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|---|
| **Net current assets** | | **1,181,108** | 791,747 |
| **Total asset less current liabilities** | | **12,796,857** | 11,657,348 |
| **Non-current liabilities** | | | |
| Borrowings | 20 | **1,339,634** | 416,572 |
| Corporate bonds | 22 | **1,993,422** | 1,992,394 |
| Other liabilities | 19 | **147,679** | 126,393 |
| Deferred tax liabilities | | **335,333** | 340,555 |
| | | **3,816,068** | 2,875,914 |
| **Net assets** | | **8,980,789** | 8,781,434 |
| **Capital and reserves** | | | |
| Share capital | 23 | **15,055** | 15,033 |
| Reserves | | **8,470,671** | 8,273,278 |
| Equity attributable to owners of the Company | | **8,485,726** | 8,288,311 |
| Non-controlling interests | | **495,063** | 493,123 |
| **Total equity** | | **8,980,789** | 8,781,434 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued share capital RMB'000 | Share premium RMB'000 | Statutory surplus reserve RMB'000 (note a) | Special reserve RMB'000 | Share-based payments reserve RMB'000 | Convertible bonds reserve RMB'000 | FVTOCI reserve RMB'000 | Retained profits RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At January 1, 2017 (audited) | 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 period | – | – | – | – | – | – | – | 652,017 | 652,017 | 46,261 | 698,278 |
| Capital injection by non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | – | 31,690 | 31,690 |
| Placement and subscription | 1,190 | 774,192 | – | – | – | – | – | – | 775,382 | – | 775,382 |
| Acquisition of non-controlling interests of subsidiaries | – | – | – | 5,393 | – | – | – | – | 5,393 | (25,923) | (20,530) |
| Recognition of equity-settled share-based payments | – | – | – | – | 3,890 | – | – | – | 3,890 | – | 3,890 |
| Exercise of share options | 73 | 27,594 | – | – | – | – | – | – | 27,667 | – | 27,667 |
| Conversion option of convertible bonds exercised during the period | 68 | 53,932 | – | – | – | – | – | – | 54,000 | – | 54,000 |
| Dividends recognized as distribution | – | (276,222) | – | – | – | – | – | – | (276,222) | – | (276,222) |
| Dividends paid to non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | (38,560) | (38,560) |
| At June 30, 2017 (unaudited) | 13,397 | 1,484,303 | 614,084 | 265,800 | 70,210 | 62,490 | – | 3,693,602 | 6,203,886 | 454,642 | 6,658,528 |
| Profit for the period | – | – | – | – | – | – | – | 857,913 | 857,913 | 45,597 | 903,510 |
| Other comprehensive income for the period | – | – | – | – | – | – | 5,789 | – | 5,789 | – | 5,789 |
| Total comprehensive income for the period | – | – | – | – | – | – | 5,789 | 857,913 | 863,702 | 45,597 | 909,299 |
| Capital injection by non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | – | 12,016 | 12,016 |
| Ordinary shares issued to acquire subsidiaries | 402 | 329,998 | – | – | – | – | – | – | 330,400 | – | 330,400 |
| Acquisition of non-controlling interests of subsidiaries | – | – | – | 1,701 | – | – | – | – | 1,701 | (13,839) | (12,138) |
| Recognition of equity-settled share-based payments | – | – | – | – | 21,355 | – | – | – | 21,355 | – | 21,355 |
| Exercise of share options | 58 | 21,979 | – | – | – | – | – | – | 22,037 | – | 22,037 |
| Transfer to statutory reserve | – | – | 261,246 | – | – | – | – | (261,246) | – | – | – |
| Conversion option of convertible bonds exercised during the period | 1,176 | 906,544 | – | – | – | (62,490) | – | – | 845,230 | – | 845,230 |
| Dividends paid to non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | (5,293) | (5,293) |
| At December 31, 2017 (audited) | 15,033 | 2,742,824 | 875,330 | 267,501 | 91,565 | – | 5,789 | 4,290,269 | 8,288,311 | 493,123 | 8,781,434 |

(Continued)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued share capital RMB'000 | Share premium RMB'000 | Statutory surplus reserve RMB'000 (note a) | Special reserve RMB'000 | Share-based payments reserve RMB'000 | Convertible bonds reserve RMB'000 | FVTOCI reserve RMB'000 | Retained profits RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| Profit for the period | – | – | – | – | – | – | – | 723,372 | 723,372 | 46,798 | 770,170 |
| Other comprehensive income for the period | – | – | – | – | – | – | (6,668) | – | (6,668) | – | (6,668) |
| Total comprehensive income for the period | – | – | – | – | – | – | (6,668) | 723,372 | 716,704 | 46,798 | 763,502 |
| Capital injection by non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | – | 24,052 | 24,052 |
| Disposal of partial equity interests in a subsidiary | – | – | – | (868) | – | – | – | – | (868) | 2,868 | 2,000 |
| Acquisition of non-controlling interests of subsidiaries | – | – | – | (14,834) | – | – | – | – | (14,834) | (32,056) | (46,890) |
| Recognition of equity-settled share-based payments | – | – | – | – | 8,696 | – | – | – | 8,696 | – | 8,696 |
| Exercise of share options | 22 | 8,120 | – | – | – | – | – | – | 8,142 | – | 8,142 |
| Dividends recognized as distribution *(Note 9)* | – | (520,425) | – | – | – | – | – | – | (520,425) | – | (520,425) |
| Dividends paid to non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | (39,722) | (39,722) |
| At June 30, 2018 (unaudited) | 15,055 | 2,230,519 | 875,330 | 251,799 | 100,261 | – | (879) | 5,013,641 | 8,485,726 | 495,063 | 8,980,789 |

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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| OPERATING ACTIVITIES | | |
| Profit before tax | **1,012,450** | 914,620 |
| Adjustments for: | | |
| Finance costs | **312,389** | 238,338 |
| Interest income on bank deposits | **(8,853)** | (10,170) |
| Interest income from a related party | **(1,728)** | – |
| Depreciation of property, plant and equipment | **241,120** | 227,767 |
| Release of prepaid land lease payments | **16,162** | 16,336 |
| Amortization of intangible assets | **20,331** | 11,431 |
| Share-based payment expenses | **8,696** | 3,890 |
| Gain on disposal of property, plant and equipment | **(5,283)** | (8,917) |
| Gain on fair value change of financial assets at FVTPL | **(1,448)** | – |
| Impairment loss on available-for-sale investments | **–** | 1,285 |
| Impairment loss of loan receivables | **178** | 1,105 |
| Impairment loss of finance lease receivables | **305** | 1,001 |
| Share of profits of associates | **(21,327)** | (19,533) |
| Share of profits of joint ventures | **(3,010)** | (4,948) |
| Operating cash flows before movements in working capital | **1,569,982** | 1,372,205 |
| Increase in inventories | **(1,030,015)** | (1,533,158) |
| (Increase) decrease in trade and other receivables | **(405,178)** | 372,441 |
| Increase in finance lease receivables | **(273,254)** | (549,177) |
| Decrease (increase) in loan receivables | **293,306** | (970,658) |
| Decrease in cash in transit | **2,849** | 104,513 |
| Decrease (increase) in other liabilities | **(4,596)** | 20,779 |
| Decrease in advances and deposits from customers | **(59,223)** | – |
| Decrease in trade and other payables | **(258,038)** | (372,649) |
| Decrease in amounts due from related parties | **14,165** | 53 |
| Increase in amounts due to related parties | **408,704** | 2,050 |
| Withdrawal of pledged bank deposits | **1,597,166** | 1,012,744 |
| Placement of pledged bank deposits | **(1,213,808)** | (887,869) |
| Cash generated from (used in) operations | **642,060** | (1,428,726) |
| Income taxes paid | **(180,760)** | (109,420) |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | **461,300** | (1,538,146) |

(Continued)

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| INVESTING ACTIVITIES | | |
| Additions to and deposits paid for property, plant and equipment | **(795,351)** | (384,498) |
| Purchase of intangible assets | **(19,009)** | (53,095) |
| Purchase of available-for-sale investments | **–** | (14,000) |
| Purchase of financial assets at FVTPL | **(140,950)** | – |
| Additions to and deposits paid for prepaid land lease payments | **(5,300)** | (36,482) |
| Proceeds on disposal of property, plant and equipment, land use rights and intangible assets | **238,808** | 171,595 |
| Advance to related parties | **(8,705)** | (55,166) |
| Advance to independent third parties | **–** | (100) |
| Advance to non-controlling shareholders of subsidiaries | **–** | (30,000) |
| Collection of advance to related parties | **10,350** | – |
| Collection of advance to independent third parties | **57,227** | – |
| Collection of advance to non-controlling shareholders of subsidiaries | **4,900** | 4,249 |
| Payment for acquisition of subsidiaries | **(108,383)** | – |
| Acquisition of subsidiaries | **–** | (149,723) |
| Proceeds on disposal of financial assets at FVTPL | **4,667** | – |
| Interest received | **10,581** | 10,170 |
| Investment in associates | **(4,500)** | (2,000) |
| Placement of time deposits | **–** | (385,000) |
| Withdrawal of time deposits | **–** | 21,000 |
| NET CASH USED IN INVESTING ACTIVITIES | **(755,665)** | (903,050) |

(Continued)

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| FINANCING ACTIVITIES | | |
| New borrowings raised | **16,092,204** | 10,799,700 |
| Repayment of borrowings | **(13,532,903)** | (10,583,746) |
| Proceeds on issue of super short-term commercial papers | **1,500,000** | 2,000,000 |
| Repayment of short-term debentures | **–** | (800,000) |
| Repayment of super short-term commercial papers | **(2,600,000)** | – |
| Payment for transaction costs of issue of super short-term commercial papers | **(1,888)** | (5,639) |
| Payment for transaction costs of issue of medium-term note | **–** | (626) |
| Proceeds of disposal of partial equity interests in subsidiaries without losing control | **2,000** | – |
| Proceeds from placement and subscription | **–** | 775,382 |
| Capital injection by non-controlling shareholders of subsidiaries | **24,052** | 31,690 |
| Acquisition of non-controlling interests of subsidiaries | **(44,440)** | (2,180) |
| Advance from non-controlling shareholders of subsidiaries | **3,399** | 1,300 |
| Advance from independent third parties | **1,148** | 20,000 |
| Repayment of advance from non-controlling shareholders of subsidiaries | **(577)** | (1,530) |
| Interest paid | **(338,382)** | (202,680) |
| Placement of deposits to entities controlled by suppliers for borrowings | **(44,403)** | (21,672) |
| Withdrawal of deposits to entities controlled by suppliers for borrowings | **30,135** | 10,932 |
| Withdrawal of pledged bank deposits pledged for borrowings | **–** | 106,000 |
| Dividends paid as distribution | **(520,425)** | (276,222) |
| Dividends paid to non-controlling shareholders of subsidiaries | **(39,722)** | (17,653) |
| Proceeds from exercise of share options | **8,142** | 27,667 |
| NET CASH FROM FINANCING ACTIVITIES | **538,340** | 1,860,723 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **243,975** | (580,473) |
| CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH | **1,717,675** | 1,771,813 |
| CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH | **1,961,650** | 1,191,340 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Yongda Automobiles Services Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, provision of automobile rental services, provision of proprietary finance business, and distribution of automobile insurance products/automobile financial products in the PRC. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

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

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

From this current interim period, the condensed consolidated statement of profit or loss and other comprehensive income was separately presented as two statements including the condensed consolidated statement of profit or loss and the condensed consolidated statement of profit or loss and other comprehensive income. In the opinion of the directors of the Company, two statements better present the financial performance of the Group.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017.

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied for the first time, the following new amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 9 | *Financial Instruments* |
| IFRS 15 | *Revenue from Contracts with Customers and the related Amendments* |
| IFRIC 22 | *Foreign Currency Transactions and Advance Consideration* |
| Amendments to IFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to IFRS 4 | *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* |
| Amendments to IAS 28 | *As part of the Annual Improvements to IFRSs 2014-2016 Cycle* |
| Amendments to IAS 40 | *Transfers of Investment Property* |

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 15

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, and the related interpretations.

The Group recognizes revenue from the following major sources:

- 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;

- Proprietary finance business – (i) finance leasing business (ii) small loan services; and

- Service income – (i) automobile finance products (ii) automobile insurance products.

Revenue from automobiles rental services and finance leasing business will continue to be accounted for in accordance with IAS 17 *Lease* and interest revenue from small loan services will be accounted for in accordance with IFRS 9 *Financial Instrument*, whereas revenue from others will be accounted for under IFRS15.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initial applying this standard recognized at the date of initial application, January 1, 2018. Difference at the date of initial application, if any, is recognized in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and the related interpretations.

#### *2.1.1 Key changes in accounting policies resulting from application of IFRS 15*

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 15 (continued)

#### *2.1.1 Key changes in accounting policies resulting from application of IFRS 15* (continued)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provide by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in the exchange for arranging for the specified goods or services to be provided by the other party.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 15 (continued)

#### *2.1.1 Key changes in accounting policies resulting from application of IFRS 15* (continued)

*Principal versus agent* (continued)

The Group primarily earns revenue by passenger vehicle sales and after-sales services to its customers through fixed price contract. For the passenger vehicle sales, the Group recognizes revenue when (or as) the passenger vehicles are transferred to the customer and the customer obtains control of that vehicles. For the after-sales services, the Group's performance enhances the vehicle that's within the customer's control, so the revenue is recognized over time.

For service income, the Group provides the customers bank mortgage and insurance services as an agent, and recognizes the income when the services are rendered and the customers confirmed the services are rendered. So the income were recognized at a point in time which are included in the "other income and other gains and losses" line in profit or loss.

#### *2.1.2 Summary of effects arising from initial application of IFRS 15*

The impact of transition to IFRS 15 arising from the initial application of IFRS 15 on the Group's major revenue generating operation was insignificant on retained profits at January 1, 2018.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at January 1, 2018. Line items that were not affected by the changes have not been included.

| | *Note* | **Carrying amounts previously reported at 31 December 2017** | **Reclassification** | **Remeasurement** | **Carrying amounts under IFRS 15 at January 1, 2018** |
|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current Liabilities** | | | | | |
| Trade and other payables | | 6,710,155 | (1,282,068) | – | 5,428,087 |
| Advances and deposits from customers | (a) | – | 1,282,068 | – | 1,282,068 |

(a) As at January 1, 2018, advances from customers of RMB1,282,068,000 previously included in trade and other payables were reclassified to advances and deposits from customers.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 15 (continued)

#### *2.1.2 Summary of effects arising from initial application of IFRS 15* (continued)

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at June 30, 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

| | As reported<br>*RMB'000* | Adjustments<br>*RMB'000* | Amounts without application of IFRS 15<br>*RMB'000* |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and other payables | 4,987,820 | 1,222,845 | 6,210,665 |
| Advances and deposits from customers | 1,222,845 | (1,222,845) | – |

### 2.2 Impacts and changes in accounting policies of application on IFRS 9

In the current period, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and lease receivables and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

#### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9*

*Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on IFRS 9 (continued)

#### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9* (continued)

*Classification and measurement of financial assets* (continued)

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

  All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

  Equity instruments designated as at FVTOCI
  At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

  Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

  Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and other gains and losses" line item in profit or loss.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on IFRS 9 (continued)

#### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9* (continued)

*Impairment under ECL model*

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amounts due from related parties, finance lease receivables, loan receivables, cash in transit, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and finance lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on IFRS 9 (continued)

#### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9* (continued)

*Impairment under ECL model* (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cash flow used in measuring the lease receivable in accordance with IAS 17 *leases*.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognized through a loss allowance account.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

The Group applies the IFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables and finance lease receivables which have been grouped based on shared credit risk characteristic respectively. As at January 1, 2018, no additional credit loss allowance has been recognized against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognized under IAS 39.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on IFRS 9 (continued)

#### 2.2.1 *Key changes in accounting policies resulting from application of IFRS 9* (continued)

*Impairment under ECL model* (continued)

Measurement and recognition of ECL (continued)

Loss allowances for other financial assets at amortized cost mainly comprise of other receivables, loan receivables, amounts due from related parties, cash in transit, pledged bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. As at January 1, 2018, no additional credit loss allowance has been recognized against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognized under IAS 39.

#### 2.2.2 *Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

| | *Note* | Available-for-sale investments *RMB'000* | Financial assets at FVTPL *RMB'000* | Equity instruments at FVTOCI *RMB'000* |
|---|---|---|---|---|
| **Closing balance at December 31, 2017 – IAS 39** | | 250,429 | – | – |
| **Effect arising from initial application of IFRS 9:** | | | | |
| **Reclassification** | | | | |
| From available-for-sale investments | (a) | (250,429) | 225,941 | 24,488 |
| **Opening balance at January 1, 2018** | | – | 225,941 | 24,488 |

(a) *Available-for-sale investments*

From AFS equity instruments to FVTOCI

The Group elected to present in OCI for the fair value changes of part of its equity investments previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB24,488,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, which were related to quoted market price previously measured at fair value under IAS 39. The fair value gain of RMB5,789,000 continued to accumulate to equity instruments at FVTOCI reserve.

From AFS instruments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB225,941,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The impairment losses of RMB27,408,000 relating to those equity investments previously carried at cost less impairment continued to accumulate to retained profits as at January 1, 2018.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each individual line item.

| | December 31, 2017 (Audited) RMB'000 | IFRS 15 RMB'000 | IFRS 9 RMB'000 | Januray 1, 2018 (Restated) RMB'000 |
|---|---|---|---|---|
| **Non-current Assets** | | | | |
| Available-for-sale investments | 250,429 | – | (250,429) | – |
| Financial assets at FVTPL | – | – | 225,941 | 225,941 |
| Equity instruments at FVTOCI | – | – | 24,488 | 24,488 |
| **Current liabilities** | | | | |
| Trade and other payables | 6,710,155 | (1,282,068) | – | 5,428,087 |
| Advances and deposits from customers | – | 1,282,068 | – | 1,282,068 |
| **Capital and Reserves** | | | | |
| Reserves | 5,789 | – | – | 5,789 |
| Retained profits | (27,408) | – | – | (27,408) |
| | (21,619) | – | – | (21,619) |

Note: the net effects arising from the initial application of IFRS 15 and IFRS 9 on the carrying amount of interests in associates and joint ventures on the opening consolidated financial statements and the condensed consolidated financial statements for the current interim period was insignificant in the opinion of the directors of the Company.

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

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's initially adopted accounting policies in current interim period, which are described in Note 2, 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 assumption 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 revision affects both current and future periods.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

**Key sources of estimation uncertainty**

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 are disclosed below.

**Fair value measurements and valuation processes**

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. When Level 1 inputs are not available, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 26 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various types of financial instruments.

## 4A. REVENUE FROM GOODS AND SERVICES

**Disaggregation of revenue under IFRS 15**

| | For the six months ended June 30, 2018 Total Revenue *RMB'000* (Unaudited) |
|---|---|
| **Types of Goods or services** | |
| Sale of passenger vehicles: | |
| – Luxury and ultra-luxury brands *(note a)* | 16,864,231 |
| – Mid- to high-end brands *(note b)* | 3,926,699 |
| | 20,790,930 |
| Services | |
| – After-sales services | 3,699,781 |
| Total | 24,490,711 |
| **Geographical markets** | |
| Mainland China | 24,490,711 |
| **Timing of revenue recognition** | |
| A point in time | 20,790,930 |
| Over time | 3,699,781 |
| **Total** | 24,490,711 |

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.

## 4B. SEGMENT INFORMATION

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

**For the six months ended June 30, 2018**

| | Passenger vehicle sales and services RMB'000 (Unaudited) | Automobile rental services RMB'000 (Unaudited) | Proprietary finance business RMB'000 (Unaudited) *(note d)* | Elimination RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|---|---|
| External revenue | 24,490,711 | 188,660 | 240,313 | – | 24,919,684 |
| Inter-segment revenue | 85,526 | 1,851 | 5,175 | (92,552) | – |
| Segment revenue *(note a)* | 24,576,237 | 190,511 | 245,488 | (92,552) | 24,919,684 |
| Segment cost *(note b)* | 22,225,571 | 140,846 | 82,355 | (114,840) | 22,333,932 |
| Segment gross profit | 2,350,666 | 49,665 | 163,133 | 22,288 | 2,585,752 |
| Service income | 466,954 | – | – | (15,900) | 451,054 |
| Segment result | 2,817,620 | 49,665 | 163,133 | 6,388 | 3,036,806 |
| Other income and other gains and losses *(note c)* | | | | | 25,262 |
| Distribution and selling expenses | | | | | (1,147,771) |
| Administrative expenses | | | | | (613,795) |
| Finance costs | | | | | (312,389) |
| Share of profits of joint ventures | | | | | 3,010 |
| Share of profits of associates | | | | | 21,327 |
| Profit before tax | | | | | 1,012,450 |

## 4B. SEGMENT INFORMATION (continued)

**For the six months ended June 30, 2017**

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

## 4B. SEGMENT INFORMATION (continued)

Notes:

a. The segment revenue of passenger vehicles sales and services for the six months ended June 30, 2018 was approximately RMB24,576,237,000 (for the six months ended June 30, 2017: RMB21,969,621,000) which included the sales of passenger vehicles amounting to approximately RMB20,876,456,000 (for the six months ended June 30, 2017: RMB18,899,901,000) and the after-sales services income amounting to approximately RMB3,699,781,000 (for the six months ended June 30, 2017: RMB3,069,720,000).

b. The segment cost of passenger vehicles sales and services for the six months ended June 30, 2018 was approximately RMB22,225,571,000 (for the six months ended June 30, 2017: RMB19,819,164,000) which included the cost of sales of passenger vehicles amounting to approximately RMB20,242,884,000 (for the six months ended June 30, 2017: RMB18,184,718,000) and the cost of after-sales services amounting to approximately RMB1,982,687,000 (for the six months ended June 30, 2017: RMB1,634,446,000).

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

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

The accounting policies of the operating segments are same as those of the Group. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income (Note 5), distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits of associates. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the board of directors.

## 5. OTHER INCOME/OTHER GAINS AND LOSSES

| | For the six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Other income comprises: | | |
| Service income *(note a)* | **451,054** | 385,601 |
| Government grants *(note b)* | **6,135** | 18,162 |
| Interest income on bank deposits | **8,853** | 10,170 |
| Interest income from a related party *(Note 27)* | **1,728** | – |
| Others | **1,152** | 846 |
| | **468,922** | 414,779 |
| Other gains and losses comprise: | | |
| Gain on disposal of property, plant and equipment | **5,283** | 8,917 |
| Gain on fair value change of financial assets at FVTPL | **1,448** | – |
| Impairment loss on available-for-sale investments | **–** | (1,285) |
| Impairment loss of loan receivables | **(178)** | (1,105) |
| Impairment loss of finance lease receivables | **(305)** | (1,001) |
| Others | **1,146** | (5,137) |
| | **7,394** | 389 |
| Total | **476,316** | 415,168 |

Notes:

a. Service income was primarily related to agency income 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.

## 6. FINANCE COSTS

| | For the six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interests on borrowings: | | |
| – bank loans | **156,808** | 75,354 |
| – other borrowings from entities controlled by suppliers | **26,549** | 24,168 |
| – reimbursement to suppliers *(note)* | **47,619** | 41,174 |
| – super short-term commercial papers | **39,432** | 14,955 |
| – corporate bonds | **39,000** | 39,650 |
| – convertible bonds | **–** | 33,531 |
| – short-term debentures | **–** | 6,689 |
| Release of capitalized transaction cost in relation to issue of super short-term commercial papers *(Note 21)* | **1,953** | 1,133 |
| Release of capitalized transaction cost in relation to issue of corporate bonds | **1,028** | 1,017 |
| Release of capitalized transaction cost in relation to issue of short-term debentures | **–** | 667 |
| | **312,389** | 238,338 |

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

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

| | For the six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation of property, plant and equipment | **241,120** | 227,767 |
| Release of prepaid land lease payments | **16,162** | 16,336 |
| Amortization of intangible assets | **20,331** | 11,431 |
| Share-based payment expenses | **8,696** | 3,890 |
| Gain on fair value change of financial assets at FVTPL | **(1,448)** | – |
| Impairment loss on available-for-sale investments | **–** | 1,285 |
| Impairment loss of finance lease receivables | **305** | 1,001 |
| Impairment loss of loan receivables | **178** | 1,105 |

## 8. INCOME TAX EXPENSE

| | For the six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | **272,111** | 224,793 |
| Under provision of PRC EIT in prior years | **1,967** | 975 |
| | **274,078** | 225,768 |
| Deferred tax | | |
| Current period | **(31,798)** | (9,426) |
| | **242,280** | 216,342 |

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

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

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of 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.

## 9. DIVIDENDS

During the current interim period, a final dividend of HK$0.336 (equivalent to RMB0.27) per share in respect of the year ended December 31, 2017 (2016: RMB0.17 per share) was declared and paid out of share premium to the owners of the Company in Hong Kong dollars (the "HK$"). The aggregate amount of the 2017 final dividend declared and paid in the interim period amounted to approximately RMB520,425,000 (for the six months ended June 30, 2017: RMB276,222,000).

The board of directors of the Company has determined that no dividend will be paid in respect of the interim period for the six months ended June 30, 2018 (for the six months ended June 30, 2017: nil).

## 10. EARNINGS PER SHARE

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Profit for the period attributable to owners of the Company | **723,372** | 652,017 |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible bonds | **–** | 33,531 |
| Earnings for the purpose of diluted earnings per share | **723,372** | 685,548 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,835,613** | 1,522,311 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **9,794** | 11,504 |
| Convertible bonds | **–** | 158,455 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,845,407** | 1,692,270 |

## 11. PROPERTY, PLANT AND EQUIPMENT/PREPAID LAND LEASE PAYMENTS

**Property, plant and equipment**

During the six months ended June 30, 2018, the Group acquired property, plant and equipment of approximately RMB762,217,000 (for the six months ended June 30, 2017: RMB418,513,000) for business expansion.

During the period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB259,430,000 (for the six months ended June 30, 2017: RMB162,678,000).

In addition, during the period, the Group paid approximately RMB5,528,000 (for the six months ended June 30, 2017: RMB4,670,000) as deposits for acquisition of property, plant and equipment for business expansion.

**Prepaid land lease payments**

During the six months ended June 30, 2018, the Group acquired land use rights situated in the PRC of RMB5,300,000 (for the six months ended June 30, 2017: nil) for business expansion.

In addition, during the period, the Group paid nil (for the six months ended June 30, 2017:RMB36,482,000) as deposits for acquisition of land use rights for business expansion.

## 12. FINANCE LEASE RECEIVABLES

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

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| Analysed as: | | |
| Current | **1,669,007** | 1,657,715 |
| Non-current | **1,599,549** | 1,337,893 |
| | **3,268,556** | 2,995,608 |

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
| Finance lease receivables comprise: | | | | |
| Within one year | **1,875,054** | 1,839,684 | **1,669,007** | 1,657,715 |
| In more than one year but not more than two years | **1,283,687** | 879,674 | **1,106,235** | 786,456 |
| In more than two years but not more than five years | **671,126** | 615,278 | **500,423** | 558,241 |
| | **3,829,867** | 3,334,636 | **3,275,665** | 3,002,412 |
| Less: unearned finance income | **(554,202)** | (332,224) | **N/A** | N/A |
| Less: allowance for impairment loss | **(7,109)** | (6,804) | **(7,109)** | (6,804) |
| Present value of minimum lease payment receivables | **3,268,556** | 2,995,608 | **3,268,556** | 2,995,608 |

As at June 30, 2018, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB147,679,000 (2017: RMB126,393,000) and RMB178,704,000 (2017: RMB204,586,000) were recognized as other non-current liabilities and current liabilities, respectively.

## 13. LOAN RECEIVABLES

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| Guaranteed but unsecured loans | 266,340 | 365,317 |
| Collateralised but unguaranteed loans | 312,560 | 506,889 |
| Gross loan receivables | 578,900 | 872,206 |
| Less: Allowances for impairment losses | | |
| – Collectively assessed | (4,602) | (4,424) |
| Net loan receivables | 574,298 | 867,782 |
| Analysed as: | | |
| Current | 393,430 | 735,260 |
| Non-current | 180,868 | 132,522 |
| | 574,298 | 867,782 |

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

## 13. LOAN RECEIVABLES (continued)

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

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| Fixed-rate loan receivables: | | |
| Within one year | **393,430** | 735,260 |
| In more than one year but not more than two years | **114,189** | 84,768 |
| In more than two years but not more than three years | **66,679** | 47,754 |
| | **574,298** | 867,782 |

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

## 14. INVENTORIES

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| Motor vehicles | **6,512,160** | 5,509,866 |
| Spare parts and accessories | **629,606** | 601,885 |
| | **7,141,766** | 6,111,751 |

## 15. 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 60 days is granted;

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

## 15. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| **Current** | | |
| Trade receivables | 1,124,831 | 678,968 |
| Bill receivables | 46 | 1,288 |
| | 1,124,877 | 680,256 |
| Prepayments and other receivables comprise: | | |
| Prepayments and deposits to suppliers | 1,373,858 | 1,267,519 |
| Deposits to entities controlled by suppliers for borrowings | 206,567 | 192,299 |
| Prepayments and deposits for rental of properties | 78,745 | 38,025 |
| Rebate receivables from suppliers | 1,479,849 | 1,756,629 |
| Insurance commission receivables | 155,528 | 116,533 |
| Staff advances | 39,462 | 7,075 |
| Value-Added Tax recoverable | 489,707 | 459,270 |
| Advances to non-controlling shareholders of subsidiaries *(note a)* | 36,434 | 43,784 |
| Receivables on disposal of a subsidiary | 6,420 | 6,420 |
| Others | 202,921 | 245,772 |
| Less: allowance for doubtful debts | (6,420) | (6,420) |
| | 4,063,071 | 4,126,906 |
| | 5,187,948 | 4,807,162 |
| **Non-current** | | |
| **Other assets** | | |
| Advances to non-controlling shareholders of subsidiaries *(note b)* | 30,000 | 30,000 |

Notes:

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

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

Bill receivables held by the Group as at June 30, 2018 will mature within 3 months.

## 15. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

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

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| 0 to 90 days | **1,124,877** | 680,256 |

None of the trade receivables are past due but not impaired as at the end of the reporting period. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

**Movement in the allowance for doubtful debts**

| | For the six months ended June 30, | |
|---|---|---|
| | 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
| January 1 | **(6,420)** | (6,420) |
| June 30 | **(6,420)** | (6,420) |

The average turnover days of trade receivables of the Group are less than 7 days and the credit risk is quite low, in the opinion of the directors of the Company the loss allowance is insignificant under the ECL model for the current interim period.

## 16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

As at December 31, 2017, the Group's available-for-sale investments amounting to RMB250,429,000, including RMB225,941,000 measured at cost less impairment and RMB24,488,000 measured at fair value from quoted market price.

According to the transition provisions set out in IFRS 9, the Group should apply the classification and measurement requirements retrospectively to instruments that have not been derecognized as at January 1, 2018. At the date of initial application of IFRS 9, the Group irrevocably elected to present the equity instruments amounting to RMB24,488,000 with the subsequent changes in fair value of equity investments in other comprehensive income ("OCI") and a fair value gain of RMB5,789,000 continued to accumulated in the FVTOCI reserve.

## 16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS (continued)

During the current interim period, a fair value loss of RMB6,668,000 was recognized in the FVTOCI reserve accordingly.

The remaining equity investments with the carrying amount of RMB225,941,000 were reclassified as FVTPL and the fair value change was insignificant as at January 1, 2018 and June 30, 2018.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2018** *RMB'000* **(Unaudited)** | 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| **Non-current** | | |
| – Fund investment (a) | **100,000** | – |
| – Equity investments (b) | **263,672** | – |
| Total | **363,672** | – |

**(a) Fund investment**

At June 28, 2018, the Group purchased the fund instrument amounting to RMB100,000,000 with a financial institution, it has been accounted for financial assets at FVTPL on initial recognition in which that the return of the fund investment was determined by reference to the performance of the underlying debt instruments and the expected return rate stated in the contracts. The fair value change was insignificant for the current interim period.

**(b) Equity investments**

The Group's equity investments of RMB225,941,000 (including equity investments into limited partnership enterprises in the amount of RMB148,647,000) were reclassified from available-for-sale investments to financial assets at FVTPL as at 1 January 2018.

During the interim period the Group withdrew partial investments of certain limited partnership enterprises in the amount of RMB4,667,000 and also increased its investment of certain limited partnership enterprise in the amount of RMB40,905,000 which was also measured at FVTPL.

A fair value gain of RMB1,448,000 was recognized in the "other income and other gains and losses" accordingly for the current interim period.

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

For the purposes of impairment assessment, finance lease receivables are recognized at life time ECL. As at June 30, 2018, the impairment allowance is presented in the amount of RMB7,109,000 based on the provision matrix.

For the purposes of impairment assessment, loan receivables are recognized at 3-stage ECL, among of 99.87% in stage 1, 0.11% in stage 2 and 0.02% in stage 3. As at June 30, 2018, the impairment allowance is presented in the amount of RMB4,602,000 based on the provision matrix.

For the purposes of impairment assessment, trade receivables are recognized at life time ECL. The directors of the Company considered that the life time ECL allowance are insignificant as at January 1, 2018 and June 30, 2018.

For the purposes of impairment assessment, other receivables and other current assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating. For the purpose of impairment assessment for these financial assets, the loss allowance is measured at individual basis. The directors of the Company considered that the 12m ELC allowance are insignificant as at January 1, 2018 and June 30, 2018.

**Allowance for impairment**

The movement in the allowance for impairment in respect of ECL and individual basis during the current interim period was as follows:

| | *RMB'000* |
|---|---|
| Balance at January 1, 2018 | 11,228 |
| Net remeasurement of loss allowance | 483 |
| Balance at June 30, 2018 | 11,711 |

## 19. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| **Current** | | |
| Trade payables | 515,414 | 404,143 |
| Bills payables | 3,614,789 | 3,942,504 |
| | 4,130,203 | 4,346,647 |
| **Other payables** | | |
| Other tax payables | 94,176 | 127,215 |
| Advances and deposits from customers | – | 1,282,068 |
| Payables for acquisition of property, plant and equipment | 54,418 | 82,024 |
| Payable for acquisition of land use right | 25,054 | 25,104 |
| Rental payables | 25,872 | 21,644 |
| Salary and welfare payables | 39,994 | 76,900 |
| Accrued interest | 86,941 | 115,915 |
| Other accrued expenses | 35,371 | 17,207 |
| Transaction costs payable for issue of medium-term note | 626 | 626 |
| Consideration payable for acquisition of subsidiaries | 50,754 | 116,227 |
| Advance from non-controlling shareholders of subsidiaries *(note)* | 108,933 | 106,111 |
| Advances from former shareholders of acquired subsidiaries | – | 35,627 |
| Deposits received from customers under finance leases *(Note 12)* | 178,704 | 204,586 |
| Others | 156,774 | 152,254 |
| | 857,617 | 2,363,508 |
| | 4,987,820 | 6,710,155 |
| **Non-current** | | |
| **Other liabilities** | | |
| Deposits received from customers under finance leases *(Note 12)* | 147,679 | 126,393 |

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

Prepayments and deposits are in general required to be paid to suppliers before making purchases. The Group's trade payables mainly relate to the purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for the purchase of spare parts and accessories. Bills payable primarily relates to the Group's use of bank acceptance notes with a credit period of one to six months to finance its purchase of passenger vehicles.

## 19. TRADE AND OTHER PAYABLES/OTHER LIABILITIES (continued)

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

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| 0 to 180 days | 4,130,203 | 4,346,647 |

## 20. BORROWINGS

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| Bank loans | 7,964,065 | 5,360,343 |
| Other borrowings | 1,608,078 | 1,652,500 |
| | 9,572,143 | 7,012,843 |
| Secured borrowings, by the Group's assets | 2,406,114 | 2,330,916 |
| Unsecured borrowings | 7,166,029 | 4,681,927 |
| | 9,572,143 | 7,012,843 |
| Fixed-rate borrowings | 8,248,508 | 6,547,511 |
| Variable-rate borrowings | 1,323,635 | 465,332 |
| | 9,572,143 | 7,012,843 |
| Carrying amount repayable: | | |
| Within one year | 8,232,509 | 6,596,271 |
| More than one year, but not exceeding two years | 1,313,623 | 394,146 |
| More than two years, but not exceeding five years | 26,011 | 22,426 |
| | 9,572,143 | 7,012,843 |
| Less: amounts due within one year shown under current liabilities | (8,232,509) | (6,596,271) |
| Amounts shown under non-current liabilities | 1,339,634 | 416,572 |

## 20. BORROWINGS (continued)

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at June 30, 2018 ranged from 4.25% to 6.00% (2017: 4.13% to 6.09%) per annum.

At the end of the reporting periods, other borrowings (i) are of a term less than one year; (ii) have a interest-free period ranging from the first one to three months after drawdown; (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period. The effective interest rates on the other borrowings for the six months ended June 30, 2018 was approximately 3.26% (for the six months ended June 30, 2017: 3.26%) per annum.

At June 30, 2018 and December 31, 2017, the Group's borrowings were secured against the Group's assets with carrying amounts as follows:

| | **June 30, 2018** *RMB'000* **(Unaudited)** | December 31, 2017 *RMB'000* (Audited) |
|---|---|---|
| Land use rights | **133,520** | 156,827 |
| Property, plant and equipment (buildings and motor vehicles) | **198,617** | 105,936 |
| Inventories | **1,555,476** | 1,627,427 |
| Total | **1,887,613** | 1,890,190 |

As at June 30, 2018, the Group has also pledged 100% equity interests of one subsidiary with a carrying amount of RMB764 million (2017: RMB764 million) for bank loans which was drawn down in 2017.

## 21. SUPER SHORT-TERM COMMERCIAL PAPERS

On March 9, 2017, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment"), an indirect wholly-owned subsidiary of the Company, 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 February 8, 2018, April 10, 2018 and June 28, 2018, Shanghai Yongda Investment issued the first tranche, the second tranche and the third tranche of the super short-term commercial papers, respectively, each with an aggregate principal amount of RMB0.5 billion and with a term of 180 days, 250 days and 270 days from their respective dates of issuance. The super short-term commercial papers are unsecured and carry interests at rates of 6.70%, 6.50% and 7.30% 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 RMB1,888,000 during the six months ended June 30, 2018 (during the six months ended June 30, 2017: RMB5,639,000).

## 21. SUPER SHORT-TERM COMMERCIAL PAPERS (continued)

Movement of the super short-term commercial papers during the six months ended June 30, 2018 was as follows:

| | RMB'000 |
|---|---|
| At January 1, 2018 | 2,598,926 |
| Issued on February 8, 2018 | 500,000 |
| Issued on April 10, 2018 | 500,000 |
| Issued on June 28, 2018 | 500,000 |
| Less: repayment of the 2017 super short-term commercial papers | (2,600,000) |
| Less: payment of transaction costs in relation to issuance | (1,888) |
| Add: interest expenses – amortization of transaction costs *(Note 7)* | 1,953 |
| At June 30, 2018 | 1,498,991 |

During the six months ended June 30, 2018, interest expenses of approximately RMB39,432,000 (during the six months ended June 30, 2017: RMB14,955,000) was recognized. As at June 30, 2018, unpaid interest expenses of approximately RMB21,862,000 was accrued in other payables (2017: RMB85,214,000).

## 22. CORPORATE BONDS

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

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

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

Movement of the First Tranche Corporate Bonds during the period ended June 30, 2018 was as follows:

| | RMB'000 |
|---|---|
| At January 1, 2018 | 1,992,394 |
| Add: interest expenses - amortization of transaction costs *(Note 7)* | 1,028 |
| At June 30, 2018 | 1,993,422 |

## 22. CORPORATE BONDS (continued)

During the period ended June 30, 2018, interest expenses of approximately RMB39,000,000 (during the six months ended June 30, 2017: RMB39,650,000) was recognized. As at June 30, 2018, unpaid interest expenses of approximately RMB52,433,000 was accrued in other payables (2017: RMB13,433,000).

## 23. SHARE CAPITAL

| | Number of shares *'000* | Amount *HK$'000* |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| Authorized: | | |
| As at January 1, 2017 (audited), June 30, 2017 (unaudited), January 1, 2018 (audited) and June 30, 2018 (unaudited) | 2,500,000 | 25,000 |

| | Number of shares *'000* | Amount *HK$'000* | Shown in financial statements as *RMB'000* |
|---|---|---|---|
| Issued and fully paid: | | | |
| At January 1, 2018 (audited) | 1,834,522 | 18,345 | 15,033 |
| Exercise of share options *(Note 24)* | 2,642 | 26 | 22 |
| At June 30, 2018 (unaudited) | 1,837,164 | 18,371 | 15,055 |

## 24. 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.

## 24. SHARE-BASED COMPENSATION (continued)

### (a) Share Option Scheme (continued)

At June 30, 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 26,580,500 (2017: 29,357,000), representing 1.4% (2017: 1.6%) 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.

On June 19, 2017, the Company granted a total of 10,500,000 share options under the Share Option Scheme to the Existing Grantees and certain new grantees (the "New Grantees", collectively the "Grantees") at the exercise price of HK$8.14 per Share with validity period from date of grant to June 19, 2022.

Set out below are details of movements of the outstanding options granted on July 26, 2016 and June 19, 2017 under the Share Option Scheme during the six months period ended June 30, 2018:

| | Number of options | | | | |
|---|---|---|---|---|---|
| | Outstanding as at January 1, 2018 | Issue during the period | Exercised during the period *(Note 23)* | Lapsed during the period | Outstanding as at June 30, 2018 |
| 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 | 2,400,000 | – | – | – | 2,400,000 |
| Ms. Chen Yi | 442,000 | – | 442,000 | – | – |
| Employees and grantees | 25,715,000 | – | 2,200,500 | 134,000 | 23,380,500 |
| | 29,357,000 | – | 2,642,500 | 134,000 | 26,580,500 |
| Option exercisable | 15,324,000 | | | | 16,047,500 |
| Weighted average exercise price (HK$) | 5.34 | – | 3.78 | 3.78 | 5.50 |

## 24. SHARE-BASED COMPENSATION (continued)

### (a) Share Option Scheme (continued)

The Group recognized an expense of approximately RMB3,884,000 for the six months ended June 30, 2018 in relation to the share options granted by the Company under the Share Option Scheme (for the six months ended June 30, 2017: RMB2,500,000).

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

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

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

During the six months ended June 30, 2018, awards of approximately 6,450,000 restricted shares have been made pursuant to the Amended Scheme. Details are set out as follows:

| | Number of shares<br>*'000* | Vesting period | Fair value<br>*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 |
| January 8, 2018 | 100 | 10 years | 786 |
| January 12, 2018 | 1,350 | 10 years | 10,802 |
| April 28, 2018 | 3,000 | 10 years | 20,238 |
| June 20, 2018 | 2,000 | 10 years | 13,841 |

## 24. SHARE-BASED COMPENSATION (continued)

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

Amount of approximately RMB4,812,000 was recognized for the six months ended June 30, 2018 in relation to such awards made by the Company under the Amended Scheme (for the six months ended June 30, 2017: RMB1,390,000).

## 25. CAPITAL COMMITMENTS

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| Capital expenditure in respect of acquisition of | | |
| – property, plant and equipment contracted for but not provided | 36,372 | 65,798 |

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

**Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

**Fair value of the Group's financial assets that are measured at fair value on a recurring basis** (continued)

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs |
|---|---|---|---|---|
| | **June 30, 2018** *RMB'000* **(unaudited)** | December 31, 2017 *RMB'000* (audited) | | |
| Financial assets at FVTPL | **Fund instruments: RMB100,000** | Available-for-sale investments: nil | Level 2 | Determined based on the fair value of underlying investments which are quoted in active markets |
| Financial assets at FVTPL | **Listed securities: RMB27,042** | Available-for-sale investments: RMB25,594 | Level 1 | Quoted bid prices in an active market |
| Equity investments at FVTOCI | **Listed securities: RMB17,820** | Available-for-sale investments: RMB24,488 | Level 1 | Quoted bid prices in an active market |
| Unquoted equity investments | **Equity instruments at FVTPL RMB236,630** | Available-for-sale investments: RMB200,317 | Level 3 | Income approach<br>Key unobservable inputs:<br>(1) Long term revenue growth rates, taking into management's experience and knowledge of market conditions of the specific industry;<br>(2) Weighted average cost of capital |

There is no transfer among level 1, 2 and 3 during the period.

Reconciliation of Level 3 fair value measurements of financial assets:

| | **Financial assets at FVTPL** *RMB'000* (Audited) |
|---|---|
| At January 1, 2018 | 200,317 |
| Total gains – in profit or loss | – |
| Purchases | 40,950 |
| Disposal | (4,667) |
| At June 30, 2018 | 236,600 |

## 27. RELATED PARTY DISCLOSURES

### I. Amounts due from related parties/a related party

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| **Current** | | |
| **Associates held by the Group** | | |
| Sichuan Yongzhida second-hand car sales Co. Ltd. ("Sichuan Yongzhida") | – | 3,000 |
| **Joint ventures held by the Group** | | |
| Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") | 110,838 | 102,097 |
| Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda") | 69,330 | 80,463 |
| Ryde 88 Pty Limited | 2,404 | 598 |
| **Entities controlled by the shareholders** | | |
| Shanghai Yongda Property Development Co., Ltd. | 10 | – |
| Zhejiang Yongda Internet Financial Information Services Limited | – | 2,850 |
| | 182,582 | 189,008 |
| Analysed as: | | |
| Trade-related *(note a)* | 16,389 | 30,554 |
| Non trade-related *(note b)* | 156,811 | 158,454 |
| Dividend receivable | 9,382 | – |
| | 182,582 | 189,008 |

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.

## 27. RELATED PARTY DISCLOSURES (continued)

### I. Amounts due from related parties/a related party (continued)

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| **Non-current** | | |
| **Joint venture held by the Group** | | |
| Ryde 88 Pty Limited | 31,435 | 31,435 |

The balance is AU$-denominated and unsecured loan of principal amounting to AU$6,000,000, equivalent to RMB31,435,000, with maturity of three years. The loan carries a fixed interest rate of 12% per annum. The interests are payable annually. During the current interim period, interest income of approximately AU$360,000, equivalent to RMB1,728,000, was recorded.

### II. Amounts due to related parties

| | June 30, 2018 RMB'000 (Unaudited) | December 31, 2017 RMB'000 (Audited) |
|---|---|---|
| **Joint ventures held by the Group** | | |
| Shanghai Bashi Yongda | 414,977 | 2,220 |
| **Associates held by the Group** | | |
| Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") | 2 | 4,361 |
| Sichuan Yongzhida | – | 28 |
| **Entities controlled by the shareholders** | | |
| Shanghai Yongda Property Development Co., Ltd. | 335 | 1 |
| | 415,314 | 6,610 |
| Analysed as: | | |
| Trade-related *(note)* | 415,314 | 6,610 |

Note: The aging was within 3 months, and a credit period of not exceeding 90 days is given to the Group by the related parties.

## 27. RELATED PARTY DISCLOSURES (continued)

### III. Related party transactions

| | | For the six months ended June 30, | |
|---|---|---|---|
| | | 2018 | 2017 |
| | | *RMB'000* | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **a)** | **Sales of motor vehicles** | | |
| | Shanghai Bashi Yongda | **913** | – |
| | Anhui Jiajia Yongda Automobile Sales Co. Ltd | **5,686** | – |
| | | **6,599** | – |

***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 RMB396,236,000 and RMB378,651,000 for the six months ended June 30, 2018 and 2017, respectively. A commission of approximately RMB4,069,000 and RMB3,269,000 was paid to Shanghai Oriental Yongda for the marketing and promotional activities it carried out for the Group for the six months ended June 30, 2018 and 2017, respectively.

| | | For the six months ended June 30, | |
|---|---|---|---|
| | | 2018 | 2017 |
| | | *RMB'000* | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **b)** | **Purchase of motor vehicles** | | |
| | Shanghai Bashi Yongda | **361,705** | 5,708 |
| | Shanghai Yongda Changrong | **1,638** | 2,952 |
| | | **363,343** | 8,660 |
| **c)** | **Sales of spare parts** | | |
| | Shanghai Bashi Yongda | **2,573** | 95 |
| | Shanghai Yongda Changrong | **390** | 441 |
| | | **2,963** | 536 |

## 27. RELATED PARTY DISCLOSURES (continued)

### III. Related party transactions (continued)

| | | For the six months ended June 30, | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **d)** | **Purchase of spare parts** | | |
| | Shanghai Bashi Yongda | **35** | 7 |
| **e)** | **Rental expenses paid to:** | | |
| | **Entities controlled by the shareholders** | | |
| | Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd. and Shanghai Yongda Property Development Co., Ltd. | **16,344** | 11,899 |
| | **Associate held by the Group** | | |
| | Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. | **1,900** | 2,921 |
| | | **18,244** | 14,820 |
| **f)** | **Compensation of key management personnel:** | | |
| | Short-term benefits | **3,876** | 2,591 |
| | Post-employment benefits | **261** | 236 |
| | Share-based payments | **3,622** | 2,182 |
| | | **7,759** | 5,009 |

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