Annual 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


PORSCHE 911
PORSCHE CAYENNE

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
Ms. ZHU Anna Dezhen
Mr. LYU Wei
Mr. CHEN Xianglin *(resigned on January 1, 2019)*
Mr. MU Binrui *(appointed on January 1, 2019)*

CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5708, 57/F, The Center
99 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS TO HONG KONG LAW

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

JOINT COMPANY SECRETARIES

Ms. ZHANG Hong *(appointed on March 20, 2018)*
Ms. MOK Ming Wai *(FCIS, FCS)*

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. MOK Ming Wai

AUDIT AND COMPLIANCE COMMITTEE

Ms. ZHU Anna Dezhen *(Chairman)*
Mr. LYU Wei
Mr. CHEN Xianglin *(resigned on January 1, 2019)*
Mr. MU Binrui *(appointed on January 1, 2019)*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. CHEUNG Tak On *(Chairman)*
Mr. LYU Wei
Mr. CHEN Xianglin *(resigned on January 1, 2019)*
Mr. MU Binrui *(appointed on January 1, 2019)*

HONG KONG SHARE REGISTRAR

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

STOCK CODE

03669

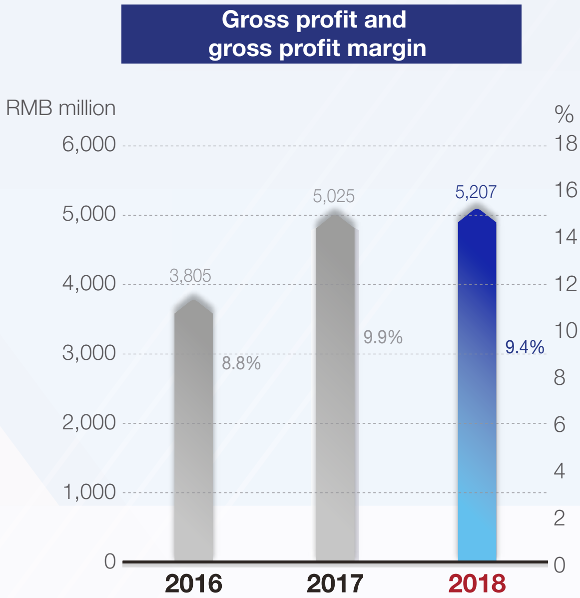
AUDITOR

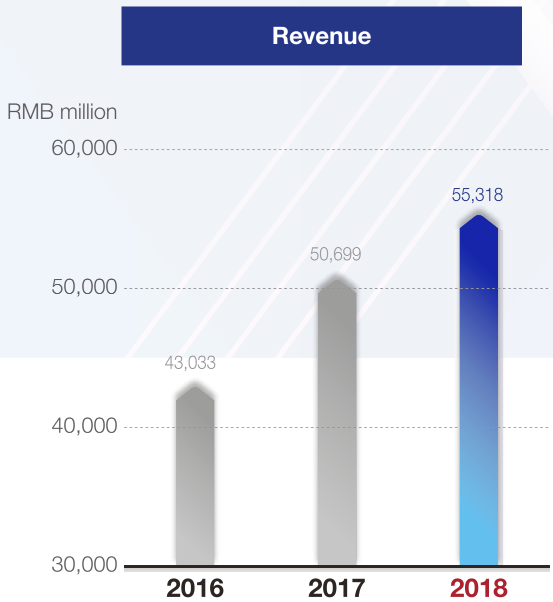
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

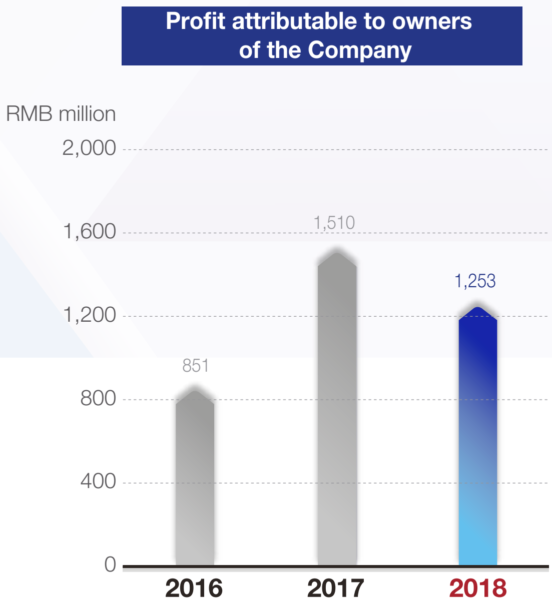
COMPANY WEBSITE

www.ydauto.com.cn

Financial Highlights







Chairman's Statement

Dear Shareholders,

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

Based on the sales volume data officially published by luxury vehicles companies (豪華車企), the sales of luxury passenger vehicles in China maintained a steady growth in 2018, with sales volume reaching 2.815 million units, representing a year-on-year increase of 9.4%; based on the data of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in China was 23.71 million units in 2018, representing a year-on-year decrease of 4.1% as compared to 2017.

Despite being under a relative complicated market condition, our revenue and gross profit still realized a steady growth. In 2018, our comprehensive revenue and comprehensive gross profit, taking into account the revenue from finance and insurance agency services, amounted to RMB56,293 million and RMB6,181 million respectively, representing an increase of 9.2% and 5.0% respectively, compared to the same period in 2017. In 2018, mainly affected by the decrease in gross profit margin from the sales of new vehicles, our operating profit was RMB2,373 million, representing a decrease of 3.6% as compared to 2017.

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

1. In 2018, the overall sales volume of our new vehicles increased by 3.1% to 176,919 units from 2017; the sales revenue of new vehicles reached RMB 46,739 million, representing an increase of 7.5% as compared to the same period in 2017. Of which, the sales volume of new vehicles of luxury brand was 111,323 units, representing an increase of 11.4% as compared to the same period in 2017; our sales revenue of new vehicles of luxury brand reached RMB38,234 million, representing an increase of 11.3% 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 RMB7,835 million, representing an increase of 17.2% as compared to the same period in 2017. Our gross profit margin for after-sales services business was 46.20%, representing an increase of 0.10 percentage point as compared to the same period in 2017;

3. Revenue of the automobile finance and insurance business of the Group reached RMB 1,548 million, representing an increase of 27.4% as compared to the same period in 2017; the gross profit was RMB1,351 million, representing an increase of 23.4% as compared to the same period in 2017;

4. The sales volume of pre-owned vehicles which we acted as an agent was 42,280 units, representing an increase of 20.2% compared with 35,183 units in the same period in 2017;

5. The Group adheres to a customer-oriented strategy, focusing on team training, brand building and refined management to continuously improve our operational efficiency.

II. FUTURE PROSPECTS

The Group considers that the industry policy to promote the upgrading of vehicle consumption in China is favorable for the long run. We have consistently been optimistic about the luxury and ultra-luxury brand passenger vehicles market in China. Meanwhile, driven by technology development and environmental protection policies, new energy vehicles will continue to grow strongly in the future. We plan 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 related services of new vehicles of luxury and ultra-luxury brand;

2. We will develop agency sales, services and related business of new energy vehicle brand and value the historic opportunity of the development of new energy vehicle industry;

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

4. With respect to our pre-owned vehicle business, we will leverage B2C as the main entry point, adhere to online and offline integrated operation, and create a business model of "pre-owned vehicles + Internet + chain outlets + finance";

5. With respect to our finance business, we will try to build a professional automobile finance platform by considering to introduce strategic investors;

6. We will leverage on the internet public platforms and the industrial experience accumulated in the automobile rental industry to actively develop automobile travelling services business;

7. We will consistently put our customers as our focus, insist on transformation and innovation, grasp the pulse of industry and market development, and promote the sustainable development of the Company.

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

CHEUNG Tak On
Chairman

March 26, 2019

Management Discussion & Analysis

MARKET REVIEW

In 2018, according to the sales volume data officially published by luxury vehicles companies (豪華車企), sales volume of luxury passenger vehicles in China continued to grow steadily, with sales volume reaching 2.815 million units, representing a year-on-year increase of 9.4%. According to the data from China Association of Automobile Manufacturers (中國汽車工業協會), in 2018, the sales volume of passenger vehicles in China was 23.71 million units, representing a year-on-year decrease of 4.1% compared with 2017. Among them, sales volume of luxury passenger vehicles accounted for 11.9% of the market share of passenger vehicles, representing a year-on-year increase of 1.5 percentage points.

In 2018, affected by many internal and external factors, the downward pressure for China's economy was high. Due to the macroeconomic impact, the market demand in the automobile consumption sector experienced regional and structural slowdown, especially for certain northern regional markets and fourth- and fifth-tier regional markets, where the purchasing power dropped significantly. Meanwhile, affected by factors such as adjustments on tariff on imported vehicles and relatively tight liquidity throughout the year, consumers adopted a wait-and-see approach regarding the purchase of imported vehicles. The overall passenger vehicle market showed a trend of continued price declines and continued inventory growth since the second quarter of 2018, and subsequently gradually entered a recovery and adjustment period since the third quarter. However, the impact on the profitability of the vehicle sales segment was relatively great overall for the whole year. We expect that in the first half of 2019, challenges and opportunities will co-exist in the overall passenger vehicle market in China. With the introduction of policies on various types of automobile consumption in China, the continuous deepening of the tax reduction policy, and better clarity on the results of the Sino-US trade negotiations, it is expected that in China, the sales volume of passenger vehicles in 2019 will increase as compared with 2018, and in particular the sales of luxury vehicles is expected to maintain at a near 10% growth rate.

Management Discussion & Analysis

Entering into 2019, the main models of major luxury vehicles brands have entered into a stage of replacement, which is expected to help all luxury vehicles brands to stabilize their sales structure and improve sales quality. As for the Porsche brand, it maintained a steady year-on-year growth. With its main models (such as Macan, etc.) gradually completing the replacement and upgrade, the brand is expected to maintain a relatively better profitability performance. As for the BMW brand, due to the increase in sales volume of domestically manufactured X3 and the new 3 Series vehicles to be launched in the second half of 2019, it is expected to further steadily improve the profitability of domestically manufactured luxury passenger vehicles. As for the Audi brand, the successive launch of the new A6L vehicles and Audi Q3 vehicles will help improve the sales structure and narrow the brand discount. Luxury brands such as Volvo, Lincoln and Cadillac will also launch certain mid-range new SUV vehicles, which will also help improve the sales structure and profitability of these brands and achieve relatively significant growth opportunities in 2019. As the tariffs on imported vehicles are lowered, major luxury brands have been gradually adjusting their new car price positioning in the domestic market. Besides, benefiting from the relatively strong replacement and upgrade demand, we expect that the new vehicles sales of luxury brand will continue to maintain a relatively good growth in the future.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC, as of the end of 2018, the number of motor vehicles ownership in China reached 330 million units, including 240 million units of cars, representing a year-on-year increase of 10.5% compared with 2017, among which the number of small passenger vehicles exceeded 200 million units for the first time. In terms of vehicle types, small passenger vehicles ownership increased by 20.85 million units compared with 2017, representing a year-on-year increase of 11.6%, which was a major component of motor vehicle ownership growth; private cars (private small passenger

vehicles) continued to grow rapidly. In 2018, the number of private cars ownership reached 189 million units, with an average annual growth of 19.52 million units in the past five years. With rising motor vehicle ownership and the aging of vehicles in China, it is expected that the after-sales services market for passenger vehicles in China will maintain a fast-growing pace in 2019.

According to the statistics of the China Automobile Dealers Association (中國汽車流通協會), the transaction volume of pre-owned vehicles in China reached 13.82 million units in 2018, representing a year-on-year increase of 11.5%. The average transaction price of pre-owned vehicles in 2018 was RMB62,200, while vehicles with an age of less than 6 years accounted for 66.5% of the total transaction volume. Overall, with the further relaxation of the pre-owned vehicles relocation restriction policy and the optimization of and adjustment to tariff policies, it is expected that there is a huge room for the pre-owned vehicles transaction market in China in 2019.

According to the "2019-2023 In-Depth Research and Investment Prospects Report regarding China's Internet Automobile Finance Market" issued by the China Investment Advisory Network (中國投資諮詢網), the overall scale of the automobile finance market in China is expected to reach RMB1.66 trillion in 2019 and the growth rate is expected to reach 20.1%; with the gradual opening up of China's automobile finance market, the improvement of the credit information system, and the entry of finance leasing companies, Internet finance companies and Internet insurance companies, the market scale will be further expanded. It is expected that the scale of automobile finance market in China will reach RMB3.26 trillion in 2023, with a compound annual growth rate of 18.4%.

According to the statistics of the Ministry of Transport of the PRC, there are currently more than 6,300 vehicle leasing companies in China, with a total of about 200,000 vehicles for leasing, which is growing at an annual rate of around 20%. According to the "2019-2024 China's Vehicle Leasing Market Prospects and Investment Strategic Planning Analysis Report" issued by Prospective Industry Research Institute (前瞻產業研究院), the scale of the vehicle leasing market in China was approximately RMB67.9 billion in 2017, with a year-on-year growth rate of 12.8%. It is estimated that the scale of the vehicle leasing market will exceed RMB150.0 billion by 2023.

Management Discussion & Analysis

According to the "2018 China Automobile Travel-Sharing Market Analysis and Forecast Report" from Roland Berger Strategy Consultants, vehicle travelling service in China has grown rapidly from 8.16 million times per day in 2015 to 37.00 million times per day in 2018. The corresponding market capacity is expected to grow from RMB66.0 billion in 2015 to RMB380.0 billion in 2018, and the potential market capacity brought by the potential demand is expected to reach RMB1.8 trillion. Travelling services have developed rapidly in just three years from 2015 to 2018, with the annual order volume reaching 1.77 billion, and approximately 250 million users using travel-sharing software at least once a week in China. We expect that the vehicle travelling service business in China will maintain a rapid growth trend in the future.

According to the statistics of the Ministry of Public Security of the PRC, the number of new energy vehicle ownership in 2018 has reached 2.61 million units, representing an increase of 1.07 million units for the whole year, a year-on-year increase of 70% compared with 2017, accounting for 1.1% of the total number of vehicles. Among them, the number of pure electric vehicle ownership is 2.11 million units, accounting for 81.1% of the total number of new energy vehicles. Based on statistics, the number of new energy vehicle ownership in the past five years has increased by an average of 0.50 million units per year, showing a faster growth trend. It is expected that 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 the infrastructures facilitating related to new energy vehicles, new energy vehicles will show great development potential.

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, our revenue and gross profit achieved steady growth in 2018. In 2018, our comprehensive revenue and comprehensive gross profit taking into account the revenue from finance and insurance agency services, amounted to RMB56,293 million and RMB6,181 million, respectively, representing a year-on-year increase of 9.2% and 5.0% respectively compared with 2017. Mainly due to the decline in gross profit margin of new vehicles, our operating profit in 2018 was RMB2,373 million, representing a decrease of 3.6% compared to 2017. Set forth below is a summary of major developments of our business in 2018:

Steady Growth in New Vehicle Sales

Our sales volume of new vehicles of luxury brands increased by 11.4% over the same period in 2017 to 111,323 vehicles in 2018. A number of luxury brands achieved rapid sales volume growth. Among them, sales of Porsche brand increased by 43.1% year-on-year, and sales of BMW brand sales increased by 20.6% year-on-year, which strongly supported the steady growth of sales of new vehicles. In 2018, our overall sales volume of new vehicles increased by 3.1% from 2017 to 176,919 units.

In 2018, our sales revenue of new vehicles of luxury brands increased by 11.3% from the same period in 2017 to RMB38,234 million. The proportion of sales revenue of new vehicles of luxury brands in the overall sales revenue of new vehicles further increased to 81.8%. Due to the rapid growth in sales revenue of new vehicles of luxury brands, our overall new vehicle sales revenue in 2018 reached RMB46,739 million, representing an increase of 7.5% over the same period in 2017.

Since the second quarter of 2018, due to factors such as tariff reduction policy for imported vehicles, consumers adopted a wait-and-see approach, which disrupted the stable production and sales pace of the new vehicle market, causing short-term fluctuations in the market which resulted in a decline in gross profit margin for new vehicle sales in the third quarter. Regarding this, we strengthened the dynamic management of sales strategies and adjusted our sales pace in time to match with the changes in the market; we strengthened marketing publicity by using marketing hotspots, explored a wider range of potential vehicle buyers, provided more attractive sales solutions, and speeded up customer order conversion. Besides, we also actively communicated and cooperated with the manufacturers, and obtained the highest level of business policy support of many brands, which strongly supported our sales profitability. In the fourth quarter, with the rapid growth of consumer demand for consumption, and with the effects of various policies which promoted the market (such as tariff reduction for imported vehicles), the market gradually recovered and the gross profit margin of new vehicle sales rebounded. In 2018, our gross profit margin of new vehicle sales was 2.37%.

Management Discussion & Analysis

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 situation in which the gross profit from new vehicles sales was 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.

In terms of innovation in new vehicles sales model, we further enhanced the customer service experience in the car purchase process, and launched a new experience sales model of "smart retail". Through efficient and convenient information tools, we changed the traditional service process, reducing the waiting time of customers while improving efficiency. On this basis, we constantly conducted research and improve a set of "new retail" customer service experience models. Meanwhile, we continued to reinforce 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 consumers as well as enhancing our brand influence and awareness.

In response to the changes in the new vehicles market, we strengthened the management of new car inventories. Through the optimization of funds used on inventories and the analysis and adjustment of inventory structure, we effectively ensured a reasonable level and healthy structure of our inventories, improving the efficiency of our working capital and controlling our cost of sales. We thoroughly carried out 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 2018 through improving coordinated management of sales.

Rapid and Healthy Growth in After-sales Services

In 2018, our after-sales services business (including repair and maintenance services and automobile extended products and services) achieved healthy and rapid growth, and the revenue from our after-sales services reached RMB7,835 million, representing an increase of 17.2% compared to the same period in 2017. In 2018, the gross profit margin of our after-sales services was 46.20%, representing an increase of 0.10 percentage point as compared with the same period in 2017.

In terms of maintaining customer solicitation, we provided services including reservation, repair and maintenance reminders to customers under management based on an Internet platform and mobile service systems, and provided our customers with vehicle delivery and pick-up services and alternative vehicle services to improve convenience in respect of repair of vehicles for customers. In terms of customer penetration, we continued to expand new channels for marketing to enhance the effects of external customers inflow, which kept the number of our customers under management increasing in 2018.

In terms of improving the repair and maintenance services, on the one hand, we analyzed the sales data of regular maintenance parts and consumable parts by applying information tools. We formulated and implemented specific business upgrading proposals, effectively raising the sales penetration ratio and unit price of electromechanical business and ensuring the continued growth of the business. On the other hand, we were dedicated to improving the repair and maintenance rate in the referral repair business and increasing the insurance payout ratio, so as to continuously extend the scale of sheet metal painting business.

In terms of improving the extended services business, we introduced and recommended different types of emerging 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 services were effectively increased, and our competitiveness was enhanced.

Management Discussion & Analysis

In terms of cost control, we increased our sales volume of maintenance products under our proprietary "QUICKACT" brand, and at the same time carried out centralized invitation for bids for major decorating supplies and products and repairing equipment capitalizing on our economies of scale, thereby further reducing our procurement costs while ensuring the quality of products and services. Besides, to ensure punctuality of products supply delivery, we further controlled the inventory of spare parts and decorating supplies, resulting in a further reduction in our inventory turnover days.

In terms of expertise upgrading, we irregularly organized various automobile repairing expertise training programs, encouraged our employees' positive participation, and developed and introduced new energy expertise training programs in a timely manner according to the development trend of vehicle technology, ensuring our leading position in the industry in respect of our maintenance technicians' expertise. Meanwhile, with an aim to motivate our technicians' initiative on improving their expertise and capability, we irregularly organized various expertise contests, so that we could identify and reserve technical talents in a more rapid manner.

High-Speed Growth of Our Pre-owned Vehicle Business

In 2018, the sales volume of pre-owned vehicles for which we acted as an agent was 42,280 units, representing an increase of 20.2% as compared to 35,183 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 + chain outlets + finance". Currently, we have built a network with 136 pre-owned vehicle retail outlets across China, including 113 business outlets officially certified by original equipment manufacturer (OEM) brands and 23 "Yongda Pre-owned Vehicle" chain outlets. The Group was awarded the second place among the Top 100 pre-owned vehicle dealers in the industry by the China Automobile Dealers Association in October 2018.

In 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" is an independent pre-owned vehicle new retail chain brand of the Group, one of the leading pre-owned vehicle brands in China. At present, we have established five regional management centers in East China, Southwest China, South China, Inner Mongolia and Shanxi, and have achieved rapid development by way of independent construction, cooperation, franchise, etc.. Through linking with new vehicle sales to consolidate the comprehensive advantages of supply chain finance, we have further promoted the vehicle residue value and buyback 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 our strategic branding management, we have established our repair and refurbishment centers under regional centralized management, implemented professional inspection with 15 categories and 178 items, built an all-process quality control system for "Yongda Pre-owned Vehicle" characterized with product standardization and process management, rapidly promoted the light-asset and platform-focused business model, such as consignment and direct selling, thus striving to provide consumers with products and service experience with "first-hand quality and full guarantee". In 2018, the Company received the award of "Leading Enterprise in the Pre-owned Vehicle Industry in China" granted by authoritative bodies including the China Automobile Dealers Association and the Company was granted the first independent authorization outside the system by Das Welt Auto of "SAIC VOLKSWAGEN" in China.

Strong and Sustained Upward Growth Momentum of Automobile Finance

In 2018, the automobile finance and insurance business of the Group maintained a growth trend, with business scale and profitability improving steadily. In 2018, the revenue of full-caliber finance and insurance business of the Group amounted to RMB1,548 million, representing an increase of 27.4% over the same period last year. The gross profit of finance and insurance business amounted to RMB1,351 million, representing a 23.4% increase as compared to the same period of last year, and its contribution to the gross profit of the Group also rose from 18.6% last year to 21.9%. The penetration ratio of the finance business of overall vehicle sales grew steadily and reached 53.5%, up by 2.5 percentage points from 51.0% for the same period last year.

In 2018, we continued optimizing the business structure. Firstly, the balance of assets of the proprietary finance business grew steadily, and the revenue of proprietary finance business was RMB543 million, representing a 64.0% increase from RMB331 million for the same period last year. Secondly, our finance and insurance agency business continued to keep healthy growth, and achieved a revenue of RMB1,004 million, representing a 13.7% increase compared to the same period last year, among which, the agency revenue derived from our finance business amounted to RMB616 million, representing a 15.6% increase as compared to the same period in 2017, and the agency revenue derived from our insurance business amounted to RMB388 million, representing an increase of 10.7% as compared to the same period in 2017.

Management Discussion & Analysis

In 2018, we adhered to the principle of prudent management. Firstly, it is reflected in the scale control on new interest-bearing assets. Being affected by the macro-economic trend and the global capital environment, we implemented a strategy of controlling the total amount of new interest-bearing assets with a total investment of RMB5,053 million in order to ensure the need of sufficient cash flow of the Group. Secondly, we paid more attention to the prevention of financial risks. As of December 31, 2018, our overdue rate under three months was 0.18%, and the overdue rate more than three months and less than one year was 0.09%. Because of our moderate investment amount and good management and control, our net profit from proprietary finance business increased by 55.3% to RMB182 million this year from RMB117 million of the same period last year.

In 2018, we actively promoted finance restructuring. With the implementation of the business model of "Platform Sharing, Channel Alliance", we gradually improved the product system and risk system suitable for the alliance model, and deeply sorted out the future network planning; we gradually entered into the communication stage with major alliance targets after scientific screening. Meanwhile, we are in discussions with potential investors and intend to potentially reduce the shareholding ratio of the Company in finance platform through capital increase.

Sustained Growth in Automobile Rental

In 2018, our automobile rental services recorded a revenue of RMB408 million, representing an increase of 7.5% compared to 2017.

In 2018, with respect to the long-term rental business, we continued to maintain our advantages, with an increasing number of long-term rental contract customers from the world's top 500 and large state-owned enterprises and private enterprises in finance, manufacturing, public services, media entertainment and high-tech sectors. We secured long-term rental businesses from a number of large customers, such as SAIC-GM, Samsung Semiconductor and Honeywell (China), Jaguar Land Rover China, FAW Trading (一汽商貿), Ford China and Schaeffler, and the total amount of orders increased by 19.2% 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 First China International Import Expo" (2018首屆中國國際進口博覽會), "2018 Formula 1 Heineken Chinese Grand Prix" (2018年F1喜力中國大獎賽),"2018 Global Mobile Telecommunication Conference" (2018年全球移動通信大會), "2018 Shanghai International Arts Festival" (2018年上海國際藝術節), "World Laureates Forum in Dishui Lake Shanghai" (上海滴水湖世界頂尖科學家論壇), "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 Press Release of New Collections of Harry Winston" (Harry Winston 2018年新品發佈會), "United Innovation Summit 2018" (2018年聯影醫療全球創新大會), "Global Exhibition CEO Shanghai Summit 2018" (2018年國際會展業CEO上海峰會), "2018 Longines Global Champions Tour" (2018年浪琴環球馬術冠軍賽) and "2018 Buick LPGA World Women Golf Tournament" (2018屆別克LPGA世界女子高爾夫錦標賽), and attained positive marketing effects.

In 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 further strengthened our leading position in the sphere of public service vehicle rental services in Shanghai.

In 2018, we continued to deploy our rental network in China. Currently, we have invested in and established over 30 rental service outlets in more than ten cities nationwide, and successively acquired two automobile leasing companies with license resources in Shenzhen and Guangzhou. Meanwhile, we are actively exploring opportunities for cooperation with companies and agencies with advantages in terms of customer base and license resources in Chinese cities with potential automobile leasing market.

Stable Development of New Energy Vehicle Business

In 2018, we set up a new energy automobile segment that operates independently, highlighted the strategic position of the development of the new energy automobile industry, and further clarified the strategic direction of the development of the new energy automobile business. In the coming few years, our principal development direction in the new energy vehicle industry will be first to positively identify development opportunities of new energy vehicles in China, to enhance the cooperation with brand agencies whose positioning are mid- and high-end new energy automobile enterprises, and to explore and participate other businesses relating to new energy vehicle service. Secondly, in response to the trend of change in travel modes, we will proactively develop the new energy vehicle travelling services business, adding new ways and contents in respect of automobile traveling service.

In 2018, the authorized outlets for which we cooperate with domestic renowned innovative new energy vehicle enterprises such as WM Motor (威馬汽車) and Dearcc (電咖汽車) in cities including Shanghai, Guangzhou and Wuhan commenced operations, and the outlets for which we cooperate with WM Motor New Energy in Wuxi and Changzhou were under preparation. Meanwhile, we cooperated with the above brands and other new energy automobile brands such as BYTON and ENOVATE, and were closely discussing the outlet authorization over different cities. It is expected that the outlets in first-tier cities such as Shanghai and Beijing will be open in 2019, which will lay a good foundation for us to further expand the scale of sales and services business of new energy vehicles.

In 2018, based on the stable operation of the travelling service business in Shanghai, we newly established new outlets in Guangzhou, Hangzhou, Suzhou and Fuzhou, and cooperated with mainstream travelling service platforms to expand the new energy vehicle travelling service business. We adhered to operational service quality optimization, strengthened the cooperation with upstream network platforms and various industry partners, and focused on developing comprehensive capacity management capabilities. We continued to accumulate the basis for expanding travelling service market share and enriching the ways of travelling service.

Continuous Optimization and Improvement of Our Network

In 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 2018, we opened 16 new passenger vehicles sales and services outlets which focus on luxury and ultra-luxury brands, including one Porsche 4S dealership, one BMW 4S dealership, one Cadillac 4S dealership, three Volvo 4S dealerships, four WM 4S dealerships, one Dearcc 4S dealership, two Porsche city showrooms, one Aston Matin city showroom and two BMW motorcycle city showrooms.

In 2018, in respect of new outlets authorizations, we obtained authorization to open 17 new passenger vehicles sales and services outlets which focus on luxury and ultra-luxury brands, including one Porsche 4S dealership, one BMW 4S dealership, one Jaguar/Land Rover 4S dealership, one Lexus 4S dealership, one Volvo 4S dealership, one Infiniti 4S dealership, two Lynkco 4S dealerships, five WM 4S dealerships, one Dearcc 4S dealership, two BMW motorcycle city showrooms and one Aston Matin 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 opportunities of integration of the industry, while constantly optimizing and improving self-built network authorized by manufacturers. In respect of acquisition and merger strategy, we mainly considered its brand value, regional advantage and existing and future profitability and controlled the acquisition price within a reasonable range. In 2018, we completed the acquisition of two Lynkco 4S dealerships and six Japanese brand 4S dealerships in Jiangyin, Jiangsu province.

In 2018, with respect to the construction of self-owned outlets, we opened three “Yongda Pre-owned Vehicle Malls” and four comprehensive showrooms of passenger vehicles.

In 2018, we continued to operate our extensive network with the Yangtze River Delta as the center and have expanded our network to other regions in China, such as Northern China, Central China, Southwest China and Southern China. As of December 31, 2018, our total number of outlets that were opened and outlets with authorization to be opened amounted to 253. Such outlets spread all over 4 municipalities and 19 provinces in China, including 194 opened manufacturer authorized outlets, 44 opened non-manufacturer authorized outlets and 15 manufacturer authorized outlets to be opened. Set out below are the details of our outlets as at December 31, 2018:

	Opened outlets	Outlets with authorizations to be opened	Total
4S dealerships of luxury and ultra-luxury brands	111	11	122
4S dealerships of mid- to high-end brands	62	3	65
City showrooms of luxury brands	16	1	17
Authorized service centers of luxury brands	3	0	3
Authorized certified pre-owned vehicle center of luxury brands	2	0	2
Subtotal of outlets authorized by the manufacturers	**194**	**15**	**209**
“Auto Repair” maintenance centers of luxury automobiles	14	–	14
Comprehensive showrooms of passenger vehicles	7	–	7
Yongda Pre-owned Vehicle Malls	23	–	23
Subtotal of non-manufacturer authorized outlets	**44**	–	**44**
Total outlets	**238**	**15**	**253**

Continuously Improved Management

In 2018, faced with the changes in the market situation as well as new industry trends, new consumer groups and new technologies, we closely combined our automobile industry experience of over 20 years with the demand of current industry development, adjusted operation strategies timely according to the market situation, actively responded to various changes and challenges, and sought management enhancement and breakthrough in reform and innovation.

Customer Orientation: We cooperated closely with Tencent in 2018 and jointly promoted the smart retail 4S dealership project. Relying on Tencent's diversified product ecosystem, we targeted marketing and achieved customer conversion through large data platform, improved customers service experience through full pipeline and transparent scenario based delivery, realized the management of customer's entire lifecycle value through personalized and label-based management model, and empowered the automobile sales service industry with smart retail to enhance our operational efficiency.

Team Development: We strengthened our efforts in the introduction of external talents and cultivation of internal talents to satisfy business management needs of our industrial chain expansion. We also satisfied the young characteristics and consumption trend of our customer base through echelon building of our young talents, especially the ones after 90s. The Company has initially built a series of management echelons after 70s, 80s and 90s, laying a solid team foundation for our future business development.

Brand Building: We firmly believe in the principle of "brand is the life of an enterprise". With our industry experience of over 20 years and persistence in conducting business with integrity, we strive to build our brand image as "an automobile services expert by your side". By customer-driven operations, we continuously improve our service quality and fully utilize the advantages of our accumulated large user base to build the brand image of the Group as a leading domestic passenger vehicle sales service provider.

Improving quality and efficiency: While promoting the steady development of the main business, we continuously optimized management and strived to improve operational efficiency. In 2018, on the one hand, we carried out all-round benchmarking management on the main operational efficiency links such as inventory turnover, capital utilization efficiency and human resources efficiency; on the other hand, we made comprehensive upgrade in the management of our industrial entities by information-based means, gradually improved our digital operation system, and strived to promote the Group's transformation and upgrading by constant innovation driven by data.

FINANCIAL REVIEW

Revenue

Revenue was RMB55,318.5 million in 2018, a 9.1% increase from RMB50,699.3 million in 2017, which was primarily due to the growth of sales of luxury and ultra-luxury brand passenger vehicles and after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the year ended December 31,					
	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	**38,233,659**	**111,323**	**343**	34,336,628	99,956	344
Mid- to high-end brands	**8,505,704**	**65,596**	**130**	9,155,088	71,684	128
Subtotal	**46,739,363**	**176,919**	**264**	43,491,716	171,640	253
After-sales services	**7,835,420**	**–**	**–**	6,685,120	–	–
Automobile rental services	**408,361**	**–**	**–**	379,735	–	–
Proprietary finance business	**543,378**	**–**	**–**	331,392	–	–
Inter-segment eliminations	**(208,036)**	**–**	**–**	(188,661)	–	–
Total	**55,318,486**	**–**	**–**	50,699,302	–	–

The sales volume of passenger vehicle from the passenger vehicle sales and services segment was 176,919 units in 2018, a 3.1% increase from 171,640 units in 2017, among which, the sales volume of luxury and ultra-luxury brand passenger vehicle in 2018 was 111,323 units, a 11.4% increase from 99,956 units in 2017.

Revenue of passenger vehicles sales from the passenger vehicle sales and services segment was RMB46,739.4 million in 2018, a 7.5% increase from RMB43,491.7 million in 2017, among which, the sales revenue from luxury and ultra-luxury brand passenger vehicle was RMB38,233.7 million in 2018, a 11.3% increase from RMB34,336.6 million in 2017.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB7,835.4 million in 2018, a 17.2% increase from RMB6,685.1 million in 2017.

Revenue from the automobile rental services segment was RMB408.4 million in 2018, a 7.5% increase from RMB379.7 million in 2017.

Revenue from the proprietary finance business segment was RMB543.4 million in 2018, a 64.0% increase from RMB331.4 million in 2017.

Cost of Sales and Services

Cost of sales and services was RMB50,111.8 million in 2018, a 9.7% increase from RMB45,674.6 million in 2017, which was primarily due to the increase in cost of sales and after-sale services of luxury and ultra-luxury brand passenger vehicles.

Cost of sales for sales of passenger vehicles from the passenger vehicle sales and services segment was RMB45,633.5 million in 2018, a 8.9% increase from RMB41,898.7 million in 2017, which was higher than the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB4,215.4 million in 2018, a 17.0% increase from RMB3,603.6 million in 2017, which was basically consistent with the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB295.5 million in 2018, a 5.8% increase from RMB279.3 million in 2017. The increase was lower than the increase in our revenue from automobile rental services.

Cost of services for the proprietary finance business segment was RMB196.5 million in 2018, a 64.3% increase from RMB119.7 million in 2017. The increase was basically consistent with the increase in our revenue from the proprietary finance business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB5,206.7 million in 2018, a 3.6% increase from RMB5,024.7 million in 2017. Gross profit margin decreased to 9.41% in 2018 from 9.91% in 2017.

Gross profit of the passenger vehicles sales from the passenger vehicle sales and services segment was RMB1,105.9 million in 2018, a 30.6% decrease from RMB1,593.0 million in 2017. Gross profit margin of passenger vehicle sales decreased to 2.37% in 2018 from 3.66% in 2017.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB3,620.0 million in 2018, a 17.5% increase from RMB3,081.5 million in 2017. In 2018, the gross profit margin of our after-sales services was 46.20%, a slight increase from 46.10% in 2017.

Gross profit from the automobile rental services segment was RMB112.8 million in 2018, a 12.3% increase from RMB100.5 million in 2017. Gross profit margin for automobile rental services was 27.63% in 2018, a slight increase from 26.45% in 2017.

Gross profit from the proprietary finance business segment in 2018 was RMB346.8 million, a 63.8% increase from RMB211.7 million in 2017. Gross profit margin for the proprietary finance business segment was 63.83% in 2018, which was basically the same as compared to 63.89% in 2017.

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB1,029.2 million in 2018, a 11.0% increase from RMB927.2 million in 2017. The increase was primarily due to the fact that revenue of the finance and insurance related post-market agency services business of the passenger vehicle sales and services segment amounted to RMB1,004.4 million in 2018, a 13.7% increase from RMB883.5 million in 2017.

Distribution and Selling Expenses

Distribution and selling expenses were RMB2,479.7 million in 2018, a 9.3% increase from RMB2,269.3 million in 2017, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the rate of our distribution and selling expenses was 4.48% in 2018, which remained basically flat as compared to 2017.

Administrative Expenses

Administrative expenses were RMB1,382.7 million in 2018, a 13.2% increase from RMB1,221.6 million in 2017, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, the rate of our administrative expenses slightly increased from 2.41% in 2017 to 2.50% in 2018.

Operating Profit

As a result of the foregoing, the operating profit was RMB2,373.5 million in 2018, a 3.6% decrease from RMB2,461.0 million in 2017.

Finance Costs

Finance costs were RMB681.3 million in 2018, a 37.9% increase from RMB494.1 million in 2017 which was primarily due to the increased average balance of financing and the increased average financing interest rate as a result of the expansion in sales and services network and business scale. As a percentage of revenue, the rate of finance costs increased from 0.97% in 2017 to 1.23% in 2018.

Profit before Tax

As a result of the foregoing, the profit before tax was RMB1,752.6 million in 2018, a 12.7% decrease from RMB2,007.5 million in 2017.

Income Tax Expense

Income tax expenses were RMB427.5 million in 2018, a 5.4% increase from RMB405.7 million in 2017. Our actual income tax rate increased from 20.2% in 2017 to 24.4% in 2018.

Profit

As a result of the foregoing, the profit was RMB1,325.0 million in 2018, a 17.3% decrease from RMB1,601.8 million in 2017.

Profit attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company was RMB1,253.1 million in 2018, a 17.0% decrease from RMB1,509.9 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

In 2018, our net cash generated from operating activities was RMB1,698.5 million, among which, net cash generated from operating activities of automobile sales and services business was RMB2,159.6 million, and net cash used in operating activities of proprietary finance business was RMB461.1 million. In 2017, our net cash used in operating activities was RMB1,107.8 million, among which, net cash generated from operating activities of automobile sales and services business was RMB1,534.8 million, and net cash used in operating activities of proprietary finance business was RMB2,642.6 million. As compared to that in 2017, our net cash generated from operating activities of automobile sales and services business increased by RMB624.8 million, and our net cash used in operating activities of proprietary finance business decreased by RMB2,181.5 million, which was attributable to the control on total amount of newly-added interest-bearing assets.

In 2018, our net cash used in investment activities was RMB1,682.9 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB1,754.6 million, the amount for acquisition of subsidiaries of RMB303.4 million, which was partially offset by the proceeds from the disposal of property, plant and equipment, land use rights and intangible assets of RMB519.8 million. In 2017, our net cash used in investing activities was RMB2,007.0 million.

In 2018, our net cash generated from financing activities was RMB322.9 million, which mainly included the proceeds from bank loans and other borrowings of RMB27,836.2 million, the proceeds from the issue of super short-term commercial papers of RMB2,300.0 million, which was partially offset by the repayment of bank loans and other borrowings of RMB24,824.2 million, the repayment of super short-term commercial papers of RMB3,600.0 million, the payment of interest of RMB727.6 million, and the payment of dividends of RMB520.4 million. In 2017, our net cash generated from financing activities was RMB3,060.7 million.

Inventories

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

Our inventories were RMB5,829.5 million as of December 31, 2018, a 4.6% decrease from RMB6,111.8 million as of December 31, 2017. The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended December 31, 2018	2017
Average inventory turnover days[1]	**43.5**	41.7

Note:

(1) 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.

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, 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. In 2018, our net capital expenditures were RMB1,538.2 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	For the year ended December 31, 2018 *(RMB million)*
Expenditures on purchase of property, plant and equipment – test-drive automobiles, substitute mobility vehicles and vehicles for automobile rental and travelling services purposes	**1,103.3**
Expenditures on purchase of property, plant and equipment – primarily used for establishing new automobile sales and service outlets	**526.7**
Expenditures on purchase of land use rights	**46.3**
Expenditures on purchase of intangible assets (vehicle licence plates)	**78.3**
Expenditures on acquisition of subsidiaries	**303.4**
Proceeds from the disposal of property, plant and equipment (mainly test-drive automobiles, substitute mobility vehicles and vehicles for automobile rental purposes)	**(519.8)**
Total	**1,538.2**

Borrowings and Bonds

We obtained borrowings consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers, and bonds issued to fund our working capital and network expansion. As of December 31, 2018, the outstanding amount of our borrowings and bonds amounted to RMB13,389.0 million, a 15.4% 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 December 31, 2018:

	As of December 31, 2018 *(RMB million)*
Within one year	12,552.9
One year to two years	828.5
Two to five years	7.6
Total	13,389.0

As of December 31, 2018, our gearing ratio (being total debt divided by total assets) was 69.3% (December 31, 2017: 68.6%).

As of December 31, 2018, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2018 consisted of (i) inventories of RMB773.1 million; (ii) property, plant and equipment of RMB214.2 million; (iii) land use rights of RMB140.0 million; and (iv) equity interests of our subsidiaries of RMB764.0 million.

Contingent Liabilities

As of December 31, 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 floating rate borrowings that are linked to the benchmark rates of the People's Bank of China, HIBOR and LIBOR. 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 currently use certain derivative financial instruments to hedge some of our exposure to interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of December 31, 2018, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we used derivative financial instruments to hedge our exposure to foreign exchange risk.

FUTURE OUTLOOK AND STRATEGIES

In 2018, under the influence of multiple factors such as macroeconomic and international situation, China's passenger car retail market experienced the first annual negative growth since 1990. However, driven by the continuous upgrading of consumption in the first- and second-tier cities and the continuous improvement of the penetration rate of automobile finance, the luxury automobile brands grew against trend and maintained a relatively high growth rate throughout the year, of which the market share has increased year by year. Meanwhile, under the guidance of environmental and industrial dual policy factors, the sales of new energy vehicles grew strongly, and pure electric vehicles became the main driving force for the growth of new energy vehicle market.

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, major luxury brands, such as BMW, Porsche and Audi, have continued to strengthen the product release and update iterations in China. Volvo, Cadillac and Lincoln, which are in the second echelon of luxury brands, also recorded fast growth of sales. Therefore, the continued increasing market share and rising ownership of luxury brand vehicles is expected to promote the sustainable growth of our sales and post-market business. At the same time, we will also strengthen the investment in resources for the new energy vehicle industry, and closely cooperate with the current global major brand vehicle manufacturers and the emerging independent brand new energy vehicle manufacturers to jointly explore and increase market share in the sales and services business of new energy vehicles.

We will continue to steadily build our national outlet network by expanding the outlets of major luxury brands such as BMW, Porsche, Audi with selection between self-built outlets or merger and acquisition. For existing operating outlets, we will enhance the operational quality and energy efficiency of existing outlets by optimizing the brand structure, strengthening various refined management measures, and the Internet's "smart retail" technology transformation. In addition, our production capacity of the after-sales services will be continuously improved through the reform of the workshop capacity and the expansion of satellite service outlets.

With respect to our pre-owned vehicle business, we will use B2C as the main entry point, and actively implement synergy and empowerment strategies with OEMs, dealer groups, operating automobile leasing companies and financial leasing companies, and will master multi vehicle source and strengthen the operation capacity of offline outlets by professional service solutions of vehicle residue value management and disposal, and strengthen online drainage to form a business model of "pre-owned vehicles + Internet + chain outlet + finance".

With respect to our finance business, we are considering to introduce strategic investors to potentially carry forward the finance business restructuring plan. As a finance platform with a profound industry background, we will consider automobile dealership empowerment as a strategic implementation focus, promoting the alliance business model, bringing together the resources of the society and industry, positioning to help dealers to promote the development of their main business via finance, further developing new profit growth points in the finance and insurance business and building a professional automobile finance service platform. We will continue to adhere to the concept of sound asset management, promote the innovative product strategy of asset-finance integration and insist on the investment of research and development in finance technology, forming a new finance development model in line with the future trend of the automobile industry.

We noted that the market of mobility on demand is facing rapid growth in China, and the new generation of consumer groups' demand for travelling services is increasing. Therefore, we will vigorously develop the travelling service industry through team entrepreneurship model. On one side, we will rely on the Group's nationalized network advantage to rapidly deploy our business in key cities, and on the other side, we will speed up the expansion of automobile fleet operation scale in certain major cities and enhance operational management capabilities. We are expected to cooperate strategically with the Internet travel platforms and certain new energy vehicle brand manufacturers, thereby satisfying the need for safe, convenient and comfortable travelling services through professional, intelligent, compliant and efficient operation management on automobile fleet.

We will adhere to the principle of cultural inheritance and innovation. We are always positioned to deepen China's automobile sales service market, and adhere to the strategic development concept of taking customers as our most important asset, forming an internally and externally integrated digital new retail system by smartly utilizing big data and putting customer experience as our focus, and are committed to building service professionalism and reputation in the industry via maintaining management level improvement. Meanwhile, in line with the electric, networking and smart development trends in the automobile industry, through continuous innovation and the implementation of entrepreneurial mechanisms, we will actively participate in the development of new energy vehicle and travelling service industry, realizing the upgrading and transformation of the industry, so as to ensure the increase in profitability and sustainable development of the business as well as to realize a multi-win situation among our shareholders, employees, customers and the community.

Directors and Senior Management

DIRECTORS

Executive Directors

CHEUNG Tak On (張德安), aged 52, is our Chairman and was appointed as our executive Director on January 18, 2012 and is a current committee member of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference and the vice-president of the Shanghai Federation of Industry and Commerce. Mr. Cheung has extensive experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to present, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股（集團）有限公司) ("Yongda Holding") as well as its president since November 1999, where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. He is also currently the chairman of Shanghai Yongda Group Company Limited (上海永達（集團）股份有限公司) ("Yongda CLS"). From September 1991 to June 1998, Mr. Cheung was the general manager of Yongda CLS.

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

CAI Yingjie (蔡英傑), aged 51, is our Vice-chairman and was re-designated from our President to Chief Executive Officer on March 23, 2015 and was appointed as our executive Director on January 18, 2012. Mr. Cai is responsible for overseeing our operations and investment, managing our relationships with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai is also responsible for guiding the operation and management of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Yongda Automobile Group"), which is an indirect wholly-owned subsidiary of the Company, and he is the chairman or a director of several of our subsidiaries. From November 1998 to December 2011, he was the director of Yongda CLS and its general manager from November 1999 to December 2011. Mr. Cai was the vice-chairman and a director of Yongda Holding from November 1999 to December 2011. From September 1991 to June 1998, Mr. Cai was the deputy general manager of Yongda CLS, where he was responsible for its business development. From September 1984 to July 1990, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai was a vice-president of the Shanghai Association of Automobile Manufacture (上海市汽車銷售行業協會) and he had also been a vice-president of the China Auto Dealers Chamber of Commerce (中華全國工商業聯合會汽車經銷商商會). Mr. Cai received the Executive Management Education Certificate from the Chinese Enterprise CEO Program at Cheung Kong Graduate School of Business in 2016 and graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.

WANG Zhigao (王志高), aged 50, is our Vice-chairman and was re-designated from our non-executive Director to executive Director on March 23, 2015. Mr. Wang is responsible for managing our strategies, remuneration and work in relation to professional capital market institutions and guiding the financial management and legal affairs of our Group. Mr. Wang was our non-executive Director from January 2012 to March 2015, the deputy chief executive officer of Yongda Holding since January 2004 and its director since January 2005, where he has been responsible for its finance, audit, investment and legal affairs, and a director of Yongda CLS since December 2003. Mr. Wang was the chairman of Yongda Automobile Group from February 2016 to May 2018. Mr. Wang is also currently a director of Sea of Wealth International Investment Company Limited and Grouprich International Investment Holdings Limited and the chairman or a director of several of our subsidiaries. He also serves as a director of Shanghai Shoujia Investment Co., Ltd (上海首佳投資有限公司) and Shanghai Shouhao Information and Technology Co., Ltd (上海首浩信息科技有限公司), the Vice-president of Shanghai Yongda Asset Management Company Limited (上海永達資產管理股份有限公司) and president of Shanghai Yongda Investment Management Co., Ltd. (上海永達投資管理有限公司). From February 2006 to April 2016, Mr. Wang was an executive director of Shanghai Yongda Property Development Co., Ltd. (上海永達置業發展有限公司). From March 1998 to December 2003, Mr. Wang was a lawyer at Shanghai Jin Shi Law Firm (上海金石律師事務所) and from January 1997 to February 1998, a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所) and from August 1992 to December 1996, a lecturer at East China University of Political Science and Law (華東政法大學). Mr. Wang graduated from East China University of Politics and Law with a bachelor's degree in economic law in 1992 and a master's degree in law in 1999. Mr. Wang also received a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

XU Yue (徐悅), aged 43, was appointed as our executive Director on March 23, 2015 and is responsible for our operation and management and the same of automobile group. Mr. Xu was our President from March 2015 to February 2016 and has been re-appointed as our President since September 12, 2016. Mr. Xu joined our Group in 1999 and has more than 18 years of experience in the passenger vehicle dealership sector. Mr. Xu is also currently the chairman and president of Yongda Automobile Group and the chairman or a director of several of our subsidiaries. He was the executive vice-president of the Company from January 2012 to March 2015 and the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司). Between February 2002 and March 2004, Mr. Xu was the secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005. In 2015, Mr. Xu obtained a master's degree in Business Administration at China Europe International Business School (中歐國際工商學院).

CHEN Yi (陳眣), aged 46, was appointed as our executive Director on March 23, 2015 and was responsible for the operation and management of the finance group and related management of our Group. Ms. Chen was re-appointed as our vice-president on September 12, 2016 and since February 2016, Ms. Chen has been a director of Yongda Automobile Group. From March 2014 to February 2016, Ms. Chen was the vice-president of our Company and the general manager of the finance innovation department. She has over 20 years of experience in the banking and financial industry. Prior to joining us, Ms. Chen was the senior assistant to the president of the Transportation Finance Division and the director of Eastern China Automobile Business Division of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (Shanghai Stock Exchange ("SSE") stock code: 600016 and The Stock Exchange of Hong Kong Limited ("SEHK") stock code: 01988) ("CMBC") from April 2013 to January 2014. From February 2004 to April 2013, Ms. Chen held several managerial positions in CMBC, including the senior customer manager of the Shanghai Anting branch of CMBC, the general manager of the Industrial and Commercial Enterprises Finance Division Two of CMBC, the general manager of the automobile finance department and the branch manager of the Shanghai Jiading branch of CMBC and the branch manager of the Shanghai Gubei branch of CMBC. From July 1995 to February 2004, she worked at the Credit Card Division, Personal Banking Division and Customer Service Division of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (SSE stock code: 601328 and SEHK stock code: 03328). Ms. Chen obtained a professional diploma in International Finance from the Shanghai Institute of Finance (上海金融學院), formerly known as the Shanghai Higher Institute of Finance (上海金融高等學院) in 1995 and a bachelor's degree in currency and banking from Shanghai Jiaotong University (上海交通大學) in 2000. She also obtained a master's degree in Executive Master of Business Administration from Shanghai Advanced Institute of Finance (上海高級金融學院) of Shanghai Jiaotong University in 2014 and is currently enrolling into a Ph.D. degree in Global Financial Business Administration of Shanghai Advanced Institute of Finance.

Non-executive Director

WANG Liqun (王力群), aged 65, was appointed as our non-executive Director on January 18, 2012, and is responsible for formulating major policies of our Group. Mr. Wang has been the chairman of the board of Shanghai Stone Capital Co., Ltd (上海磐石投資有限公司) since 2008 and participating in its material business decisions and strategic planning; has been an independent director of Pengxin International Mining Co., Ltd (鵬欣環球資源股份有限公司) (SSE stock code: 600490) since May 20, 2015; has been an independent director of Shanghai Jiao Yun Group Co., Ltd. (上海交運集團股份有限公司) (SSE stock code: 600676) since November 18, 2014; has been an independent director of Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司) (Shenzhen Stock Exchange ("SZSE") stock code: 300027) since 2014; has been the independent non-executive director of E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司) (SEHK stock code: 2048) since July 10, 2018. Mr. Wang has served a number of positions, including a director, general manager and senior consultant of Shanghai Bashi Industrial (Group) Co., Ltd. (上海巴士實業(集團)股份有限公司) (now known as Huayu Automotive Systems Company Limited (華域汽車系統股份有限公司)) (SSE stock code: 600741). From 1999 to 2007, Mr. Wang was the chairman of Shanghai Urban Rail System Corporation (上海現代軌道交通股份有限公司). From 1999 to 2001, Mr. Wang was the general manager of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司). From 2010 to 2016, Mr. Wang was the independent director of Talkweb Information System Co., Ltd (拓維信息系統股份有限公司) (SZSE stock code: 002261). Mr. Wang was the director of Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) (SSE stock code: 603022) from 2010 to 2018 and was the director of Shanghai Fortune Techgroup Co., Ltd. (上海潤欣科技股份有限公司) (SZSE stock code: 300493) from 2012 to January 2019. Mr. Wang was qualified as a senior economist (高級經濟師) in 1992 by the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) and was awarded the title of "Outstanding Young Entrepreneur" (傑出青年企業家) by the Youth Communist League Committee of Shanghai (共青團上海市委員會) and Shanghai Youth Entrepreneurs Association (上海市青年企業家協會). Mr. Wang obtained a college diploma in economics management from the School of Construction and Management of the University of Shanghai Urban Construction College (上海城市建設學院) in 1987.

Independent Non-executive Directors

LYU Wei (呂巍), aged 54, was appointed as our independent non-executive Director on January 18, 2012. Mr. Lyu is currently a professor of Management Department of Antai College of Economics and Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學). From November 2014 to May 2015, Mr. Lyu was the head of preparatory group of the Faculty of the Cultural and Creative Industry of University of Southern California and Shanghai Jiao Tong University (上海交通大學美國南加州大學文化創意產業學院). From 2003 to November 2014, Mr. Lyu was the Associate Dean of the Antai College of Economics and Management at Shanghai Jiao Tong University. Between February 1997 and March 2003, Mr. Lyu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lyu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology. From 1994 to 1996, Mr. Lyu was a visiting scholar at the University of Southern California.

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

Companies	Positions	Duration
Whirlpool (China) Co., Ltd. (惠而浦（中國）股份有限公司) (SSE stock code: 600983)	Director	June 2017 – present
Shandong Wohua Pharmaceutical Co., Ltd. (山東沃華醫藥科技股份有限公司) (SZSE stock code: 002107)	Independent Director	January 2016 – present
Foshan Electrical and Lighting Co Ltd (佛山電器照明股份有限公司) (SZSE stock code: 000541)	Independent Director	December 2015 – present
Shanghai Shibei Hi-Tech Co., Ltd (上海市北高新股份有限公司) (SSE stock code: 600604)	Independent Director	September 2012 – January 2018
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易開發區股份有限公司) (SSE stock code: 600663)	Independent Director	May 2015 – present
Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電器（集團）股份有限公司) (SSE stock code: 601616)	Director	May 2015 – April 2017
LUOLAI LIFESTYLE TECHNOLOGY CO.,LTD. (羅萊生活科技股份有限公司) (formerly known as Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司)) (SZSE stock code: 002293)	Independent Director	November 2007 – October 2013 January 2017 – present
Shanghai Yaohua Pilkington Glass Co., Ltd. (上海耀華皮爾金頓玻璃股份有限公司) (SSE stock code: 600819)	Independent Director	June 2006 – April 2012
China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) (formerly known as China Seven Star Holdings Limited (中國七星控股有限公司) and China Seven Star Shopping Limited (中國七星購物有限公司)) (SEHK stock code: 245)	Independent Non-executive director	June 2005 – present
Giti Tire Corporation (佳通輪胎股份有限公司) (formerly known as Hualin Tire Corporation (樺林輪胎股份有限公司)) (SSE stock code: 600182)	Independent Director	July 2003 – May 2009

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

Directors and Senior Management

CHEN Xianglin (陳祥麟), aged 74, was appointed as our independent non-executive Director on January 18, 2012. From 1995 to 2006, Mr. Chen had been the chairman of Shanghai Automobile Industry (Group) Limited (上海汽車工業（集團）總公司). Between April 2004 and June 2008, Mr. Chen was the chairman of the supervisory committee of Shanghai Automotive Co., Ltd. (上海汽車集團股份有限公司) (SSE stock code: 600104), where his main responsibilities included monitoring the board and management activities and the internal control of the company. Mr. Chen has held a number of senior positions in the government, including the deputy secretary general of the Shanghai People's Government (上海市人民政府), deputy head of the Shanghai First Electromechanical Bureau (上海市第一機電工業局) and director of Shanghai Planning Committee (上海市計劃委員會). He had also been the vice-chairman of the Shanghai Federation of Economic Organization (上海市經濟團體聯合會) and Shanghai Federation of Industrial Economics (上海市工業經濟聯合會). In 1989, Mr. Chen obtained accreditation as senior economist (高級經濟師) from the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列（生產領域）高級專業技術職務任職資格評審委員會). Mr. Chen was admitted as a senior economist (高級經濟師) in 1994, and was later promoted as a senior international business engineer (高級國際商務師) in 1995 by the Shanghai Professional Titles Reform Work Leading Group (上海市職稱改革工作領導小組) and the Economic Professional Qualifications Committee of Shanghai University of Finance and Economics (上海財經大學經濟專業職務評審委員會). Mr. Chen graduated with a bachelor's diploma in mathematics from Fudan University (復旦大學) in 1967, and had also completed a training course on independent directors organized by the SSE in 2008 and a training course on directors and supervisors of listed company organized by the Shanghai Securities Regulatory Bureau under the China Securities Regulatory Commission. Mr. Chen resigned as an independent non-executive Director of the Company with effect from January 1, 2019.

Mr. Mu Binrui (牟斌瑞), aged 62, has been appointed as an independent non-executive Director of the Company with effect from 1 January 2019. Mr. Mu has over 35 years of extensive experience in the banking industry. Before joining the Company, Mr. Mu joined the Bank of China in 1980, and was transferred to the headquarters of Bank of Communications in 1992, where he held the positions of deputy director, director and deputy general manager of the international business department as well as the deputy general manager of the corporate affairs department, respectively, during 1992 to 2004. Mr. Mu was appointed as general manager of the credit management department of the headquarters of Bank of Communications in 2004, and subsequently the deputy chief credit officer and general manager of the credit management department of Bank of Communications in 2013. Mr. Mu was awarded State Council Special Allowance by the People's Republic of China in February 2013, and retired in October 2016. From January 2017 to March 2018, Mr. Mu held the position of an independent non-executive director of Huabang Financial Holdings Limited (previously known as Goldenmars Technology Holdings Limited) (stock code: 3638), a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Mu graduated from Renmin University of China with a bachelor's degree in finance in 1987, and obtained the title of Senior Economist in 1997.

ZHU Anna Dezhen (朱德貞), aged 61, was appointed as our independent non-executive Director on 8 May 2015, and is currently the chairman of the board of Xiamen De Yi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司), where she is mainly responsible for operation and management of investment. Ms. Zhu has over 31 years of extensive experience in financial analysis, market analysis, investment management and general corporate management. Before joining Xiamen De Yi Equity Investment Management Co., Ltd., Ms. Zhu was a senior manager of China National Offshore Oil Corporation, where she was mainly responsible for analysis of crude oil market, from October 1982 to September 1988. From March 1992 to June 1993, Ms. Zhu was an analyst at The Bank of New York Company, Inc., where she was mainly responsible for systems analysis. From June 1993 to September 1999, Ms. Zhu was the vice-chairman of business of JP Morgan Investment Bank of the United States, where she was mainly responsible for establishing the financial model. Ms. Zhu was a manager of Strategic Planning of Micron Technology, Inc. (New York Stock Exchange stock code: MU), where she was mainly responsible for strategic planning, from May 2000 to October 2001; the chief operating officer of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), from October 2001 to June 2003; and the president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), where she was mainly responsible for operations management, from June 2003 to May 2008. From May 2008 to December 2010, Ms. Zhu was the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, where she was mainly responsible for the operation and management of investment. From December 2010 to June 2016, Ms. Zhu was the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd.. Ms. Zhu has also been serving as a non-executive director of Fuyao Glass Industry Group Co., Ltd. (SSE stock code: 600660 and SEHK stock code: 03606) since November 2011, an independent director of Bright Dairy & Food Co., Ltd. (SSE stock code: 600597) since April 2015 and an independent director of Hunan TV & Broadcast Intermediary Co. Ltd. (SZSE stock code: 000917) since August 2016. In the area of professional qualification, Ms. Zhu is a director of the Chinese Economists 50 Forum, a director of Heren Charitable Foundation and a director of the Western Returned Scholars Association. With respect to the academy, Ms. Zhu is a part-time professor in the School of Management of Xiamen University (廈門大學). Ms. Zhu received a bachelor's degree in literature from Xiamen University in 1982, a bachelor's degree in economics from College of Saint Elizabeth in 1990 and a master's degree in business administration from Pace University in 1992. Ms. Zhu obtained a doctor's degree in economics from Xiamen University in 2013.

SENIOR MANAGEMENT

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

TANG Liang (唐亮), aged 40, was appointed as our Vice-president since September 12, 2016 and is responsible for work execution related to the operation and management of the automobile group. Mr. Tang is currently also a director and the executive vice-president of Yongda Automobile Group. Mr. Tang was the assistant to our President from March 2015 to February 2016. Mr. Tang joined us on May 4, 2010 and served as the deputy general manager and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司) and the vice director of Baozen Business Division. Mr. Tang has over 13 years of working experience in the automobile industry. Prior to joining us, Mr. Tang worked at SGM Automobile Manufacturing Department (上海通用汽車製造部) from April 2004 to the end of 2008, during which period he held a number of managerial positions in respect of engineering and production, and later served as the assistant to the vice-president of SGM Automobile Marketing (上海通用汽車營銷) from the end of 2008 until he joined our Group. Mr. Tang graduated from the Material Science and Engineering Institute of Shanghai Jiao Tong University (上海交通大學) in 2001 with a bachelor's degree in material science and engineering, and obtained a master's degree in the same major in 2004. Mr. Tang received a master's degree in Executive Master of business administration at China Europe International Business School (中歐國際工商學院) in September 2016.

YE Ming (葉明), aged 41, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for managing the internal operation of our Group. Mr. Ye is also currently the vice-president of Yongda Automobile Group and a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor's degree in law from Shanghai University (上海大學) in 2001 and a master's degree of EMBA from Fudan University in June 2018.

DONG Ying (董穎), aged 49, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is also the vice-president of the Yongda Automobile Group. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 24 years of experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control center of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司) (SEHK stock code: 1886) from 2006 to 2011. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Dong obtained a bachelor's degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.

TANG Hua (唐華), aged 46, was our Vice-president from March 2015 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the public affairs of our Group. Mr. Tang is also the vice-president of Yongda Automobile Group and the director of our certain subsidiaries. After joining us in 2002, Mr. Tang held various positions in our Group, such as the press spokesman, the director of brand and PR office, the secretary of the Youth League Committee of our Group and the general manager of Shanghai Oriental Yongda Automobile Sales Co., Ltd. (上海東方永達汽車銷售公司), a non-wholly owned subsidiary of our Company. Mr. Tang is also the president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會) and the vice president of the automobile chamber of the National Association of Industry and Commerce (全國工商聯汽車商會). Prior to joining our Group, Mr. Tang worked in Saic Motor Corporation Limited (上海汽車集團股份有限公司) and has 26 years of experience in the automobile industry. Mr. Tang obtained double bachelor's degree in economic management from Air Force Political Academy (空軍政治學院) and in administrative management from Fudan University (復旦大學) in 2001, and later obtained a master's degree in public administration from Fudan University (復旦大學) in 2005.

WEI Dong (衛東), aged 49, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for managing the pre-owned vehicle venture development of our Group. Mr. Wei is also currently the vice-president of Yongda Automobile Group and a director of several of our subsidiaries. Mr. Wei has more than 18 years of experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor's diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

Zhang Zhenyu (張震宇), aged 41, has been appointed as our Vice-president since June 2018. He has taken up responsibility for the development work of our new energy venture programs (new energy brands agency, travel-sharing service, industry chain related programs). Mr. Zhang was the primary responsible person of Jiangsu Yangzhou Chemical Industrial Park from March 2015 to October 2017, Jiangsu Yangzhou Automobile Industrial Park from November 2011 to February 2015 and Jiangsu Yangzhou Food Industrial Park from October 2010 to October 2011 respectively. He was the chairperson of Youth Association of Yangzhou and the president of Yangzhou Youth Entrepreneurs Association from July 2007 to September 2010. Prior to that, Mr. Zhang worked in governmental human resources department, other grassroots management departments for many years and was responsible for governmental human resources management and introduction of domestic and foreign enterprises and support of the development of enterprises. Mr. Zhang obtained a diploma and a bachelor's degree in Science in Ecology from Nanjing University (南京大學) in July 1997, and a diploma of minor in business secretarial studies. He obtained a master's degree in Public Administration from the University of Maryland, College Park (馬里蘭大學學院市分校) in December 2010.

ZHANG Hong (張虹), aged 35, was appointed as the assistant to our president on September 12, 2016 and as our joint company secretary on March 20, 2018. From January 2008 to February 2016, Ms. Zhang served different positions in the Group including our assistant officer and the deputy officer of the general office of the Group, and the officer of the administrative office and the office of the Board, and the director of the legal department of the Group from January 2011. Ms. Zhang joined us in July 2006. She has since then held a number of positions in the Group, such as the assistant director, the deputy director, and the executive director of the legal department of the Group. In January 2015, Ms. Zhang was appointed as the assistant general manager of Yongda Automobile Group. From June 30, 2015 to February 29, 2016, Ms. Zhang served as our joint company secretary. Ms. Zhang has nearly 13 years of experience in automobile sales and service industry. She has been working in the legal department of the Group, mainly responsible for legal matters and risks management and control. With extensive working experience, Ms. Zhang is familiar with the PRC laws, and the operation and procedure of legal matters of the Company. Having participated, as a core team member, in the whole process of the preparation for the listing of the Group in Hong Kong, Ms. Zhang has gained a good understanding of the Listing Rules and regulatory requirements in Hong Kong. In particular, she has been engaged in the preparation of the interim reports and annual reports of the Company, and the organization of and preparation for the board meetings, board committee meetings and shareholders' meetings, since she took office as the officer of the office of the Board in January 2012. Ms. Zhang graduated from the department of economic laws of East China University of Political Science and Law (華東政法大學) with a bachelor's degree in Laws in June 2006.

PRINCIPAL ACTIVITIES

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

The principal activities of the Group are as follows:

(i) new passenger vehicle sales;

(ii) repair and maintenance services;

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

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

(v) pre-owned vehicle business;

(vi) automobile rental services; and

(vii) finance leasing and small loan services.

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

RESULTS

The results of the Group for the year ended December 31, 2018 are set out in the Consolidated Financial Statements on pages 76 to 77 of this annual report.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting to be held on May 31, 2019 (Friday) (the "AGM") for the distribution of a final dividend of RMB0.225 for the year ended December 31, 2018. The final dividend is expected to be paid on or about June 28, 2019 (Friday) to the Shareholders whose names are listed on the register of members of the Company on June 11, 2019 (Tuesday). On the basis of the total issued share capital of 1,838,111,463 shares of the Company as of December 31, 2018, it is estimated that the aggregate amount of final dividend would be approximately RMB413.5 million. The actual total amount of final dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of Shareholders to the final dividend. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 34 to the Consolidated Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 78 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2018, the Company has distributable reserves of RMB2,140.8 million in total available for distribution, of which RMB413.5 million has been proposed as final dividend payment for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 200 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year are set out in note 36 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

As at December 31, 2018, our Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

BUSINESS REVIEW

Overview and performance of the Year

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

Environmental Policies and Performance

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

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

Compliance with Relevant Laws and Regulations

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

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

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

On taxation — The Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in note 9 to Consolidated Financial Statements in this annual report.

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

Key Relationships with Stakeholders

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

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

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

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

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

Key Risks and Uncertainties

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

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

Risk of damage to brand recognition

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

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

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

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

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

Market Risks

The Group is exposed to various types of market risks, including currency risk, interest rate risk, credit risk and liquidity risk. Details of such risks are set out in note 45 to the Consolidated Financial Statements in this annual report.

PROSPECTS

A description of the future development in the Company's future business is provided in the Chairman's Statement and the Management Discussion and Analysis on page 6 and pages 26 to 27 respectively of this annual report.

EVENTS AFTER THE REPORTING PERIOD

On February 20, 2019, the Company announced that it is in discussion with a consortium of investors in relation to a potential transaction which may lead to the disposal of possibly more than 50% of its equity interest in its automobile finance business which comprises of certain of its subsidiaries, including Shanghai Yongda Information Technology Group Co., Ltd. (上海永達信息技術集團有限公司). The discussions are preliminary in nature and no binding agreements have been entered into regarding the potential transaction as of the date of this annual report. For details, please refer to the announcement of the Company dated February 20, 2019. The discussions may or may not lead to the entering into of any definitive agreement and the potential transaction may or may not proceed as contemplated or at all.

DIRECTORS

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

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

Non-executive Director
Mr. WANG Liqun

Independent Non-executive Directors
Ms. ZHU Anna Dezhen
Mr. LYU Wei
Mr. CHEN Xianglin *(resigned on January 1, 2019)*
Mr. MU Binrui *(appointed on January 1, 2019)*

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

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

Details of the Directors to be re-elected at the AGM are set out in the circular to Shareholders dated April 30, 2019.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Ms. ZHU Anna Dezhen, Mr. LYU Wei, Mr. CHEN Xianglin and Mr. MU Binrui, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to December 31, 2018 (as the case may be) and remain so as of the date of this annual report.

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

As at the date of this annual report, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

(A) Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On [1]	Founder of a discretionary trust	393,909,500 (long position)	21.428
	Interest of controlled corporation	221,080,000 (long position)	12.026
	Beneficial owner	9,303,000 (long position)	0.506
Mr. CAI Yingjie [2]	Interest of controlled corporation	89,288,000 (long position)	4.857
	Beneficial owner	674,500 (long position)	0.037
Mr. WANG Zhigao [3]	Interest of controlled corporation	37,660,000 (long position)	2.049
	Beneficial owner	910,500 (long position)	0.050
Mr. XU Yue [4]	Beneficial owner	5,170,000 (long position)	0.281
Ms. CHEN Yi	Beneficial owner	1,842,000 (long position)	0.100

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 393,909,500 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 221,080,000 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 37,660,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

(4) Mr. XU Yue holds 2,770,000 shares of the Company as beneficial owner and has an interest in 2,400,000 underlying shares of the Company in respect of the share options granted under the share option scheme adopted on 10 October 2013.

(B) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Mr. XU Yue	Beneficial owner	2,400,000	0.131
Ms. CHEN Yi [(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 shares options on May 2, 2018.

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

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

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity/Nature of Interest	Total number of shares	Appropriate Percentage of Shareholdings (%)
Palace Wonder (1)	Beneficial owner	393,909,500 (long position)	21.430
Regency Valley (1)	Interest of controlled corporation	393,909,500 (long position)	21.430
HSBC International Trustee Limited (1)	Trustee	393,914,500 (long position)	21.430
Asset Link (2)	Beneficial owner	221,080,000 (long position)	12.027

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 393,909,500 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 221,080,000 shares held by Asset Link.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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 annual 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 and November 3, 2016 and note 38 to the 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 debts of Yongda Investment. The aggregated principal amount of the first tranche super short-term commercial papers of 2018 have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017, February 5, 2018 and February 9, 2018 and note 37 to the Consolidated Financial Statements.

On April 10, 2018, Yongda Investment issued the second tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.5 billion and interest rate of 6.5% per annum for the purpose of repayment of debts of Yongda Investment. The second tranche super short-term commercial papers of 2018 have been fully repaid. For further details, please refer to the announcements of the Company dated March 9, 2017, March 14, 2018 and April 11, 2018 and note 37 to the Consolidated Financial Statements.

On June 28, 2018, Yongda Investment issued the third tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.5 billion and interest rate of 7.3% per annum for the purpose of repayment of debts of Yongda Investment. As at the date of this annual report, 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 and June 28, 2018 and note 37 to the Consolidated Financial Statements.

On November 30, 2018, Yongda Investment issued the fourth tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.5 billion and interest rate of 6.7% per annum for the purpose of repayment of debts of Yongda Investment. As at the date of this annual report, the fourth 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 and November 30, 2018 and note 37 to the Consolidated Financial Statements.

On December 14, 2018, Yongda Investment issued the fifth tranche super short-term commercial papers of 2018 in the PRC with an aggregate principal amount of RMB0.3 billion and interest rate of 6.5% per annum for the purpose of repayment of debts of Yongda Investment. As at the date of this annual report, the fifth 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 and December 17, 2018 and note 37 to the Consolidated Financial Statements.

SELECTION AS A CONSTITUENT OF CERTAIN INDEXES OF HANG SENG INDEXES COMPANY LIMITED

With effect from September 10, 2018, 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. This indicates that the Company successfully meets the higher standard of Hang Seng Indexes Company Limited, in terms of market value, turnover, business performance and financial status. This will also facilitate the formation of a more diversified investor base of the Company. For further details, please refer to the announcement of the Company dated August 14, 2018.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Our History and Reorganisation — Onshore Reorganisation" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2018.

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

Our independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the financial year ended December 31, 2018 based on the information and confirmation provided by or obtained from the controlling shareholders, and were satisfied that our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 48 to the consolidated Financial Statements, the following transactions constitute continuing connected transactions for the Company under Rule 14A.76 of the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the following continuing connected transactions. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

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

On December 23, 2014, we entered into a new properties leasing agreement with Yongda Holding and certain of its subsidiaries (including Yongda CLS) (the "New Properties Leasing Agreement"), for renewal of the Properties Leasing Agreement with some modifications to the list of leased properties as set out in the Properties Leasing Agreement for a term of three years commencing from January 1, 2015 to December 31, 2017.

On December 29, 2017, we, as the lessee, entered into a new properties leasing agreement with Yongda Holding, as the lessor (the "2018 New Properties Leasing Agreement") whereby Yongda Holding and its relevant subsidiaries will lease certain properties to the Group for a term of three years commencing from January 1, 2018 and ending on December 31, 2020. As Mr. CHEUNG Tak On, one of the controlling Shareholders and one of the Directors, is indirectly interested in more than 30% of the voting power at the general meeting of Yongda Holding, Yongda Holding is a connected person of the Company and the transactions contemplated under the 2018 New Properties Leasing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The aggregate sum of rental payable by the Group under the 2018 New Properties Leasing Agreement for each of the three years ending December 31, 2018, 2019 and 2020 are RMB34,600,000, RMB34,600,000 and RMB34,600,000, respectively. The rental payable was determined with reference to the historical rental amounts and the prevailing market rates of properties with similar locations and sizes. The annual caps under the 2018 New Properties Leasing Agreement for each of the three years ending 31 December 2018, 2019 and 2020 are RMB38,060,000, RMB38,060,000 and RMB38,060,000, respectively. As one or more of the applicable percentage ratios for the annual caps under the 2018 New Properties Leasing Agreement for the three years ending December 31, 2020 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2018 New Properties Leasing Agreement are exempted from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties are for the purpose of the Group's operation of passenger vehicles sales and services and proprietary finance business which are used for its 4S dealerships, city showrooms, repair and maintenance service centres and proprietary finance outlets. For details of the 2018 New Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated December 29, 2017 and note 48 to the Consolidated Financial Statements on page 188.

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Saved as disclosed in "Connected and Continuing Connected Transactions", no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2018 or at the end of the year ended December 31, 2018.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the "Connected and Continuing Connected Transactions" section above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2018.

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify and hold harmless out of the assets of the Company, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Director (including alternate Directors or person serves at the request of the Company as a Director) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Director. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended December 31, 2018.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2018, we had 10,937 employees. The remuneration of our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our Directors, and the Directors' remuneration are delegated by the Shareholders at general meeting to be fixed by the Board. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of our Group.

Details of the Directors' remuneration during the year are set out in note 11 to the Consolidated Financial Statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any Director (whether executive or non-executive, including any independent non-executive Director) or employee (whether full time or part time) of the Group; (b) any supplier to the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the Shareholders approved the Share Option Scheme, and shall expire on October 13, 2023, after which period no further share option shall be granted. Therefore, as at December 31, 2018, the remaining life of the Share Option Scheme was approximately four years and ten months.

Under the Share Option Scheme, the Remuneration Committee will from time to time propose for the Board's approval for grant of share options and the number of share options to be granted to the relevant grantees. The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any new share option scheme of the Company which may be adopted hereafter must not, in aggregate, exceed 10 per cent of the total number of issued shares as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time. As at the date of this annual report, the number of shares of the Company available for issue under the Share Option Scheme amounts to 129,131,500 Shares, representing 7.02% of the total issued shares of the Company.

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

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

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

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

Further details of the Share Option Scheme are set out in the circular of the Company dated September 5, 2013, announcements of the Company dated July 26, 2016 and June 19, 2017, and note 39 to the Consolidated Financial Statements.

Details of movements in the options granted under the Share Option Scheme during the year ended December 31, 2018 are as follows:

Category and Name of grantee	Number of Share Options							Date of grant of share options	Exercise period of share options	Exercise price of share options	Price of the Company's shares immediately before the grant date of options	Weighted average closing price of the Company's shares	
	As at January 1, 2018	Granted during the year	Forfeited during the year	Exercised during the year	Lapsed during the year	Expired during the year	As at December 31, 2018			HK$ per share	HK$ per share	Immediately before the exercise dates HK$ per share	At dates of options HK$ per share
Executive Directors													
XU Yue	2,400,000	–	–	–	–	–	2,400,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
CHEN Yi	442,000	–	–	442,000	–	–	0	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	9.04	9.01
Non-executive Director													
WANG Liqun	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Independent Non-executive Directors													
LYU Wei	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
CHEN Xianglin	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
ZHU Anna Dezhen	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–
Other Employees in aggregate	15,015,000	–	–	3,147,500	818,000	–	11,049,500	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	8.415	8.498
	10,500,000	–	–	–	200,000	–	10,300,000	June 19, 2017	June 19, 2017 to June 19, 2022	8.140	8.020	–	–
Other grantees/participants in aggregate*	200,000	–	–	–	–	–	200,000	July 26, 2016	July 26, 2016 to December 31, 2020	3.780	3.690	–	–

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

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

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

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

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. Therefore, as at December 31, 2018, the remaining life of the Employee Pre-IPO Incentive Scheme was approximately 73 years and six months. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to Yongda Holding, unless the board of directors of Yongda Holding request the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of HSBC HK Trustee, the Articles of Association and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

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

During the year, 10,080,000 restricted shares were awarded to eligible persons in accordance with the terms of the Amended Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2018, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 26.1% and 72.4%. The percentage of the total sales attributable to the Group's five largest customers was below 30% of the total sales in the Group.

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

CHARITABLE DONATIONS

The donations by the Group for the year ended December 31, 2018 amounted to RMB1,953,000.

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

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2018 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

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

RECORD DATE OF AGM

Shareholders whose names appear on the register of members of the Company at the close of business on May 27, 2019 (Monday) (the "Record Date") will be entitled to attend the AGM to be held on May 31, 2019 (Friday). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will also be closed from June 6, 2019 (Thursday) to June 11, 2019 (Tuesday), both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on June 5, 2019 (Wednesday).

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

PRC, March 26, 2019

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2018.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

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

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

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the year ended December 31, 2018.

A. THE BOARD

1. Responsibilities

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

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

2. Delegation of Management Function

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

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

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

3. **Board Composition**

During the reporting year, the Board of the Company comprises the following Directors:

Executive Directors	Mr. CHEUNG Tak On *(Chairman)* Mr. CAI Yingjie *(Vice-chairman and Chief Executive Officer)* Mr. WANG Zhigao *(Vice-chairman)* Mr. XU Yue Ms. CHEN Yi
Non-executive Director	Mr. WANG Liqun
Independent Non-executive Directors	Mr. LYU Wei Mr. CHEN Xianglin *(resigned on January 1, 2019)* Ms. ZHU Anna Dezhen

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

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

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

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

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

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

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

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

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

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

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

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

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

6. **Board Meetings and General Meetings**

Number of Meetings and Directors' Attendance

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

The Board met four times during the year ended December 31, 2018 for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2017 and unaudited interim results for the six months ended June 30, 2018, approving the appointment of the joint company secretary, approving the appointment of the new independent non-executive Director and the adoption of relevant policies and revision of terms of reference of the Audit and Compliance Committee and the Nomination Committee in compliance with the revised Listing Rules.

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

Name of Director	Attendance/ Number of Board Meetings	Attendance/ Number of General Meeting(s)*
Mr. CHEUNG Tak On	4/4	1/1
Mr. CAI Yingjie	4/4	1/1
Mr. WANG Zhigao	4/4	1/1
Mr. XU Yue	4/4	1/1
Ms. CHEN Yi	4/4	1/1
Mr. WANG Liqun	4/4	1/1
Mr. LYU Wei	4/4	1/1
Mr. CHEN Xianglin *(resigned on January 1, 2019)*	4/4	1/1
Ms. ZHU Anna Dezhen	4/4	1/1

* One annual general meeting was held during the year ended December 31, 2018 on June 1, 2018.

Practices and Conduct of Meetings

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

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

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

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

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

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

B. CHAIRMAN AND CHIEF EXECUTIVE

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

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

Mr. CAI Yingjie is our Vice-chairman and Chief Executive Officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for our Group.

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

C. BOARD COMMITTEES

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

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

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

1. Remuneration Committee

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

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

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

The Remuneration Committee held two meetings during the year ended December 31, 2018 to review, among others, the remuneration policy and structure of the Company, and consider and make recommendation to the Board on the remuneration packages of the new or existing Directors and senior management.

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

Name of Director	Attendance/ Number of Meeting(s)
Ms. ZHU Anna Dezhen	2/2
Mr. WANG Zhigao	2/2
Mr. LYU Wei	2/2

Details of the Directors' remuneration are set out in note 11 to the Consolidated Financial Statements. In addition, the remuneration of each member of our senior management (except for members who are also Directors) for the year ended December 31, 2018 is below RMB909,000.

2. Audit and Compliance Committee

We have established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules as well as code provisions C.3 and D.3 of the CG Code. The Audit and Compliance Committee currently consists of three independent non-executive Directors, being Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui (who was appointed on January 1, 2019 to replace Mr. CHEN Xianglin who resigned on January 1, 2019). The chairperson of the Audit and Compliance Committee is Ms. ZHU Anna Dezhen, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

In compliance with the Hong Kong Stock Exchange's implementation of the revised Listing Rules relating to the review of the CG Code for accounting periods beginning on or after January 1, 2019, the terms of reference of the Audit and Compliance Committee were revised by the Board on December 27, 2018. The revised terms of reference setting out the Audit and Compliance Committee's authority, duties and responsibilities are available on the websites of the Hong Kong Stock Exchange and the Company.

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2018 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held two meetings during the year ended December 31, 2018 to review, among others, the unaudited interim results and report for the six months ended June 30, 2018, the financial reporting and the compliance matters, compliance with the corporate governance policy and practice, the audited annual results and financial report for the year ended December 31, 2017, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditors, the service fees due to the external auditor as well as the re-appointment of external auditors.

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

Name of Director	Attendance/ Number of Meeting(s)
Ms. ZHU Anna Dezhen	2/2
Mr. LYU Wei	2/2
Mr. CHEN Xianglin *(resigned on January 1, 2019)*	2/2

The Company's annual results for the year ended December 31, 2018 have been reviewed by the Audit and Compliance Committee on March 26, 2019.

3. **Nomination Committee**

We have established the Nomination Committee with written terms of reference in compliance with code provision A.5 of the CG Code. The Nomination Committee currently consists of one executive Director, being Mr. CHEUNG Tak On, and two independent non-executive Directors, being Mr. MU Binrui (who was appointed on January 1, 2019 to replace Mr. CHEN Xianglin who resigned on January 1, 2019) and Mr. LYU Wei. The chairperson of the Nomination Committee is Mr. CHEUNG Tak On. The Nomination Committee reviews the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes (if any) to it.

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

The Nomination Committee held two meetings during the year ended December 31, 2018 to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of our Company, to assess the independence of the independent non-executive Directors, to consider the credentials of the independent non-executive Director candidate, to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2018 annual general meeting of the Company.

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

Name of Director	Attendance/ Number of Meeting(s)
Mr. CHEUNG Tak On	2/2
Mr. CHEN Xianglin *(resigned on January 1, 2019)*	2/2
Mr. LYU Wei	2/2

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process. When nominating a particular candidate for Director, the Nomination Committee will consider amongst others (1) integrity and character; (2) factors including gender, age, cultural, educational background, ethnicity, skills, knowledge, experience, etc; (3) board diversity that a candidate can bring to the Board; (4) commitment in respect of available time (factors to be taken into account include public directorships already held by the candidates); (5) independence criteria as required under the Listing Rules for candidates for independent non-executive Directors; and (6) the experience or knowledge of the candidate that are relevant to the Company's business and corporate strategy and in international operations.

In short, proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director. The Nomination Committee will review such information of the potential candidates and may either conduct interviews with the candidates; or request candidates to provide additional information and documents if it considers necessary; or conduct any background check (if necessary). Meeting of a Nomination Committee will be called for the members to discuss the credentials of the proposed candidates and assess their qualifications based on the factors set out above. The Nomination Committee may also invite nominations of suitable candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

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

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

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

D. MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended December 31, 2018.

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

E. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2018.

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

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

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 72 of this annual report.

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

During the year, the remuneration paid to the external auditor of the Company in respect of audit services for the year ended December 31, 2018 amounted to RMB6,860,000.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On the basis of the aforesaid, during the year ended December 31, 2018, the Audit and Compliance Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

To promote effective communication, the Company maintains a website at www.ydauto.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. During the year ended December 31, 2018, the Company did not make any changes to its Articles of Association. An up-to-date version of the Articles of Association is also available on the websites of the Company and the Hong Kong Stock Exchange.

I. DIVIDEND DISTRIBUTION POLICY

Under the dividend distribution policy of the Company, the declaration of dividends is at the discretion of the Board subject to the applicable laws and the Articles of Association. The amount of dividends to be declared and paid are based upon, among other things, the Company's general business conditions, financial results, cash flows, capital requirements, interests of the Shareholders and any other factors which the Board may deem relevant.

Subject to the Cayman Companies Law and the Articles of Association, no dividend may be declared in excess of the amount recommended by the Board and the dividends are declared from statutory distributable reserves.

J. SHAREHOLDERS' RIGHTS

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

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

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

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

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

K. JOINT COMPANY SECRETARIES

Ms. MOK Ming Wai ("Ms. Mok") has been acting as the company secretary of the Company since 2012. She has over 20 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

On March 20, 2018, the Company has appointed Ms. ZHANG Hong ("Ms. Zhang") as another company secretary. Ms. Zhang is currently the assistant to our president and the director of the legal department of the Group. Ms. Mok and Ms. Zhang worked and communicated closely to discharge the functions of joint company secretaries during the year.

During the year ended December 31, 2018, each of Ms. ZHANG and Ms. MOK has undertaken over 15 hours of professional training to update their skills and knowledge.

Mr. WANG Zhigao and Ms. MOK have been engaged by the Company as authorized representatives.

L. GOING CONCERN

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

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 199, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the estimation involved in the management's impairment assessment of goodwill. As disclosed in Note 19 to the consolidated financial statements, as at December 31, 2018, the carrying amount of goodwill was approximately RMB977,146,000. As set out in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgments. Details of such judgements are disclosed in Note 19 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Understanding the processes and testing of the controls over the impairment assessment of goodwill; • Assessing the methodology used by the managements to determine the recoverable amounts which are the value in use of cash-generating units to which goodwill has been allocated; • Evaluating key inputs and assumptions used by the management in estimations of value in use, including discount rates applied, growth rates, selling prices and direct costs; and • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective cash-generating units as well as our knowledge of the business.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 26, 2019

Consolidated Statement of Profit or Loss

For the year ended December 31, 2018

	NOTES	2018 RMB'000	2017 RMB'000
Goods and services		**54,399,518**	50,019,832
Rental		**408,361**	379,735
Interests		**510,607**	299,735
Revenue	5, 6	**55,318,486**	50,699,302
Cost of sales and services		**(50,111,803)**	(45,674,645)
Gross profit		**5,206,683**	5,024,657
Other income and other gains and losses	7	**1,029,196**	927,227
Distribution and selling expenses		**(2,479,737)**	(2,269,322)
Administrative expenses		**(1,382,668)**	(1,221,573)
Profit from operations		**2,373,474**	2,460,989
Share of profit of joint ventures	20	**9,566**	9,086
Share of profit of associates	21	**50,813**	31,543
Finance costs	8	**(681,292)**	(494,118)
Profit before tax	10	**1,752,561**	2,007,500
Income tax expense	9	**(427,525)**	(405,712)
Profit for the year		**1,325,036**	1,601,788
Profit for the year attributable to:			
Owners of the Company		**1,253,099**	1,509,930
Non-controlling interests		**71,937**	91,858
		1,325,036	1,601,788
Earnings per share – basic	14	**RMB0.68**	RMB0.91
Earnings per share – diluted	14	**RMB0.68**	RMB0.83

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**1,325,036**	1,601,788
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**(15,161)**	–
Item that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	**–**	5,789
Total comprehensive income for the year	**1,309,875**	1,607,577
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,237,938**	1,515,719
Non-controlling interests	**71,937**	91,858
	1,309,875	1,607,577

Consolidated Statement of Financial Position

At December 31, 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**5,402,463**	4,729,155
Prepaid lease payments	16	**1,329,129**	1,111,600
Goodwill	17, 19	**977,146**	903,791
Other intangible assets	18	**1,576,695**	1,526,558
Deposits paid for acquisition of property, plant and equipment		**78,832**	91,514
Deposits paid for acquisition of land use rights		**59,894**	85,610
Deposits paid for acquisition of a subsidiary		**–**	3,000
Deposits paid for acquisition of an associate		**525**	–
Available-for-sale investments	23	**–**	250,429
Equity instruments at FVTOCI	24	**9,327**	–
Financial assets at fair value through profit or loss ("FVTPL")	22	**403,632**	–
Interests in joint ventures	20	**97,083**	101,628
Interests in associates	21	**441,070**	391,032
Finance lease receivables	25	**1,744,000**	1,337,893
Loan receivables	26	**86,175**	132,522
Amount due from a related party	48	**35,471**	31,435
Deferred tax assets	35	**195,858**	139,434
Other assets	27	**30,000**	30,000
		12,467,300	10,865,601
Current assets			
Prepaid lease payments	16	**42,762**	34,354
Inventories	28	**5,829,495**	6,111,751
Finance lease receivables	25	**1,877,661**	1,657,715
Loan receivables	26	**427,866**	735,260
Trade and other receivables	27	**6,186,355**	4,807,162
Amounts due from related parties	48	**117,995**	189,008
Cash in transit	29	**216,968**	211,096
Time deposits	30	**38,600**	–
Restricted bank balances	30	**1,754,453**	1,597,166
Bank balances and cash	30	**2,056,208**	1,717,675
		18,548,363	17,061,187

(Continued)

Consolidated Statement of Financial Position

At December 31, 2018

	NOTES	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	31	**5,503,881**	6,710,155
Amounts due to related parties	48	**4,113**	6,610
Income tax liabilities		**477,152**	357,478
Borrowings	36	**9,259,896**	6,596,271
Contract liabilities	32	**1,565,693**	–
Super short-term commercial papers	37	**1,298,665**	2,598,926
Corporate bonds	38	**1,994,422**	–
Derivative financial liabilities	33	**10,984**	–
		20,114,806	16,269,440
Net current (liabilities) assets		**(1,566,443)**	791,747
Total assets less current liabilities		**10,900,857**	11,657,348
Non-current liabilities			
Borrowings	36	**836,033**	416,572
Corporate bonds	38	**–**	1,992,394
Other liabilities	31	**67,304**	126,393
Deferred tax liabilities	35	**477,533**	340,555
		1,380,870	2,875,914
Net assets		**9,519,987**	8,781,434
Capital and reserves			
Share capital	34	**15,063**	15,033
Reserves		**8,972,850**	8,273,278
Equity attributable to owners of the Company		**8,987,913**	8,288,311
Non-controlling interests		**532,074**	493,123
Total equity		**9,519,987**	8,781,434

The consolidated financial statements on pages 74 to 199 were approved and authorized for issue by the Board of Directors on March 26, 2019 and are signed on its behalf by:

CHEUNG Tak On
DIRECTOR

WANG Zhigao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 *(note a)*	Special reserve RMB'000 *(note b)*	Share-based payments reserve RMB'000	Convertible bonds reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2017	12,066	904,807	614,084	260,407	66,320	62,490	–	3,041,585	4,961,759	441,174	5,402,933
Profit for the year	–	–	–	–	–	–	–	1,509,930	1,509,930	91,858	1,601,788
Other comprehensive income for the year	–	–	–	–	–	–	5,789	–	5,789	–	5,789
Total comprehensive income for the year	–	–	–	–	–	–	5,789	1,509,930	1,515,719	91,858	1,607,577
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	43,706	43,706
Placement and subscription	1,190	774,192	–	–	–	–	–	–	775,382	–	775,382
Ordinary shares issued to acquire subsidiaries	402	329,998	–	–	–	–	–	–	330,400	–	330,400
Acquisition of non-controlling interests	–	–	–	7,094	–	–	–	–	7,094	(39,762)	(32,668)
Recognition of equity-settled share-based payments	–	–	–	–	25,245	–	–	–	25,245	–	25,245
Exercise of share options	131	49,573	–	–	–	–	–	–	49,704	–	49,704
Transfer to statutory reserve	–	–	261,246	–	–	–	–	(261,246)	–	–	–
Conversion of convertible bonds exercised during the year	1,244	960,476	–	–	–	(62,490)	–	–	899,230	–	899,230
Dividends recognized as distributions *(Note 13)*	–	(276,222)	–	–	–	–	–	–	(276,222)	–	(276,222)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(43,853)	(43,853)
At December 31, 2017	15,033	2,742,824	875,330	267,501	91,565	–	5,789	4,290,269	8,288,311	493,123	8,781,434
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,253,099**	**1,253,099**	**71,937**	**1,325,036**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,161)**	**–**	**(15,161)**	**–**	**(15,161)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,161)**	**1,253,099**	**1,237,938**	**71,937**	**1,309,875**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**71,382**	**71,382**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(45,133)**	**–**	**–**	**–**	**–**	**(45,133)**	**(33,156)**	**(78,289)**
Disposal of partial equity interest in subsidiaries without losing control	**–**	**–**	**–**	**(868)**	**–**	**–**	**–**	**–**	**(868)**	**4,868**	**4,000**
Disposal of subsidiaries *(Note 41)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**(39)**
Acquisition of subsidiaries *(Note 40)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**812**	**812**
Recognition of equity-settled share-based payments *(Note 39)*	**–**	**–**	**–**	**–**	**16,817**	**–**	**–**	**–**	**16,817**	**–**	**16,817**
Exercise of share options	**30**	**11,243**	**–**	**–**	**–**	**–**	**–**	**–**	**11,273**	**–**	**11,273**
Transfer to statutory reserve	**–**	**–**	**305,956**	**–**	**–**	**–**	**–**	**(305,956)**	**–**	**–**	**–**
Dividends recognized as distributions *(Note 13)*	**–**	**(520,425)**	**–**	**–**	**–**	**–**	**–**	**–**	**(520,425)**	**–**	**(520,425)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(76,853)**	**(76,853)**
At December 31, 2018	**15,063**	**2,233,642**	**1,181,286**	**221,500**	**108,382**	**–**	**(9,372)**	**5,237,412**	**8,987,913**	**532,074**	**9,519,987**

Notes:

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

b. The special reserve mainly consisted of:

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

(ii) a reduction of reserve of approximately RMB72,111,000 representing the difference between the consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in prior years;

(iii) an amount of RMB5,965,000 representing the difference between the fair value of consideration paid and the carrying amount of the non-controlling interests upon acquisition of partial interests in subsidiaries in prior years;

(iv) a reduction of reserve of approximately RMB45,133,000 representing the difference between the consideration paid and the carrying amount of the non-controlling interests derecognized upon acquisition of partial interests in subsidiaries in 2018; and

(v) a reduction of reserve of approximately RMB868,000 representing the difference between the consideration received and the carrying amount of the non-controlling interests recognized upon partial disposal of the interests in subsidiaries in 2018.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	2018 *RMB'000*	2017 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**1,752,561**	2,007,500
Adjustments for:		
Finance costs	**681,292**	494,118
Interest income on bank deposits	**(18,051)**	(23,492)
Interest income from a related party	**(3,437)**	(3,264)
Loss on disposal of subsidiaries	**764**	3,430
Loss on disposal of interest in an associate	**–**	2,232
Depreciation of property, plant and equipment	**524,980**	476,614
Release of prepaid lease payments	**33,724**	33,707
Amortization of intangible assets	**41,854**	24,100
Share-based payments expenses	**16,817**	25,245
Gain on disposal of property, plant and equipment	**(12,164)**	(20,595)
Gain on fair value change of financial assets at FVTPL	**(1,809)**	–
Investment income of financial assets at FVTPL	**(135)**	–
Impairment loss on available-for-sale investments	**–**	3,571
Loss allowance of loan receivables	**142**	1,559
Loss allowance of finance lease receivables	**1,558**	1,787
Loss on changes in fair value of derivative financial instruments, net	**10,984**	–
Foreign exchange gain	**(10,984)**	–
Share of profit of associates	**(50,813)**	(31,543)
Share of profit of joint ventures	**(9,566)**	(9,086)
Operating cash flows before movements in working capital	**2,957,717**	2,985,883
Decrease (increase) in inventories	**343,247**	(1,376,895)
(Increase) decrease in trade and other receivables	**(1,279,192)**	348,682
Increase in finance lease receivables	**(627,611)**	(1,906,710)
Decrease (increase) in loan receivables	**353,599**	(585,703)
(Increase) decrease in cash in transit	**(5,872)**	3,570
Decrease in other liabilities	**(187,056)**	(150,142)
Increase in contract liabilities	**283,625**	–
Increase in trade and other payables	**216,978**	204,441
Decrease (increase) in amounts due from related parties	**7,966**	(30,319)
(Decrease) increase in amounts due to related parties	**(5,257)**	2,945
Withdrawal of restricted bank balances	**1,622,868**	1,012,744
Placement of restricted bank balances	**(1,700,189)**	(1,407,835)
Cash generated from (used in) operations	**1,980,823**	(899,339)
Income taxes paid	**(282,318)**	(208,448)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**1,698,505**	(1,107,787)

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	2018 *RMB'000*	2017 *RMB'000*
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(1,630,065)**	(1,295,171)
Purchase of intangible assets	**(78,273)**	(86,619)
Purchase of available-for-sale investments	**–**	(159,000)
Purchase of financial assets at FVTPL	**(200,950)**	–
Refund of financial assets at FVTPL	**7,235**	–
Additions to and deposits paid for prepaid lease payments	**(46,307)**	(44,506)
Proceeds on disposal of property, plant and equipment and land use rights	**519,767**	365,133
Advance to related parties	**(5,400)**	(68,415)
Advance to independent third parties	**–**	(76,215)
Advance to non-controlling interests	**(32,100)**	(33,585)
Collection of advance to non-controlling interests	**38,034**	6,700
Collection of advance to related parties	**67,848**	–
Collection of advance to independent third parties	**–**	20,000
Settlement of consideration for prior year acquisition of subsidiaries	**(110,096)**	(81,252)
Acquisition of subsidiaries	**(200,781)**	(607,122)
Proceeds on disposal of subsidiaries	**(882)**	–
Proceeds on disposal of an associate	**–**	893
Proceeds on disposal of available-for-sale investments	**–**	5,479
Interest received	**13,180**	26,756
Dividends received from joint ventures	**14,111**	6,543
Dividends received from associates	**8,610**	–
Dividends received from financial assets at FVTPL	**135**	–
Investments in associates	**(8,360)**	(7,625)
Placement of time deposits	**(38,600)**	–
Withdrawal of time deposits	**–**	21,000
NET CASH USED IN INVESTING ACTIVITIES	**(1,682,894)**	(2,007,006)

(Continued)

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	NOTE	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES			
New borrowings raised	46	**27,836,241**	20,372,710
Repayment of borrowings	46	**(24,824,171)**	(19,194,812)
Proceeds from issue of super short-term commercial papers	46	**2,300,000**	3,000,000
Repayment of short-term debentures	46	**–**	(800,000)
Repayment of super short-term commercial papers	46	**(3,600,000)**	(400,000)
Payment for transaction costs of issue of super short-term commercial papers	46	**(4,389)**	(7,987)
Payment for early redemption of convertible bonds	46	**–**	(17,130)
Repayment of advance from former shareholders of acquired subsidiaries	46	**(35,627)**	–
Capital injection by non-controlling interests		**71,382**	43,706
Acquisition of non-controlling interests		**(75,839)**	(32,668)
Advance from non-controlling interests	46	**5,751**	2,619
Advance from related party	46	**2,760**	–
Repayment of advance from non-controlling interests	46	**(21,378)**	–
Interest paid	46	**(727,649)**	(486,527)
Placement of deposits to entities controlled by suppliers for borrowings		**(59,455)**	(49,841)
Withdrawal of deposits to entities controlled by suppliers for borrowings		**37,301**	19,574
Withdrawal of restricted bank balances pledged for borrowings		**–**	106,000
Dividends paid as distribution	46	**(520,425)**	(276,222)
Dividends paid to non-controlling interests	46	**(76,853)**	(43,853)
Proceeds from partial disposal of subsidiaries without losing control		**4,000**	–
Proceeds from placement and subscription		**–**	775,382
Proceeds from exercise of share options		**11,273**	49,704
NET CASH FROM FINANCING ACTIVITIES		**322,922**	3,060,655
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**338,533**	(54,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**1,717,675**	1,771,813
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**2,056,208**	1,717,675

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

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 Company's registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is Unit 5708, 57/F, The Center, 99 Queen's Road Central, Hong Kong.

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

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

From this period, the consolidated statement of profit or loss and other comprehensive income was separately presented as two statements including the consolidated statement of profit or loss and the 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.

As at December 31, 2018, the Group had net current liabilities of approximately RMB1,566.44 million. The directors of the Company believe that the Group has sufficient cash flows from the operations and available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

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

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC-Int 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	*Transfer of Investment Property*

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

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

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contract* and the related interpretations.

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*, IAS 11 *Construction Contract* 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 automobile 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*. All others revenue will be accounted for under IFRS 15.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 5 and 3, respectively.

Summary of effects arising from initial application of IFRS 15

Taking into account the change in accounting policy arising from initial application on IFRS 15 as stated in Note 3, the directors of the Company considered that the initial application of IFRS 15 has no material impact in the timing and amount of revenue recognized.

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

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. *IFRS 15 Revenue from Contracts with Customers* (continued)

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

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

	Carrying amounts previously reported at December 31, 2017	Reclassification	Carrying amounts under IFRS 15 at January 1, 2018
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Trade and other payables	6,710,155	(1,282,068)	5,428,087
Contract liabilities	–	1,282,068	1,282,068

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

The following tables summaries the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at December 31, 2018 and its consolidated statement of cash flows for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Trade and other payables	5,503,881	1,565,693	7,069,574
Contract liabilities	1,565,693	(1,565,693)	–

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

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1. *IFRS 15 Revenue from Contracts with Customers* (continued)

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

Impact on the consolidated statement of cash flows

	As reported *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000*
Operating Activities			
Increase/decrease in trade and other payables	216,978	283,625	500,603
Increase/decrease in contract liabilities	283,625	(283,625)	–
Net cash from operating activities	500,603	–	500,603

2.2. *IFRS 9 Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial instrument* 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 under ECL model) 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.*

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

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

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.2. *IFRS 9 Financial Instruments* (continued)

Summary of effects arising from initial application of IFRS 9

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

	Available-for-sale investments *RMB'000*	Financial assets at FVTOCI *RMB'000*	Financial assets at FVTPL *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 ("AFS") investments	(250,429)	24,488	225,941
Opening balance at January 1, 2018	–	24,488	225,941

From AFS investments to FVTOCI

The Group elected to present in OCI for the fair value changes of part of its equity investments previously classified as AFS investments. These equity 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 AFS 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 investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB225,941,000 were reclassified from AFS 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 at January 1, 2018.

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

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

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

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

	December 31, 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	January 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
Contract liabilities	–	1,282,068	–	1,282,068

In the opinion of the directors of the Company, 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 was insignificant.

For the purposes of reporting cash flows from operating activities under indirect method for the year ended December 31, 2018, movements in working capital have been computed based on opening statement of financial position as at January 1, 2018 as disclosed above.

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

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after January 1, 2019.

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

3 Effective for annual periods beginning on or after January 1, 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2020.

Except for the new IFRS mentioned below, the directors of the Company anticipated that the application of all other new and amendments to IFRSs would have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

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

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

IFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented both as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing cash flows in accordance to the nature as appropriate.

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

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB1,928 million as disclosed in Note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of under IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB33,535,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits paid would be considered as additional lease payment and included in the carrying amount of right-of-use assets.

Upon the application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transactions constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial assets within the scope of IFRS 9. In accordance with the transition provision of IFRS 16, sales and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

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

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

IFRS 16 Leases (continued)

Furthermore, the application of new requirements under IFRS 16 would result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of IFRS 16 as lessee and will recognized the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of the net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity components, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS 9). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

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

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

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

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates or joint ventures.

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

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

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

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transition in Note 2)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transition in Note 2) (continued)

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 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.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to January 1, 2018)

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

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

Goods, services and interests

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 the sale of goods is recognized when the goods are delivered and titles have passed.

Service income is recognized when services are provided.

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

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

Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessor

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

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

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Leasehold land and building

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Vendor rebates

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Borrowing costs

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

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

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

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payments transactions

Share options granted to the directors and employees of the Company

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

The fair values of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest based on assessment of all relevant non-market vesting conditions, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

When share options are exercised, the amount previously recognized in share-based payments reserve will still be recorded in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will also still be recorded in share-based payments reserve.

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (continued)

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are measured using the individually method or weighted average method based on their nature, respectively. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

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

Interest income which are derived from the Group’s ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial assets are held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

- the contractual terms 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 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 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.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) (continued)

(ii) 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 subsequently measured at fair value plus 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.

(iii) 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 interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 2)

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, time deposits, restricted bank balances 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 2) (continued)

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, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect the current conditions at the reporting date as well as the forecast of future conditions.

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.

(i) 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; and

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 2) (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management purposes, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with Note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceeding, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, ECL is 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 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.*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments; i.e. the Group's trade receivables, finance receivables, loan receivables are each assessed as a separate group;

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 45(c).

(ii) AFS financial assets

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

Equity held by the Group that are classified as AFS are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS investments relating to interest income calculated using the effective interest method, are recognized in profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS are recognized in OCI and accumulated under the heading of retained profits.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018) (continued)

(iii) Loans and receivables

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

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

Impairment of financial assets (before application of IFRS 9 on January 1 2018)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on January 1 2018) (continued)

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

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

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

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

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

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the group has elected in initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortized cost

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

Effective interest method

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in Note 19. As at December 31, 2018, the carrying amount of goodwill of the Group was approximately RMB977,146,000 (December 31, 2017: RMB903,791,000).

Deferred tax asset

As at December 31, 2018, a deferred tax asset of approximately RMB153,432,000 (December 31, 2017: RMB99,375,000) in relation to unused tax losses for certain operating subsidiaries has been recognized in the Group's consolidated statement of financial position. No deferred tax asset has been recognized on the tax losses of RMB182,257,000 due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement

Certain of the Group's financial assets amounting to RMB284,062,000 as at December 31, 2018 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 45(c) for further disclosures.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for trade receivables, financial receivables and loan receivables

Except for trade receivables and finance lease receivables with significant balances and credit impaired which are assessed for ECL individually, the Group uses provision matrix to calculate ECL for the trade receivables, financial lease receivables and loan receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, financial receivables and loan receivables are disclosed in Note 45(b) respectively.

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

The Group's management determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired through business combination. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated. In addition, determining whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2018 and 2017, the carrying amounts of intangible assets acquired in business combination are approximately RMB1,242,699,000 and RMB1,269,897,000, respectively.

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

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the year in which such event takes place. As at December 31, 2018 and 2017, the carrying amounts of property, plant and equipment are approximately RMB5,402,463,000 and RMB4,729,155,000, respectively.

5. REVENUE

A. For the year ended December 31, 2018

(i) Disaggregation of revenue from contracts with customers under IFRS 15

	For the year ended December 31, 2018 Revenue *RMB'000*
Types of goods or services	
Sale of passenger vehicles	
– Luxury and ultra-luxury brands *(note a)*	38,136,594
– Mid- to high-end brands *(note b)*	8,432,778
	46,569,372
Services	
– After-sales services	7,830,146
Total	54,399,518
Geographical markets	
Mainland China	54,399,518
Timing of revenue recognition	
A point in time	46,569,372
Over time	7,830,146
Total	54,399,518

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, Mazda, Lynk, Weltmeister and others.

5. REVENUE (continued)

A. For the year ended December 31, 2018 (continued)

(i) *Disaggregation of revenue from contracts with customers under IFRS 15* (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended December 31, 2018		
	Segment revenue *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Sale of passenger vehicles	46,739,363	(169,991)	46,569,372
After-sales services	7,835,420	(5,274)	7,830,146
Passenger vehicle sales and services	54,574,783	(175,265)	54,399,518
Rental income	408,361	–	408,361
Interest income	543,378	(32,771)	510,607
Total Revenue	55,526,522	(208,036)	55,318,486

(ii) *Performance obligations for contracts with customers*

The Group sells passenger vehicles directly to customers through its own 4S outlets.

Revenue is recognized when (or as) the passenger vehicles are transferred to the customer and the customer obtains control of that vehicles.

For after-sales services, the Group's performance enhances the vehicle that's within the customer's control, revenue is recognized over time.

Generally, 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 vehicle sales and after-sales services, a credit period of not exceeding 60 days is granted.

(iii) *Transaction price allocated to the remaining performance obligation for contracts with customers*

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of sales of passenger vehicle and after-sales service as the Group's contract has an original expected duration of less than one year.

5. REVENUE (continued)

B. For the year ended December 31, 2017

An analysis of the Group's revenue for the year is as follows:

	For the year ended December 31, 2017 Revenue *RMB'000*
Types of goods or services	
Sale of passenger vehicles:	43,334,712
After-sales services	6,685,120
Rental income	379,735
Interest income	299,735
	50,699,302

6. OPERATING SEGMENTS

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

The Group's reportable segments are as follows:

- Passenger vehicle sales and services – (i) sale of passenger vehicles; and (ii) provision of after-sales services, including primarily repair and maintenance services, certain auxiliary automobile sales related services and provision of other automobile-related services;

- Automobile rental services; and

- Proprietary finance business.

6. OPERATING SEGMENTS (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Passenger vehicle sales and services RMB'000	Automobile rental services RMB'000	Proprietary finance business RMB'000 (note d)	Eliminations RMB'000	Total RMB'000
For the year ended December 31, 2018					
External revenue	54,399,518	408,361	510,607	–	55,318,486
Inter-segment revenue	175,265	–	32,771	(208,036)	–
Segment revenue *(note a)*	54,574,783	408,361	543,378	(208,036)	55,318,486
Segment cost *(note b)*	49,848,858	295,535	196,547	(229,137)	50,111,803
Segment gross profit	4,725,925	112,826	346,831	21,101	5,206,683
Service income	1,004,387	–	–	(30,068)	974,319
Segment results	5,730,312	112,826	346,831	(8,967)	6,181,002
Other income and other gains and losses *(note c)*					54,877
Distribution and selling expenses					(2,479,737)
Administrative expenses					(1,382,668)
Finance costs					(681,292)
Share of profit of joint ventures					9,566
Share of profit of associates					50,813
Profit before tax					1,752,561

6. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

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

6. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

Notes:

a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2018 was RMB54,574,783,000 (2017:RMB50,176,836,000) which included the sales revenue of passenger vehicles amounting to approximately RMB46,739,363,000 (2017: RMB43,491,716,000) and the after-sales services revenue amounting to approximately RMB7,835,420,000 (2017: RMB6,685,120,000).

b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2018 was RMB49,848,858,000 (2017: RMB45,502,321,000) which included the cost of sales of passenger vehicles amounting to approximately RMB45,633,484,000 (2017: RMB41,898,730,000) and the cost of after-sales services amounting to approximately RMB4,215,374,000 (2017: RMB3,603,591,000).

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

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

The accounting policies of the operating segments are the same as those of the Group as described in Note 3. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income (Note 7), distribution and selling expenses, administrative expenses, finance costs, share of profit of joint ventures and share of profit of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the executive directors of the Company.

Geographical information

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

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the years ended December 31, 2018 and 2017.

7. OTHER INCOME/OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Other income comprises:		
Service income *(note a)*	**974,319**	859,884
Government grants *(note b)*	**17,692**	45,814
Interest income on bank deposits	**18,051**	23,492
Interest income from a related party *(Note 48)*	**3,437**	3,264
Others	**1,009**	3,616
	1,014,508	936,070
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment and other intangible assets	**12,164**	20,595
Gain on fair value change of financial assets at FVTPL	**1,809**	–
Impairment loss on available-for-sale investments	**–**	(3,571)
Loss allowance of loan receivables	**(142)**	(1,559)
Loss allowance of finance lease receivables	**(1,558)**	(1,787)
Net foreign exchange gains (losses)	**10,516**	(1,526)
Investment income of financial assets at FVTPL	**135**	–
Net loss on changes in fair value of derivative financial instruments	**(10,984)**	–
Loss on disposal of interest in an associate	**–**	(2,232)
Loss on disposal of subsidiaries	**(764)**	(3,430)
Others	**3,512**	(15,333)
	14,688	(8,843)
Total	**1,029,196**	927,227

Notes:

a. Service income was primarily related to agency income derived from distribution of automobile insurance products and automobile financial products in the PRC. It is recognized when the agency services have been completed, which is the point of time being when the services are accepted by customers. The normal credit term is 30 to 60 days upon invoiced. The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of service income as the Group's contract has an original expected duration of less than one year.

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

8. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interest on:		
– bank loans	**374,363**	242,157
– other borrowings from entities controlled by suppliers	**60,126**	43,625
– reimbursement to suppliers *(note a)*	**87,305**	79,638
– short-term debentures	**–**	6,689
– super short-term commercial papers *(Note 37)*	**77,563**	94,473
– convertible bonds	**–**	27,736
– corporate bonds *(Note 38)*	**78,000**	78,000
Gain recognized for the re-measurement of liability component of the convertible bonds	**–**	(83,770)
Release of capitalized transaction cost in relation to issue of short-term debentures	**–**	667
Release of capitalized transaction cost in relation to issue of super short-term commercial papers *(Note 37)*	**4,128**	6,913
Release of capitalized transaction cost in relation to issue of corporate bonds *(Note 38)*	**2,028**	2,050
Less: interest capitalized *(note b)*	**(2,221)**	(4,060)
	681,292	494,118

Notes:

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

b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 5.47% (2017: 4.81%) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**399,498**	435,248
Underprovision of PRC EIT in prior years	**2,520**	958
	402,018	436,206
Deferred tax *(Note 35):*		
Current year charge (credit)	**25,507**	(30,494)
	427,525	405,712

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

	2018 *RMB'000*	2017 *RMB'000*
Profit before tax	**1,752,561**	2,007,500
Tax at the PRC EIT rate of 25% (2017: 25%)	**438,140**	501,875
Tax effect of expenses not deductible for tax purpose	**6,155**	9,485
Tax effect of income not taxable for tax purpose	**(2,029)**	(75,815)
Tax effect of share of results of associates and joint ventures	**(15,095)**	(10,157)
Different tax rate of subsidiaries operation in other jurisdiction	**2,950**	(15,356)
Effect of withholding tax associated with distributed earnings of subsidiaries in PRC	**–**	4,250
Effect of withholding tax associated with interest income arising from intra-group borrowings	**2,545**	1,073
Income tax on losses arising from intra-group equity transfer	**–**	(3,535)
Tax effect of preferential tax rates for certain subsidiaries	**(1,177)**	(146)
Utilization of tax losses previously not recognized	**(7,532)**	(6,920)
Tax effect of tax loss not recognized	**1,048**	–
Underprovision of PRC EIT in prior years	**2,520**	958
Income tax expense for the year	**427,525**	405,712

9. INCOME TAX EXPENSE (continued)

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, is incorporated in Hong Kong and had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

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

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

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2018 *RMB'000*	2017 *RMB'000*
Staff costs, including directors' remuneration *(Note 11)*:		
Salaries, wages and other benefits	**1,452,857**	1,329,495
Retirement benefits scheme contributions	**140,706**	119,053
Share-based payments expenses	**16,817**	25,245
Total staff costs	**1,610,380**	1,473,793
Auditors' remuneration:		
– in respect of audit service for the Company	**6,860**	6,860
– in respect of the statutory audits for the subsidiaries of the Company	**2,985**	3,258
Total auditors' remuneration	**9,845**	10,118
Cost of inventories recognized as an expense	**49,681,592**	45,345,317
Depreciation of property, plant and equipment	**524,980**	476,614
Release of prepaid lease payments	**33,724**	33,707
Amortization of intangibles assets	**41,854**	24,100
Gain on fair value change of financial assets at FVTPL	**(1,809)**	–
Investment income of financial assets at FVTPL	**(135)**	–
Impairment loss on available-for-sale investments	**–**	3,571
Loss allowance of loan receivables	**142**	1,559
Loss allowance of finance lease receivables	**1,558**	1,787

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

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

	2018 RMB'000	2017 RMB'000
Fees	**960**	960
Other emoluments		
Salaries and other benefits	**9,246**	7,428
Contributions to retirement benefits scheme	**233**	215
Share-based payments	**3,343**	2,100
	13,782	10,703

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

For the year ended December 31, 2018

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000	Total RMB'000
Executive Directors					
Cheung Tak On	–	2,646	50	–	2,696
Cai Yingjie	–	1,698	50	–	1,748
Wang Zhigao	–	1,684	33	–	1,717
Xu Yue	–	1,597	50	2,417	4,064
Chen Yi	–	1,621	50	810	2,481
Non-Executive Director					
Wang Liqun	240	–	–	29	269
Independent Non-Executive Directors					
Lyu Wei	240	–	–	29	269
Chen Xianglin	240	–	–	29	269
Zhu Anna Dezhen	240	–	–	29	269
	960	9,246	233	3,343	13,782

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

For the year ended December 31, 2017

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

Mr. Cheung Tak On is the Chairman of the Board of Directors of the Company and his emoluments disclosed above include those services rendered by him as the director of the Company and the Group.

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

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

Ms. Chen Yi is the Vice-president and a director of the Company and her emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Wang Zhigao is the Vice-chairman of the Company and his emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group for the year included five directors for the year ended December 31, 2018 (2017: three). The remuneration of the remaining two individuals for the year ended December 31, 2017 are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Employees		
Salaries and other benefits	–	1,118
Contributions to retirement benefits scheme	–	92
Share-based payments	–	1,934
	–	3,144

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

	Number of individuals	
	2018 *RMB'000*	2017 *RMB'000*
Hong Kong dollars ("HK$")1,500,001-HK$2,000,000	–	2
HK$2,000,001-HK$2,500,000	2	–
HK$2,500,001-HK$3,000,000	1	2
HK$3,000,001-HK$3,500,000	1	1
HK$3,500,000-HK$4,000,000	–	–
HK$4,000,000-HK$4,500,000	–	–
HK$4,500,000-HK$5,000,000	1	–
	5	5

During the year ended December 31, 2018, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors of the Company waived any emoluments during the two years.

13. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2017 final dividends – HK\$0.336 (equivalent to RMB0.283) (2017: 2016 final dividends – HK\$0.19 (equivalent to RMB0.17))	**520,425**	276,222

A final dividend of RMB0.225 per share with the total amount of approximately RMB413,522,000 in respect of the year ended December 31, 2018 has been proposed by the directors and is subject to approval by the shareholders in the upcoming annual general meeting.

14. 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:

	2018 *RMB'000*	2017 *RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,253,099**	1,509,930
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**–**	27,736
Gain recognized for the re-measurement of liability component of the convertible bonds	**–**	(83,770)
Earnings for the purpose of diluted earnings per share	**1,253,099**	1,453,896

	2018 *'000*	2017 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,836,663**	1,654,181
Effect of dilutive potential ordinary shares:		
Share options	**7,796**	12,324
Convertible bonds	**–**	94,998
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,844,459**	1,761,503

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Leasehold improvements *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At January 1, 2017	1,946,564	445,920	1,142,101	311,255	1,243,320	28,170	5,117,330
Additions	134,850	15,531	157,624	53,839	633,087	279,885	1,274,816
Acquired on acquisition of subsidiaries	156,060	26,144	44,898	31,436	38,502	36,713	333,753
Transfer	149,703	11,375	2,029	8,791	–	(171,898)	–
Disposals	–	(5,406)	(73,196)	(18,121)	(511,628)	–	(608,351)
At December 31, 2017	**2,387,177**	**493,564**	**1,273,456**	**387,200**	**1,403,281**	**172,870**	**6,117,548**
Additions	**19,862**	**30,921**	**179,425**	**71,554**	**1,094,144**	**245,479**	**1,641,385**
Acquired on acquisition of subsidiaries *(Note 40)*	**53,622**	**602**	**2,138**	**1,196**	**5,201**	**1,257**	**64,016**
Transfer	**82,448**	**1,112**	**98,092**	**2,743**	**–**	**(184,395)**	**–**
Disposals	**(56,739)**	**(6,162)**	**(28,598)**	**(5,715)**	**(662,538)**	**(1,748)**	**(761,500)**
Disposal of subsidiaries *(Note 41)*	**–**	**(413)**	**(1,455)**	**(634)**	**(820)**	**–**	**(3,322)**
At December 31, 2018	**2,486,370**	**519,624**	**1,523,058**	**456,344**	**1,839,268**	**233,463**	**7,058,127**
DEPRECIATION							
At January 1, 2017	208,458	221,524	281,594	168,230	295,786	–	1,175,592
Provided for the year	85,698	49,157	83,333	53,900	204,526	–	476,614
Eliminated on disposals	–	(3,738)	(67,148)	(12,017)	(180,910)	–	(263,813)
At December 31, 2017	**294,156**	**266,943**	**297,779**	**210,113**	**319,402**	**–**	**1,388,393**
Provided for the year	**51,553**	**50,322**	**102,187**	**72,233**	**248,685**	**–**	**524,980**
Eliminated on disposals	**(2,708)**	**(5,056)**	**(23,242)**	**(3,947)**	**(221,714)**	**–**	**(256,667)**
Eliminated on disposals of subsidiaries *(Note 41)*	**–**	**(114)**	**–**	**(317)**	**(611)**	**–**	**(1,042)**
At December 31, 2018	**343,001**	**312,095**	**376,724**	**278,082**	**345,762**	**–**	**1,655,664**
CARRYING VALUES							
At December 31, 2017	2,093,021	226,621	975,677	177,087	1,083,879	172,870	4,729,155
At December 31, 2018	**2,143,369**	**207,529**	**1,146,334**	**178,262**	**1,493,506**	**233,463**	**5,402,463**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The Group's buildings are situated on land in the PRC held by the Group under medium-term leases. Details of the Group's buildings and motor vehicles pledged to secure bank borrowings granted to the Group are set out in Note 36.

16. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At January 1, 2017	1,228,476
Additions	1,320
Acquired on acquisition of subsidiaries	31,141
At December 31, 2017	**1,260,937**
Additions	**21,919**
Acquired on acquisition of subsidiaries *(Note 40)*	**237,752**
Adjustment *(note)*	**(10)**
At December 31, 2018	**1,520,598**
AMORTIZATON	
At January 1 2017	81,276
Provided for the year	33,707
At December 31, 2017	**114,983**
Provided for the year	**33,724**
At December 31, 2018	**148,707**
CARRYING VALUES	
At December 31, 2017	1,145,954
At December 31, 2018	**1,371,891**

Note: The amount represents the adjustment for deed tax.

16. PREPAID LEASE PAYMENTS (continued)

	2018 *RMB'000*	2017 *RMB'000*
Analyzed for reporting purpose as:		
Current assets	**42,762**	34,354
Non-current assets	**1,329,129**	1,111,600
	1,371,891	1,145,954

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

Details of the Group's land use rights pledged to secure bank borrowings granted to the Group are set out in Note 36.

17. GOODWILL

	2018 *RMB'000*	2017 *RMB'000*
COST		
At the beginning of the year	**903,791**	478,860
Acquisitions of subsidiaries *(Note 40)*	**73,355**	424,931
At the end of the year	**977,146**	903,791

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

18. OTHER INTANGIBLE ASSETS

	Dealership agreements *RMB'000*	Customer relationship *RMB'000*	Vehicle licence plates *RMB'000*	Software *RMB'000*	Total *RMB'000*
COST					
At January 1, 2017	593,768	100,019	166,087	6,009	865,883
Acquisition of subsidiaries	600,000	36,600	–	–	636,600
Additions	–	–	62,967	23,651	86,618
At December 31, 2017	**1,193,768**	**136,619**	**229,054**	**29,660**	**1,589,101**
Acquisition of subsidiaries *(Note 40)*	**11,000**	**–**	**3,257**	**–**	**14,257**
Additions	**–**	**–**	**59,851**	**18,422**	**78,273**
Disposals	**–**	**–**	**(539)**	**–**	**(539)**
At December 31, 2018	**1,204,768**	**136,619**	**291,623**	**48,082**	**1,681,092**
AMORTIZATION					
At January 1 2017	27,699	10,729	–	15	38,443
Provided for the year	15,926	6,136	–	2,038	24,100
At December 31, 2017	**43,625**	**16,865**	**–**	**2,053**	**62,543**
Provided for the year	**29,844**	**8,354**	**–**	**3,656**	**41,854**
At December 31, 2018	**73,469**	**25,219**	**–**	**5,709**	**104,397**
CARRYING VALUES					
At December 31, 2017	1,150,143	119,754	229,054	27,607	1,526,558
At December 31, 2018	**1,131,299**	**111,400**	**291,623**	**42,373**	**1,576,695**

18. OTHER INTANGIBLE ASSETS (continued)

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

Dealership agreements	40 years
Customer relationship	15 years
Software	5-10 years

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

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

19. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 17 have been allocated to certain individual cash generating units ("CGUs") by different brands and locations which were all included in passenger vehicle sales segment. The carrying amounts of goodwill are as follows:

	Goodwill	
	2018	2017
	RMB'000	*RMB'000*
CGU A	**192,236**	192,236
CGU B	**178,167**	178,167
CGU C	**148,267**	148,267
CGU D	**81,803**	81,803
CGU E	**72,159**	72,159
CGU F	**73,355**	–
Others	**231,159**	231,159
Total	**977,146**	903,791

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

19. IMPAIRMENT TESTING ON GOODWILL (continued)

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

During the year ended December 31, 2018, the Group performed impairment review for goodwill and intangible assets of CGUs based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by the management using discount rates ranging from 11% to 12% (2017: 12% to 13%) which reflects current market assessments of the time value of money and the risks specific to CGUs. The cash flows beyond the next five years are extrapolated using a growth rate of 3% per annum (2017: 3%). The growth rates are by reference to industry growth forecasts. During the year ended December 31, 2018 and 2017, the management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

20. INTERESTS IN JOINT VENTURES

	2018 *RMB'000*	2017 *RMB'000*
Cost of unlisted investments in joint ventures	**82,455**	82,455
Share of post-acquisition profits, net of dividends received	**14,628**	19,173
	97,083	101,628

20. INTERESTS IN JOINT VENTURES (continued)

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

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2018 %	2017 %	2018 %	2017 %	
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda") 上海巴士永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S (sales, spare parts, service and survey) dealership
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") 哈爾濱永達國際汽車廣場有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**36**	36	**36**	36	4S dealership
Ryde 88 Pty Limited	Australian limited liability enterprise	Australia	Australia	Limited by shares	**40**	40	**40**	40	Real estate company

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

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

	2018 RMB'000	2017 RMB'000
The Group's share of profit and total comprehensive income for the year	**9,566**	9,086

21. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in associates	**345,853**	338,018
Share of post-acquisition profits and net of dividends received	**95,217**	53,014
	441,070	391,032

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

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2018 %	2017 %	2018 %	2017 %	
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	50	50	50	4S dealership
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	4S dealership

21. INTERESTS IN ASSOCIATES (continued)

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2018 %	2017 %	2018 %	2017 %	
Changjiang United Finance Leasing Co., Ltd. ("Changjiang United") *(note 1)* 長江聯合金融租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	15	15	15	15	Finance leasing
Guandao Network Technology (Shanghai) Co., Ltd. 觀道網絡科技(上海)有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	30	30	30	30	Software development
Sichuan Yongzhida second-hand car sales Co. Ltd. ("Sichuan Yongzhida") *(note 2)* 四川永智達二手車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	36	36	36	36	Sale of used cars
Anhui Jiajia Yongda Automobile Sales Co. Ltd. ("Anhui Jiajia") 安徽家家永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of used cars
Shanghai Shenbei Lexus car sales Co. Ltd. ("Shenbei Lexus") *(note 3)* 上海申北雷克薩斯汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	30	N/A	30	N/A	4S dealership
Shenzhen Zhongyue Baocheng Automobile Sales and Services Co., Ltd. ("Shenzhen Zhongyue") *(note 4)* 深圳眾悦寶誠汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	20	N/A	N/A	N/A	4S dealership

21. INTERESTS IN ASSOCIATES (continued)

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2018 %	2017 %	2018 %	2017 %	
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd. ("Guangzhou Xianghe Zhongyue") *(note 3)* 廣州祥和眾悦實業發展有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	47	N/A	47	N/A	real estate

Notes:

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

2. The Group acquired 45% equity interests of Sichuan Yongzhida through its subsidiary which the Group owns 80% equity interests.

3. During the year ended December 31, 2018, Shenbei Lexus and Guanzhou Xianghe Zhongyue were established and the Group contributed cash of RMB1,725,000 and RMB1,410,000, respectively.

4. During the year ended December 31, 2018, the Group disposed 50% equity interests of Shenzhen Zhongyue with nil consideration to independent third parties and treated the remaining 20% equity interests as an associate with cash contributed of RMB200,000.

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

21. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of a material associate

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

Changjiang United

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Current assets	**2,236,266**	8,514,571
Non-current assets	**21,034,712**	14,188,078
Current liabilities	**19,994,933**	19,868,520
Non-current liabilities	**600,000**	500,000

	2018	2017
	RMB'000	*RMB'000*
Revenue for the year	**639,749**	664,051
Profit and total comprehensive income for the year	**341,916**	195,254

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

	2018	2017
	RMB'000	*RMB'000*
Net asset of Changjiang United	**2,676,045**	2,334,129
Proportion of the Group's ownership interest in Changjiang United	**15%**	15%
Carrying amount of the Group's ownership interest in Changjiang United	**401,407**	350,119

21. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of (loss) profit and total comprehensive (expense) income of associates for the year/period before disposal	**(474)**	2,255
Aggregate carrying amount of the Group's interests in these associates	**39,663**	40,913

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Current		
– Fund investments *(a)*	**110,000**	–
– Equity investments *(b)*	**293,632**	–
Total	**403,632**	–

(a) Fund investments

During the year ended December 31, 2018, the Group entered into several contracts to purchase fund instruments amounting to RMB110,000,000 from financial institutions, and accounted for such investments as financial assets at FVTPL at initial recognition. The return of the fund investments is 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 year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Equity investments

	December 31, 2018 RMB'000	January 1, 2018* RMB'000
– Listed equity security *(i)*	**9,570**	25,594
– Limited partnership enterprises *(ii)*	**165,362**	131,647
– Unlisted equity instruments *(iii)*	**118,700**	68,700
Total	**293,632**	225,941

* Upon the 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 as at January 1, 2018.

i. During the year ended December 31, 2018, the Group withdrew certain investments in listed equity security amounting to RMB17,833,000. For the year ended December 31, 2018, a fair value gain of RMB1,809,000 based on the quoted bid prices in an active market is recognized in the "other income and other gains and losses".

ii. During the year ended December 31, 2018, the Group withdrew certain investments in limited partnership enterprises amounting to RMB7,235,000 and increased investments of certain other limited partnership enterprise amounting to RMB40,950,000, which are also measured at FVTPL.

In the opinion of the directors of the Company the fair value change arising from these financial assets at FVTPL as at December 31, 2018 was insignificant.

iii. During the year ended December 31, 2018, the Group increased investments of certain unlisted equity instruments amounting to RMB50,000,000, which are also measured at FVTPL.

In the opinion of the directors of the Company the fair value change arising from unlisted equity instruments at FVTPL as of December 31, 2018 was insignificant.

23. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017
	RMB'000
Listed equity securities *(note a)*	50,082
Unlisted equity instruments *(note b)*	200,347
	250,429

Notes:

a. The above listed equity investments represent shares in two listed entities. They are measured at fair value at the end of each reporting period. In 2015, the Group acquired the first unlisted equity instruments at cost of approximately RMB53,002,000, which subsequently became listed equity securities in 2015. During the year ended December 31, 2017, losses of approximately RMB3,571,000 that arise as a result of changes in fair value in the listed equity investments are recognized as impairment loss and recorded in other gains and losses and an accumulated fair value loss amounting to approximately RMB23,837,000 was recorded in retained profits. In 2015, the Group acquired the second unlisted equity instruments at cost of approximately RMB18,699,000, which subsequently became listed equity securities in 2017. During the year ended December 31, 2017, gains of approximately RMB5,789,000 that arise as a result of changes in fair value in the listed equity investments are recognized as other comprehensive income.

b. The above unlisted equity investments represent investments in unlisted equity instruments issued by private entities established in the PRC.

As at December 31, 2017, the Group's available-for-sale investments amounting to RMB250,429,000, including RMB200,347,000 measured at cost less impairment and RMB50,082,000 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.

The Group designated one listed equity security as FVTOCI with the carrying amount of RMB24,488,000. The remaining equity investments with the carrying amount of RMB225,941,000 were reclassified as financial assets at FVTPL and the fair value change was insignificant as at January 1, 2018.

24. EQUITY INSTRUMENTS AT FVTOCI

	2018 *RMB'000*
Listed equity securities *(note)*	**9,327**

Note:

The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

Upon the initial application of IFRS 9 since January 1, 2018, 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 OCI and a fair value gain of RMB5,789,000 continued to accumulated in the FVTOCI reserve.

During the year ended December 31, 2018, a fair value loss of RMB15,161,000 was recognized in the FVTOCI reserve.

25. 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.

	2018 *RMB'000*	2017 *RMB'000*
Analyzed as:		
Current	**1,877,661**	1,657,715
Non-current	**1,744,000**	1,337,893
	3,621,661	2,995,608

25. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables comprise:				
Within one year	**2,063,346**	1,839,684	**1,877,661**	1,657,715
In more than one year but not more than two years	**1,599,508**	879,674	**1,392,834**	786,456
In more than two years but not more than five years	**486,312**	615,278	**359,528**	558,241
	4,149,166	3,334,636	**3,630,023**	3,002,412
Less: unearned finance income	**(519,143)**	(332,224)	**N/A**	N/A
Less: allowance for impairment loss under ECL model *(Note 45(b))*	**(8,362)**	(6,804)	**(8,362)**	(6,804)
Present value of minimum lease payment receivables	**3,621,661**	2,995,608	**3,621,661**	2,995,608

At December 31, 2018, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB67,304,000 (2017: RMB126,393,000) and RMB76,619,000 (2017: RMB204,586,000) (Note 31) were recognized as other non-current liabilities and current liabilities, respectively.

26. LOAN RECEIVABLES

	2018 RMB'000	2017 RMB'000
Guaranteed but unsecured loans	**226,052**	365,317
Collateralized but unguaranteed loans	**292,555**	506,889
Gross loan receivables	**518,607**	872,206
Less: allowances for impairment losses under ECL model *(Note 45(b))*	**(4,566)**	(4,424)
Net loan receivables	**514,041**	867,782
Analyzed as:		
Current	**427,866**	735,260
Non-current	**86,175**	132,522
	514,041	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 and/or secured by collateral.

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

	2018 RMB'000	2017 RMB'000
Fixed-rate loan receivables:		
Within one year	**427,866**	735,260
In more than one year but not more than two years	**64,884**	84,768
In more than two years but not more than three years	**21,291**	47,754
	514,041	867,782

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

27. 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.

	2018 *RMB'000*	2017 *RMB'000*
Current		
Trade receivables	**809,964**	678,968
Bills receivables	**–**	1,288
	809,964	680,256
Prepayments and other receivables comprise:		
Prepayments and deposits to suppliers	**2,185,651**	1,267,519
Deposits to entities controlled by suppliers for borrowings	**214,453**	192,299
Prepayments and rental deposits on properties	**33,535**	38,025
Rebate receivables from suppliers	**2,134,548**	1,756,629
Interest receivables	**4,871**	–
Finance and insurance commission receivables	**132,256**	116,533
Staff advances	**10,087**	7,075
Value-Added Tax recoverable	**381,410**	459,270
Advances to non-controlling interests *(note a)*	**35,400**	43,784
Advances to independent third parties *(note a)*	**22,897**	76,215
Receivables on disposal of a subsidiary	**6,420**	6,420
Others	**221,283**	169,557
Less: allowance for doubtful debts	**(6,420)**	(6,420)
	5,376,391	4,126,906
	6,186,355	4,807,162
Non-current		
Other assets		
Advances to non-controlling interests *(note b)*	**30,000**	30,000

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

Notes:

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

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

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

	2018 ***RMB'000***	2017 *RMB'000*
0 to 90 days	**809,964**	680,256

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

Movement in the allowance for doubtful debts

	2018 ***RMB'000***	2017 *RMB'000*
January 1, and December 31	**(6,420)**	(6,420)

28. INVENTORIES

	2018 ***RMB'000***	2017 *RMB'000*
Motor vehicles	**5,258,890**	5,509,866
Spare parts and accessories	**570,605**	601,885
	5,829,495	6,111,751

As at December 31, 2018, vehicle certificates ("車輛合格證") for certain of the Group's inventories with an aggregate carrying amount of RMB773,055,000 (2017: RMB1,627,427,000) were pledged as security for the Group's interest-bearing bank and other borrowings (Note 36).

As at December 31, 2018, vehicle certificates of the Group's inventories with an aggregate carrying amount of RMB2,588,627,000 (2017: RMB1,464,187,000) were pledged as security for the Group's bills payables.

29. CASH IN TRANSIT

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

30. TIME DEPOSITS/RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at December 31, 2018, the Group had a fixed-term bank deposit with carrying amount of approximately RMB38,600,000, which carries interest rate of 4% per annum.

The Group also pledged certain of its bank deposits with carrying amounts of RMB1,754,453,000 (RMB1,597,166,000) to banks as security for bills payables and the restricted bank balances carry variable-rate interests ranging from 0.35% to 1.30% (2017: 0.35% to 1.30%) per annum. The restricted bank balances will be released upon the settlement of the relevant bills payables.

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

	2018	2017
	Interest rate per annum	
The Group		
– RMB	**0.35%**	0.35%
– HK$	**0.01%**	0.01%
– US$	**0.001%**	0.001%
– EUR€	**0.01%**	0.01%

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

	2018 *RMB'000*	2017 *RMB'000*
HK$	**25,126**	21,335
US$	**3,316**	2,398
EUR€	**333**	–
	28,775	23,733

31. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	2018 *RMB'000*	2017 *RMB'000*
Current		
Trade payables	**640,462**	404,143
Bills payables	**4,197,984**	3,942,504
	4,838,446	4,346,647
Other payables		
Other tax payables	**98,347**	127,215
Advances and deposits from customers	**–**	1,282,068
Payable for acquisition of property, plant and equipment	**80,662**	82,024
Payable for acquisition of land use right	**–**	25,104
Rental payables	**23,779**	21,644
Salary and welfare payables	**37,630**	76,900
Accrued interest	**65,623**	115,915
Accrued audit fee	**4,660**	5,686
Consideration payables for acquisition of subsidiaries *(note)*	**36,509**	116,227
Advance from non-controlling interests *(note)*	**90,484**	106,111
Advance from former shareholders of acquired subsidiaries	**–**	35,627
Deposits received from customers under finance leases *(Note 25)*	**76,619**	204,586
Others	**151,122**	164,401
	665,435	2,363,508
	5,503,881	6,710,155
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 25)*	**67,304**	126,393

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

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

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

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

	2018 RMB'000	2017 RMB'000
0 to 90 days	**4,100,537**	3,657,014
91 to 180 days	**737,909**	689,633
	4,838,446	4,346,647

32. CONTRACT LIABLITIES

	December 31, 2018 RMB'000	January 1, 2018* RMB'000
Advances and deposits from customers	**1,565,693**	**1,282,068**

* The amounts in this column are after the adjustments from the application of IFRS 15.

Revenue of RMB1,282,068,000 was recognized during the year ended December 31, 2018 that was included in the contract liabilities at the beginning the year of 2018.

The Group classifies these contract liabilities as current because the Group expects to realize them in their normal operating cycle.

Advances and deposits from customers are mainly from passenger vehicle sales and typically no credit period is allowed.

33. DERIVATIVE FINANCIAL LIABILITIES

At the end of the reporting period, the Group held certain derivatives as follows:

	2018 RMB'000	2017 RMB'000
Foreign currency forward contracts	6,009	–
Foreign currency options contracts	4,975	–
	10,984	–

Foreign currency forward contracts

The Group entered into several US$/RMB and HK$/RMB foreign currency forward contracts with banks in Hong Kong in order to manage the Group's foreign bank loans' currency risk.

	Receiving currency	Selling currency	Maturity date	Weighted average forward exchange rate
Contract A	US$38,000,000	RMB260,756,000	20 August 2019	US$:RMB at 1:6.8620
Contract B	HK$309,000,000	RMB277,080,300	14 June 2019	HK$:RMB at 1:0.8967

Foreign currency options contracts

The Group entered into a HK$/RMB foreign currency option contract with bank in Hong Kong in order to manage the Group's foreign currency risk.

The Group is required to transact with the banks for designated notional amount on each of the valuation dates specified within the respective contracts ("Valuation Date").

At the Valuation Date, the Reference Rate+ shall be compared against the strike rates (upper and lower)/ barrier rate as specified within the respective contracts, and the Group may receive from/pay to the bank an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

The Reference Rate+ represents the spot rate as specified within the respective contracts.

33. DERIVATIVE FINANCIAL LIABILITIES (continued)

Foreign currency options contracts (continued)

Extracts of details of foreign currency options contract from the respective contracts are as follow:

	Notional amount *HK$'000*	Strike/barrier/forward rates	Ending settlement date
Contract C	369,150	HK$:RMB at 1:0.8930/0.8932	June 13, 2019

34. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At January 1, 2016, December 31, 2017 and 2018	2,500,000	25,000

	Number of shares *'000*	Amount *HK$'000*	Shown in financial statements as *RMB'000*
Issued and fully paid:			
At January 1, 2017	1,480,122	14,801	12,066
Exercise of share options *(Note 39)*	15,143	152	131
Placement and subscription	135,000	1,350	1,190
Conversion of convertible bonds exercised during the year	156,718	1,567	1,244
Issuance to acquire subsidiaries	47,539	475	402
At December 31, 2017	1,834,522	18,345	15,033
Exercise of share options *(Note 39)*	3,590	36	30
At December 31, 2018	1,838,112	18,381	15,063

35. DEFERRED TAXATION

(a) Deferred tax assets

The following are the major deferred tax assets recognized and movements thereon during the reporting period:

	Tax losses RMB'000	Property, plant and equipment impairment RMB'000	Accrued expenses RMB'000	Others RMB'000	Total RMB'000
At January 1, 2017	81,466	–	24	2,303	83,793
Credit (charge) to profit or loss	17,909	–	(24)	6,184	24,069
Eliminated on disposal of subsidiaries	–	31,572	–	–	31,572
At December 31, 2017	99,375	31,572	–	8,487	139,434
Credit to profit or loss	**55,138**	**–**	**–**	**2,367**	**57,505**
Eliminated on disposal of subsidiaries *(Note 41)*	**(1,081)**	**–**	**–**	**–**	**(1,081)**
At December 31, 2018	**153,432**	**31,572**	**–**	**10,854**	**195,858**

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

The Group's unused tax losses of approximately RMB613,728,000 and RMB397,500,000 as at December 31, 2018 and 2017, respectively have been recognized as deferred tax assets as at the end of the reporting periods.

Balances of unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	2018 RMB'000	2017 RMB'000
Tax losses	**182,257**	208,193

35. DEFERRED TAXATION (continued)

(a) Deferred tax assets (continued)

The unrecognized tax losses will be carried forward and expire in years as follows:

	2018 RMB'000	2017 RMB'000
2019	**33,123**	45,879
2020	**30,419**	47,793
2021	**23,928**	23,928
2022	**90,593**	90,593
2023	**4,194**	–
	182,257	208,193

(b) Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At January 1, 2017	187,026	–	187,026
Credit to profit or loss	(6,425)	–	(6,425)
Acquired on acquisition of subsidiaries	159,954	–	159,954
At December 31, 2017	340,555	–	340,555
(Credit) charge to profit or loss	(10,444)	93,456	83,012
Acquired on acquisition of subsidiaries *(Note 40)*	53,966	–	53,966
At December 31, 2018	384,077	93,456	477,533

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB5,454,268,000 (2017: RMB4,333,129,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. BORROWINGS

	2018 *RMB'000*	2017 *RMB'000*
Bank loans	**8,223,478**	5,360,343
Other borrowings	**1,872,451**	1,652,500
	10,095,929	7,012,843
Secured borrowings, by the Group's assets	**2,614,797**	2,330,916
Unsecured borrowings	**7,481,132**	4,681,927
	10,095,929	7,012,843
Unguaranteed borrowings	**10,095,929**	7,012,843
Fixed-rate borrowings	**9,576,126**	6,547,511
Variable-rate borrowings	**519,803**	465,332
	10,095,929	7,012,843
Carrying amount repayable:		
Within one year	**9,259,896**	6,596,271
More than one year, but not exceeding two years	**828,469**	394,146
More than two years, but not exceeding five years	**7,564**	22,426
	10,095,929	7,012,843
Less: amounts due within one year shown under current liabilities	**(9,259,896)**	(6,596,271)
Amounts shown under non-current liabilities	**836,033**	416,572

36. BORROWINGS (continued)

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

	2018	2017
Effective interest rate:		
Fixed-rate borrowings	**2.91% to 5.66%**	4.13% to 6.09%
Variable-rate borrowings	**4.35% to 5.75%**	4.35% to 5.23%

The Group's variable-rate bank borrowings carry interest at the People's Bank of China benchmark rate plus a premium, London Inter-Bank Offer Rate ("LIBOR") plus a margin and Hong Kong Interbank Offered Rates ("HIBOR").

At the end of the reporting period, other borrowings (i) are of a term less than one year; (ii) are interest-free from the first 15 days to four months after drawdown; and (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period.

During the years ended December 31, 2018 and 2017, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	2018 *RMB'000*	2017 *RMB'000*
Land use rights	**139,989**	105,936
Property, plant and equipment (buildings and motor vehicles)	**214,232**	156,827
Inventories	**733,055**	1,627,427
Total	**1,087,276**	1,890,190

As at December 31, 2018, the Group has also pledged the total equity interests of one subsidiary with a carrying amount of RMB764 million (2017: RMB764 million) for bank loans which was raised in 2017.

37. SUPER SHORT-TERM COMMERCIAL PAPERS

On March 9, 2017, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment") received a notice of acceptance of registration (the "Notice") issued from National Association of Financial Market Institutional Investors 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, June 28, 2018, November 30, 2018 and December 14, 2018, Shanghai Yongda Investment issued the first tranche, the second tranche, the third tranche, the fourth tranche and the fifth tranche of the super short-term commercial papers, respectively, each with an aggregate principal amount of RMB0.5 billion, RMB0.5 billion, RMB0.5 billion, RMB0.5 billion and RMB0.3 billion and with a term of 180 days, 250 days, 270 days, 180 days and 180 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%, 7.30%, 6.70% and 6.50% 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 RMB4,389,000 during the year ended December 31, 2018 (2017: RMB7,987,000).

Movement of the super short-term commercial papers during the year ended December 31, 2018 was as follows:

	RMB'000
At January 1, 2018	2,598,926
Issued during the year ended December 31, 2018	2,300,000
Less: repayment of the 2017 super short-term commercial papers	(2,600,000)
Less: repayment of the 2018 first and second tranche super short-term commercial papers	(1,000,000)
Less: payment of transaction costs in relation to issuance	(4,389)
Add: interest expenses – amortization of transaction costs *(Note 8)*	4,128
At December 31, 2018	1,298,665

During the year ended December 31, 2018, interest expense of approximately RMB77,563,000 (2017: RMB94,473,000) was recognized. As at December 31, 2018, unpaid interest expense of approximately RMB22,453,000 was accrued in other payables (2017: RMB85,214,000).

38. CORPORATE BONDS

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

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

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

Movement of the Corporate Bonds during the year ended December 31, 2018 was as follows:

	RMB'000
At January 1, 2017	1,990,344
Add: interest expenses – amortization of transaction costs *(Note 8)*	2,050
At December 31, 2017	1,992,394
Add: interest expenses – amortization of transaction costs *(Note 8)*	2,028
At December 31, 2018	1,994,422

During the year ended December 31, 2018, interest expense of approximately RMB78,000,000 (2017:RMB78,000,000) was recognized. As at December 31, 2018, unpaid interest expense of approximately RMB12,822,000 (2017: RMB13,433,000) was accrued in other payables.

39. 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.

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.

39. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Set out below are details of movements of the outstanding options granted on July 26, 2016 and June 19, 2017 under the Share Option Scheme during the year ended December 31, 2018 and 2017:

	Outstanding as at January 1, 2017	Number of options issue during the year	Exercised during the year *(Note 34)*	Lapsed during the year	Outstanding as at December 31, 2017
Director:					
Mr. Wang Liqun	200,000	–	–	–	200,000
Mr. Lyu Wei	200,000	–	–	–	200,000
Mr. Chen Xianglin	200,000	–	–	–	200,000
Ms. Zhu Anna Dezhen	200,000	–	–	–	200,000
Mr. Xu Yue	3,000,000	–	(600,000)	–	2,400,000
Ms. Chen Yi	1,300,000	–	(858,000)	–	442,000
Employees and grantees	29,800,000	10,500,000	(13,685,000)	(900,000)	25,715,000
	34,900,000	10,500,000	(15,143,000)	(900,000)	29,357,000
Exercisable at the end of the year	18,301,800				15,324,000
Weighted average exercise price (HK$)	3.78	8.14	3.78	3.78	5.34

39. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

	Outstanding as at January 1, 2018	Number of options issue during the year	Exercised during the year (Note 34)	Lapsed during the year	Outstanding as at December 31, 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 Anna 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	–	(3,147,500)	(1,018,000)	21,549,500
	29,357,000	–	(3,589,500)	(1,018,000)	24,749,500
Exercisable at the end of the year	15,324,000				15,983,000
Weighted average exercise price (HK$)	5.34	–	3.78	4.64	5.59

As at December 31, 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 24,749,500 (2017: 29,357,000), representing 1.3% (2017: 1.6%) of the shares of the Company in issue at that date.

The Group recognized an expense of approximately RMB3,618,000 for the year ended December 31, 2018 in relation to the share options granted by the Company under the Share Option Scheme (for the year ended December 31, 2017: RMB6,382,000).

39. SHARE-BASED COMPENSATION (continued)

(b) Employee Pre-IPO Incentive Scheme

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

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

During the year ended December 31, 2018, awards of approximately 10,080,000 (2017: 9,413,000) restricted shares have been made pursuant to the Amended Scheme. Details are set out as follows:

	Number of shares *'000*	Vesting period	Total fair value *RMB'000*
Year 2017	9,413	1-28 years	63,888
Year 2018	10,080	10 years	68,718

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

Amount of approximately RMB13,199,000 (2017: RMB18,863,000) was recognized for the year ended December 31, 2018 in relation to such awards made by the Company under the Amended Scheme.

40. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Jiangyin Automobile Sales Servicshop 4S ("4S") dealerships

In October 2018, the Group acquired 100% equity interests of six subsidiaries from an independent third party for total cash consideration of RMB231.98 million, including three Honda 4S dealerships, two Toyota 4S dealerships and one Mazda 4S dealership to expand the Group's dealership network.

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

	RMB'000
Property, plant and equipment	56,094
Prepaid lease payments	208,720
Other intangible assets	11,000
Inventories	54,445
Trade and other receivables	61,391
Bank balances and cash	15,299
Restricted bank balances	54,264
Borrowings	(82,000)
Trade and other payables	(166,624)
Deferred tax liabilities	(53,966)
Net assets acquired	158,623
Goodwill	73,355
Consideration transferred	231,978
Satisfied by:	
Cash	208,568
Consideration payable	23,410
	231,978
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	15,299
Consideration paid	(208,568)
	(193,269)

40. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Jiangyin Automobile Sales Servicshop 4S ("4S") dealerships (continued)

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

Included in the profit for the year is RMB387,000 attributable to the subsidiaries acquired since the acquisition date. Revenue for the year includes RMB247,693,000 generated from these subsidiaries.

Had the acquisition of these entities been effected at the beginning of the year, the total amount of revenue of the Group for the year ended December 31, 2018 would have been RMB56,027,594,000 and the amount of the profit for the year would have been RMB1,328,927,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

(b) Acquisition of Changzhou Xintian 4S dealership

In January 2018, the Group acquired 100% equity interests in Changzhou Xintian Automobile Sales and Services Co., Ltd. ("Changzhou Xintian") at a cash consideration of RMB33 million. The transaction was completed in January 2018.

Changzhou Xintian was established in the PRC for the purpose of operating automobile sales and related services in Changzhou, Jiangsu Province. At the date of the acquisition, Changzhou Xintian had not commenced operation and its major assets are prepaid lease payment. The acquisition is therefore accounted for as an acquisition of assets through acquisition of a subsidiary.

40. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of Changzhou Xintian 4S dealership (continued)

The assets acquired and the associated liabilities assumed are as follows:

	RMB'000
Property, plant and equipment	5,138
Prepaid lease payments	29,032
Other receivables	2,419
Bank balances and cash	42
Other payables	(3,847)
Net assets acquired	32,784
Satisfied by:	
Cash	4,784
Prepayment and deposit from prior years	28,000
	32,784
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	42
Consideration paid	(4,784)
	(4,742)

40. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of Shanghai Lynk 4S dealerships

In January 2018, the Group entered into a sale and purchase agreement with independent third parties to acquire 76.5% equity interests in Shanghai Lynk Automobile Sales and Services Co., Ltd. ("Shanghai Lynk") which directly holds 100% equity interest in two Lynk 4S dealerships. Total consideration was RMB3.83 million. The transaction was completed in January 2018. At the date of the acquisition, Shanghai Lynk and its two Lynk subsidiaries of 4S dealerships had not commenced operation and its major assets are some property, plant and equipment. The acquisition is therefore accounted for as an acquisition of assets through acquisition of a subsidiary.

The assets acquired and the associated liabilities assumed are as follows:

	RMB'000
Property, plant and equipment	2,784
Inventories	6,988
Other receivables	18,579
Restricted bank balances	25,702
Bank balances and cash	2,461
Other payables	(51,877)
Net assets acquired	4,637
Less: non-controlling interests	(812)
Consideration transferred	3,825
Satisfied by:	
Cash	3,590
Consideration payable	235
	3,825
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	2,461
Consideration paid	(3,590)
	(1,129)

40. ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of car rental companies

In March and August 2018, the Group entered into sale and purchase agreements with independent third parties to acquire 100% equity interests in Shenzhen Donggan Time Automobile Rental Co., Ltd. ("Shenzhen Donggan") and Guangzhou Junyuan Business Co., Ltd. ("Guangzhou Junyuan") respectively at a consideration of RMB1.86 million. The transaction was completed in March and August 2018 respectively.

At the date of the acquisition, Shenzhen Donggan and Guangzhou Junyuan's major assets are intangible assets. The acquisition is therefore accounted for as an acquisition of assets through acquisition of a subsidiary.

The assets acquired and the associated liabilities assumed are as follows:

	RMB'000
Other intangible assets	3,257
Other receivables	16
Bank balances and cash	181
Other payables	(1,592)
Net assets acquired	1,862
Satisfied by:	
Cash	1,822
Consideration payable	40
	1,862
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	181
Consideration paid	(1,822)
	(1,641)

41. DISPOSAL OF SUBSIDIARIES

In June 2018, the Group disposed of 50% equity interests in Shenzhen Zhongyue, the entire 70% equity interests in Chenzhou Southern Zhongyue Automobile Sales and Services Co., Ltd. and the entire 60% equity interests in Jiangxi Shenjikai Automobile Sales and Services Co., Ltd with nil consideration.

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

	RMB'000
Property, plant and equipment	2,280
Deferred tax assets	1,081
Inventories	442
Other receivables	1,044
Bank balances and cash	882
Other payables	(4,900)
Income tax liabilities	(26)
Net assets	803
Less: non-controlling interests	(39)
Net assets disposal of	764
Loss on disposal *(Note 7)*	(764)
Total consideration	–
Net cash outflow arising on disposal:	
Cash received	–
Less: bank balances and cash disposed of	(882)
	(882)

42. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's outlets which fall due as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**219,989**	234,146
In the second to fifth years inclusive	**719,990**	632,281
After five years	**987,917**	1,007,593
	1,927,896	1,874,020

Operating lease payments represent rentals payable by the Group for certain properties and land. The leases in general run for an initial period of two to twenty years with an option to renew the leases when all the terms are renegotiated. Certain leases also contain an escalation clause.

The Group as lessor

At the end of each reporting period, the Group had contracted with car renters for the following future minimum lease payments:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**188,022**	171,062
In the second to fifth years inclusive	**133,983**	69,651
	322,005	240,713

The Group provides automobile rental services for a term of no more than three years and for fixed rentals.

43. CAPITAL COMMITMENTS

	2018 *RMB'000*	2017 *RMB'000*
Capital expenditure in respect of acquisition of		
– property, plant and equipment contracted for but not provided	**85,254**	65,798

44. CAPITAL RISK MANAGEMENT

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

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

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

45. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	10,968,637
Financial assets at amortized cost (including cash and cash equivalents)	12,373,852	–
Financial assets at FVTPL	403,632	–
Equity instruments at FVTOCI	9,327	–
Available-for-sale investments	–	250,429
	12,786,811	11,219,066
Financial liabilities		
Derivative financial liabilities	10,984	–
Financial liabilities at amortized cost	18,828,337	16,961,138

b. Financial risk management objectives and policies

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

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

Currency risk

Most of the Company's sales, purchase and expenditure are denominated in RMB. Also we use RMB as our reporting currency. However, certain financial assets (principally bank balances and amounts due from related parties) and financial liabilities are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group mainly exposes to foreign currency of US$ and HK$. During the year ended December 31, 2018, the Group entered into several US$/RMB and HK$/RMB foreign currency forward contracts and a HK$/RMB foreign currency option contract with banks in order to manage the Group's currency risk associated with foreign bank loans up to 12 months (see Note 33 for details).

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

	2018 *RMB'000*	2017 *RMB'000*
Assets		
US$	**3,316**	2,398
HK$	**25,126**	21,335
EUR€	**333**	–
Australia Dollars ("AU$")	**33,003**	32,033
Liabilities		
US$	**259,588**	–
HK$	**596,952**	–

Sensitivity analysis

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

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

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	Foreign currencies of the Group entities impact	
	2018	2017
	RMB'000	*RMB'000*
(Decrease) increase in post-tax profit for the year	**(29,804)**	2,069

Forward foreign exchange contracts

In addition. during the year ended December 31, 2018, the Group entered into several US$/RMB and HK$/RMB foreign currency forward contracts and a HK$/RMB foreign currency option contract with banks in order to manage the Group's currency risk associated with foreign bank loans up to 12 months (see Note 33 for details). The Group has assessed that the exposure of 5% foreign exchange rate changes on those derivative financial liabilities not under hedge accounting is insignificant.

Interest rate risk

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

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

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

Sensitivity analysis

Bank balances, pledged bank deposits and borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant.

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk. The directors of the Company consider that the exposure of other price risk arising from equity instruments measured at FVTOCI and FVTPL is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk and impairment assessment

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

In order to minimize credit risk, the Group has developed and maintained the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, finance lease receivables, loan receivables, cash in transit, time deposits, restricted bank balances and bank balances and cash.

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (RMB'000)
Financial assets at amortized cost				
Trade receivable – goods and services	27	note 2a	Lifetime ECL (provision matrix)	734,532
Trade receivable – operating leases	27	Low risk	12-month ECL	75,432
Loan receivables	26	Low risk	12-month ECL	516,993
		Watch list	12-month ECL	887
		Doubtful	Lifetime ECL (not credit impaired)	727
		note 3		518,607
Finance lease receivables	25	note 2b	Lifetime ECL (provision matrix)	3,630,023
Amounts due from related parties	48	note 1	12-month ECL	130,878
			Lifetime ECL (not credit impaired)	22,588
				153,466
Other receivables	27	note 1	12-month ECL	3,208,491
			Lifetime ECL (not credit impaired)	6,420
				3,214,911
Cash in transit	29	note 4	12-month ECL	216,968
Time deposits	30	note 4	12-month ECL	38,600
Restricted bank balances	30	note 4	12-month ECL	1,754,453
Bank balances and cash	30	note 4	12-month ECL	2,056,208

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

   For the purposes of impairment assessment, other receivables and amounts due from related parties are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

   74% (2017: 76%) of the Group's amounts due from related parties is from a related party which is financially strong.

   For other receivables, debtors with significant outstanding balances with gross carrying amounts of RMB2,684 million as at 31 December 2018 were assessed individually. These individually assessed receivables mainly comprised deposits and rebate receivables from certain suppliers of passenger vehicles in the PRC as at December 31, 2018. The Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, the Group could also choose to offset the payables for the passenger vehicles purchase from the suppliers as agreed. In order to further minimize the credit risk, the management of the Group delegates teams to deal with these suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. Teams also reconcile with these suppliers on outstanding balances, prepayments made and transactions recorded in relevant reporting period yearically to ensure trading information is properly recorded. In view of the actions taken by the Group and the fact that the counterparties are the joint ventures of renowned automobile manufacturers with high credit quality, the Group considers that credit risk in these deposits and rebate receivables made to suppliers is significantly reduced.

   The Group's advances to non-controlling interests consist of several balances with different non-controlling interests in the PRC and there is no concentration of credit risk.

   For the purpose of impairment assessment for these remaining other receivables and amounts due from related parties – non trade part, the Group has applied the 12-month ECL approach. For the amounts due from related parties – trade part, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The directors of the Company considered that the 12m ELC and lifetime ECL allowance are insignificant as at January 1, 2018 and December 31, 2018.

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2a: For trade receivables – goods and services, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

The Group's trade receivables consist of a large number of customers located in the PRC which poses insignificant concentration of credit risk. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the life time ECL allowance are insignificant as at January 1, 2018 and December 31, 2018.

2b: For finance lease receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

The following table provides information about the exposure to credit risk for finance lease receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances with gross carrying amounts of RMB840 million as at 31 December 2018 were assessed individually.

	Accounts average loss rate	Loss allowance on finance receivables *RMB'000*
Gross carrying amount		
Current (not past due)	0.3%	7,203
1-30 days past due	0.8%	33
31-60 days past due	2.7%	16
61-90 days past due	9.0%	26
More than 90 days past due	26.8%	1,084
		8,362

During the year ended 31 December 2018, the Group provided RMB8,362,000 impairment allowance for finance lease receivables, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognized for finance lease receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As at December 31, 2017 under IAS 39	(6,804)	–	(6,804)
– Impairment losses recognized	(1,558)	–	(1,558)
As at December 31, 2018	(8,362)	–	(8,362)

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

3. For the purposes of impairment assessment, loan receivables are recognized at 3-stage ECL, among which 99.69% in stage 1, 0.17% in stage 2 and 0.14% in stage 3. As at December 31, 2018, the impairment allowance is presented in the amount of RMB4,566,000 based on the provision matrix.

	Loss rate	Loss allowance on loan receivables *RMB'000*
Gross carrying amount		
Current (not past due)	0.8%	4,342
1-30 days past due	2.3%	17
31-60 days past due	5.4%	6
61-90 days past due	14.1%	7
More than 90 days past due	26.7%	194
		4,566

The following table shows the movement in ECL that has been recognized for loan receivables under the general approach.

	Lifetime ECL (not credit-impaired) *RMB'000*	12m ECL *RMB'000*	Total *RMB'000*
As at December 31, 2017 under IAS 39	(4,424)	–	(4,424)
– Impairment losses recognized	–	(194)	(194)
– Impairment losses reversed	52	–	52
As at December 31, 2018	(4,372)	(194)	(4,566)

4. The credit risk in relation to the Group's cash in transit, time deposits, bank balances and cash and restricted bank balances is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rates, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

	Weighted average interest rate %	Repayable on demand or within 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	After 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2018							
Non-derivative financial liabilities							
Trade and other payables	–	5,302,281	–	–	–	5,302,281	5,302,281
Amounts due to related parties	–	4,113	–	–	–	4,113	4,113
Borrowings	3.94%	4,707,264	4,787,707	874,205	–	10,369,176	10,126,277
Super short-term commercial papers	6.88%	543,712	808,617	–	–	1,352,329	1,321,118
Corporate bonds	3.90%	32,322	2,047,289	–	–	2,079,611	2,007,244
Other liabilities	–	–	–	67,304	–	67,304	67,304
		10,589,692	7,643,613	941,509	–	19,174,814	18,828,337
Derivative financial liabilities							
Foreign currency forward contracts	–	–	6,009	–	–	6,009	6,009
Foreign currency options contracts	–	–	4,975	–	–	4,975	4,975
		–	10,984	–	–	10,984	10,984
		10,589,692	7,654,597	941,509	–	19,185,798	18,839,321

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2017							
Trade and other payables	–	5,223,972	–	–	–	5,223,972	5,223,972
Amounts due to related parties	–	6,610	–	–	–	6,610	6,610
Borrowings	3.57%	3,792,745	2,913,792	429,030	–	7,135,567	7,012,843
Super short-term commercial papers	5.46%	2,015,832	601,361	–	–	2,617,193	2,598,926
Corporate bonds	3.90%	19,500	59,583	2,223,144	–	2,302,227	1,992,394
Other liabilities	–	–	–	126,393	–	126,393	126,393
		11,058,659	3,574,736	2,778,567	–	17,411,962	16,961,138

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities 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).

45. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2018 *RMB'000*	December 31, 2017 *RMB'000*		
Financial assets at FVTPL	**Fund instruments: RMB110,000**	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: RMB9,570**	Available-for-sale investments: RMB25,594	Level 1	Quoted bid prices in an active market
Equity investments at FVTOCI	**Listed securities: RMB9,327**	Available-for-sale investments: RMB24,488	Level 1	Quoted bid prices in an active market
Unquoted equity investments	**Equity instruments: RMB284,062**	Available-for-sale investments: RMB200,347	Level 3	Backsolve from most recent transaction price

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL *RMB'000*
At January 1, 2018	200,347
Total gains – in profit or loss	–
Purchases	90,950
Disposal	(7,235)
At December 31, 2018	284,062

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Short-term debentures	Super short-term commercial papers	Corporate Bonds	Convertible Bonds	Dividend Payable	Interest Payable	Advance from non-controlling interests	Amount due to RPT-non-trade	Advance from former shareholders of acquired subsidiaries	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)		*(Note 37)*	*(Note 38)*			*(Note 31)*	*(Note 31)*	*(Note 48)*	*(Note 31)*	
At January 1, 2017	5,476,772	799,333	–	1,990,344	978,837	–	55,479	103,492	–	2,688	9,406,945
Financing cash flows	1,177,898	(800,000)	2,592,013	–	(23,573)	(320,075)	(480,086)	2,619	–	–	2,148,796
Conversion of convertible bonds exercises during the year	–	–	–	–	(899,230)	–	–	–	–	–	(899,230)
Non-cash charges in finance costs	–	667	6,913	2,050	27,736	–	–	–	–	–	37,366
Interest expenses	–	–	–	–	–	–	540,522	–	–	–	540,522
Gain recognized for the re-measurement of liability component	–	–	–	–	(83,770)	–	–	–	–	–	(83,770)
Dividends recognized as distributions and paid to non-controlling interests	–	–	–	–	–	320,075	–	–	–	–	320,075
Addition due to acquisition of subsidiaries	358,173	–	–	–	–	–	–	–	–	32,939	391,112
At December 31, 2017	7,012,843	–	2,598,926	1,992,394	–	–	115,915	106,111	–	35,627	11,861,816
Financing cash flows	**3,012,070**	**-**	**(1,304,389)**	**-**	**-**	**(597,278)**	**(727,649)**	**(15,627)**	**2,760**	**(35,627)**	**334,260**
Non-cash changes in finance costs	**-**	**-**	**4,128**	**2,028**	**-**	**-**	**675,136**	**-**	**-**	**-**	**681,292**
Interest capitalized	**-**	**-**	**-**	**-**	**-**	**-**	**2,221**	**-**	**-**	**-**	**2,221**
Net foreign exchange gain	**(10,984)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,984)**
Dividends recognized as distributions and paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**597,278**	**-**	**-**	**-**	**-**	**597,278**
Addition due to acquisition of subsidiaries	**82,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**82,000**
At December 31, 2018	**10,095,929**	**-**	**1,298,665**	**1,994,422**	**-**	**-**	**65,623**	**90,484**	**2,760**	**-**	**13,547,883**

47. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The total costs charged to the consolidated statement of profit or loss and comprehensive income of approximately RMB144,386,000 and RMB119,053,000 for the years ended December 31, 2018 and 2017, respectively, represent contributions payable to the scheme by the Group for the respective years.

48. RELATED PARTY DISCLOSURES

I. Amounts due from related parties/a related party

	2018 *RMB'000*	2017 *RMB'000*
Current		
Associates held by the Group		
Sichuan Yongzhida	–	3,000
Joint ventures held by the Group		
Harbin Yongda	116,742	102,097
Ryde 88 Pty Limited	–	598
Shanghai Bashi Yongda	1,253	80,463
Entities controlled by the shareholders		
Zhejiang Yongda Internet Financial Information Services Limited	–	2,850
	117,995	189,008
Analyzed as:		
Trade-related *(note a)*	22,588	30,554
Non trade-related *(note b)*	95,407	158,454
	117,995	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.

48. RELATED PARTY DISCLOSURES (continued)

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

	2018 RMB'000	2017 RMB'000
Non-current		
Joint venture held by the Group		
Ryde 88 Pty Limited	**35,471**	31,435

The balance is an AU$-denominated and unsecured loan of principal amounting to AU$6,000,000, equivalent to RMB31,435,000, with maturity of three years. The loan carries a fixed interest rate of 12% per annum. The interests are payable upon maturity. During the year ended December 31, 2018, the Group extended the maturity of principle and interests by 1 year. As at December 31, 2018, unreceived interest of approximately AU$840,000, equivalent to RMB4,036,000, was accrued and recorded in amount due from related parties.

II. Amounts due to related parties

	2018 RMB'000	2017 RMB'000
Joint venture held by the Group		
Shanghai Bashi Yongda	**3,302**	2,220
Shanghai Yongda Changrong Automobile Sales Co., Ltd.	**741**	4,361
Shanghai Oriental Yongda	**70**	–
Associates held by the Group		
Sichuan Yongzhida	**–**	28
Entity controlled by the shareholders		
Shanghai Yongda Property Development Co., Ltd.	**–**	1
	4,113	6,610
Analyzed as:		
Trade-related *(note a)*	**1,353**	6,610
Non trade-related *(note b)*	**2,760**	–
	4,113	6,610

Notes:

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

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

48. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions

	2018 RMB'000	2017 RMB'000
a) Sales of motor vehicles		
Shanghai Bashi Yongda	**181,598**	72,224
Anhui Jiajia Yongda Automobile Sales Co. Ltd	**5,686**	–
Shanghai Yongda Changrong	**–**	818
	187,284	73,042

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 RMB1,052,137,000 and RMB874,961,000 for the years ended December 31, 2018 and 2017, respectively. A commission of approximately RMB9,023,000 and RMB8,191,000 was paid to Shanghai Oriental Yongda for the marketing and promotion activities it carried out for the Group for the years ended December 31, 2018 and 2017, respectively.

	2018 RMB'000	2017 RMB'000
b) Purchase of motor vehicles		
Shanghai Bashi Yongda	**211,251**	15,844
Shanghai Yongda Changrong	**6,620**	4,315
	217,871	20,159
c) Purchase of property, plant and equipment		
Harbin Yongda	**9,245**	–
d) Sales of spare parts		
Shanghai Yongda Changrong	**557**	–
Shanghai Bashi Yongda	**16**	132
Sichuan Yongzhida	**1**	–
	574	132

48. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

Sales of motor vehicles via Shanghai Oriental Yongda (continued)

		2018 *RMB'000*	2017 *RMB'000*
e)	**Interest income from**		
	Ryde 88 Pty Limited *(Note 7)*	**3,437**	3,264
f)	**Rental expenses paid to**		
	Entities controlled by the shareholders		
	Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd., and Shanghai Yongda Property Development Co., Ltd. *(note)*	**33,552**	24,795
	Associate held by the Group		
	Shanghai Yongda Fengdu Automobile	**3,800**	4,260
		37,352	29,055

Note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected and Continuing Connected Transactions" in this annual report.

		2018 *RMB'000*	2017 *RMB'000*
g)	**Compensation of key management personnel**		
	Salaries and other benefits	**12,666**	10,403
	Contributions to retirement benefits scheme	**535**	485
	Share-based payments	**4,305**	6,272
		17,506	17,160

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

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2018 is as follows:

	NOTE	2018 RMB'000	2017 RMB'000
Non-current Asset			
Unlisted investment in a subsidiary and amounts due from subsidiaries		**623,319**	623,319
		623,319	623,319
Current Assets			
Other receivables		**5,824**	1,056
Bank balances and cash		**28,396**	24,484
Amounts due from subsidiaries		**2,370,749**	2,055,040
		2,404,969	2,080,580
Current Liabilities			
Other payables		**1,947**	–
Borrowings		**867,524**	–
Amounts due to subsidiaries		**2,919**	2,919
		872,390	2,919
Net Current Assets		**1,532,579**	2,077,661
Total assets less current liabilities		**2,155,898**	2,700,980
Net assets		**2,155,898**	2,700,980
Capital and reserves			
Share capital		**15,063**	15,033
Reserves	(a)	**2,140,835**	2,685,947
Total equity		**2,155,898**	2,700,980

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (a):

	Share Premium RMB'000	Share-based payments reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2017	904,807	66,320	62,490	(189,643)	843,974
Profit for the year	–	–	–	41,201	41,201
Placement and subscription	774,192	–	–	–	774,192
Ordinary shares issued to acquire subsidiaries	329,998	–	–	–	329,998
Exercise of share options	49,573	–	–	–	49,573
Recognition of equity-settled share-based payments	–	25,245	–	–	25,245
Conversion of convertible bonds during the year	960,476	–	(62,490)	–	897,986
Dividends recognized as distributions	(276,222)	–	–	–	(276,222)
At December 31, 2017	2,742,824	91,565	–	(148,442)	2,685,947
Profit for the year	–	–	–	(52,747)	(52,747)
Exercise of share options	11,243	–	–	–	11,243
Recognition of equity-settled share-based payments	–	16,817	–	–	16,817
Dividends recognized as distributions	(520,425)	–	–	–	(520,425)
At December 31, 2018	2,233,642	108,382	–	(201,189)	2,140,835

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31,		Principal activities @
				2018	2017	
				%	%	
Directly held:						
Sea of Wealth International Investment Company Limited ("Sea of Wealth") 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	1 share of US$1.00 each	100	100	Investment holding
Indirectly held:						
Grouprich International Investment Holdings Limited("Grouprich International") 香港匯富國際投資集團有限公司	Hong Kong	September 10, 2004	1,000,000 shares of HK$1.00 each	100	100	Investment holding
Shanghai Yongda Investment Holdings Group Co., Ltd. 上海永達投資控股集團有限公司 (formerly known as Shanghai Yongda Investment Co., Ltd. 上海永達投資有限公司)	PRC	September 25, 2003	RMB2,320,000,000	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB1,893,204,250	100	100	Investment holding
Shanghai Yongda Automobile Leasing Co.,.Ltd 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB150,000,000	100	100	Automobile rental services
Shanghai Baozen Automobile Sales and Services Co., Ltd. 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB80,000,000	100	100	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows:(continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB50,000,000	100	100	4S dealership
Taiyuan Baozen Automobile Sales and Services Co., Ltd. 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	88	88	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB30,000,000	100	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB30,000,000	100	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. ("Wuxi Yongda Oriental") 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB50,000,000	70	70	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. 上海永達英菲尼迪汽車銷售服務有限公司	PRC	September 18, 2006	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. 上海永達英菲尼迪七寶汽車銷售服務有限公司	PRC	August 14, 2009	RMB25,000,000	100	100	4S dealership
Guangzhou Yongda Automobile Rental Co., Ltd. ("Guangzhou Yongda Automobile Rental") 廣州永達汽車租賃有限公司	PRC	July 6, 2012	RMB30,000,000	100	100	Automobile rental services

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows:(continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Yongsheng Finance Leasing Co., Ltd 永昇融資租賃有限公司	PRC	August 22, 2014	RMB133,875,000	**100**	100	Finance leasing services
Shanghai Yongda Finance Leasing Co., Ltd. 上海永達融資租賃有限公司	PRC	March 29, 2013	RMB500,000,000	**100**	100	Finance leasing services
Linyi Yubaohang Automobile Sales and Services Co., Ltd. 臨沂宇寶行汽車銷售服務有限公司	PRC	October 26, 2006	RMB30,000,000	**100**	100	4S dealership
Lishui Jiacheng Automobile Sales and Services Co., Ltd. 麗水市嘉誠汽車銷售有限公司	PRC	May 17, 2010	RMB80,000,000	**100**	100	4S dealership
Jiangyin Leichi Automobile Sales and Services Co., Ltd. 江陰雷馳汽車銷售服務有限公司	PRC	August 23, 2010	RMB35,000,000	**88** ***(note 2)***	51	4S dealership
Yancheng Yuebao Trading Co., Ltd. 鹽城悦寶貿易有限公司	PRC	October 31, 2015	RMB20,396,500	**100**	100	Operation to be commenced
Haerbin Baozen Automobile Sales and Services Co., Ltd. 哈爾濱寶誠汽車銷售服務有限公司	PRC	March 7, 2015	RMB30,000,000	**100**	100	4S dealership
Tianjin Zhongshun Jinbao Automobile Sales and Services Co., Ltd. 天津市中順津寶汽車服務有限公司	PRC	March 31, 2015	RMB45,000,000	**100**	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. 無錫寶尊汽車銷售服務有限公司	PRC	August 31, 2015	RMB20,000,000	**100**	100	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows:(continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Shenzhen Yongda South Investing Co., Ltd. 深圳永達南方投資有限公司	PRC	June 09, 2015	RMB266,000,000	**70**	70	Holding
Taixing Yongda Zhongcheng Automobile Sales and Services Co., Ltd. 泰興永達眾誠汽車銷售服務有限公司	PRC	February 28, 2015	RMB20,000,000	**100**	100	4S dealership
Shengzhou Yongda Bencheng Automobile Sales and Services Co., Ltd. 嵊州市永達本誠汽車銷售服務有限公司	PRC	June 30, 2015	RMB43,300,000	**100**	100	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. 南通東方永達佳晨汽車銷售服務有限公司	PRC	November 16, 2011	RMB40,000,000	**60**	60	4S dealership
Shanghai West Shanghai Shenjie Automobile Sales and Services Co., Ltd. 上海西上海申傑汽車銷售服務有限公司	PRC	March 3, 2011	RMB30,000,000	**100**	100	4S dealership
Shanghai West Shanghai Jiawo Automobile Sales and Services Co., Ltd. 上海西上海嘉沃汽車銷售服務有限公司	PRC	March 1, 2011	RMB30,000,000	**100**	100	4S dealership
Rui'an Yongda Nanyang Lujie Automobile Sales and Services Co., Ltd. 瑞安市永達南洋路捷汽車銷售服務有限公司	PRC	March 5, 2014	RMB42,000,000	**100**	100	4S dealership
Kunshan Yongda Lujie Automobile Sales and Services Co., Ltd. 昆山永達路捷汽車銷售服務有限公司	PRC	March 15, 2014	RMB40,000,000	**100**	100	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows:(continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Changshu Yongda Lujie Automobile Sales and Services Co., Ltd. 常熟永達路捷汽車銷售服務有限公司	PRC	June 8, 2014	RMB30,000,000	100	100	4S dealership
Shanghai West Shanghai Hongjie Automobile Sales and Services Co., Ltd. 上海西上海弘傑汽車銷售服務有限公司	PRC	July 5, 2011	RMB60,000,000	100	100	4S dealership
Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd. 上海永達啟明汽車銷售服務有限公司	PRC	January 27, 2015	RMB22,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB100,000,000	88	88	4S dealership
Jiangsu Baozun Investment Group Co., Ltd. 江蘇寶尊投資集團有限公司	PRC	April 25, 2011	RMB589,910,000	100	100	Investment holding
Changzhou Baozun Automobile Sales and Services Co., Ltd. 常州寶尊汽車銷售服務有限公司	PRC	May 11, 2006	RMB22,220,000	100	100	4S dealership
Changzhou Xin Baozun Automobile Sales and Services Co., Ltd. 常州新寶尊汽車銷售服務有限公司	PRC	October 29, 2009	RMB10,000,000	100	100	4S dealership
Changzhou Kaidi Automobile Sales and Services Co., Ltd. 常州凱帝汽車銷售服務有限公司	PRC	August 29, 2012	RMB10,000,000	100	100	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows:(continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Changzhou Changtong Auto sales and Service Co., Ltd.. 常州常通汽車銷售服務有限公司	PRC	January 9, 2003	RMB23,000,000	100	100	4S dealership
Changzhou Zunyue Automobile Sales and Services Co., Ltd. 常州尊越汽車銷售服務有限公司	PRC	June 25, 2007	RMB10,000,000	100	100	4S dealership
Yulin Ruibao Automobile Sales Service Co. Ltd. 榆林睿寶行汽車銷售服務有限公司	PRC	June 25, 2007	RMB25,000,000	100	100	4S dealership
Dezhou Shengbao Automobile Sales Service Co. Ltd. 德州聖寶汽車銷售服務有限公司	PRC	October 17, 2013	RMB99,890,000	100	100	4S dealership
Weifang Shengbao Automobile Sales Service Co. Ltd. 濰坊聖寶汽車銷售服務有限公司	PRC	October 10, 2013	RMB20,000,000	100	100	4S dealership
Zibo Shengbao Automobile Sales Service Co. Ltd. 淄博聖寶汽車銷售服務有限公司	PRC	October 18, 2013	RMB10,000,000	100	100	4S dealership
Dongying Yibaoxuan Automobile Sales Service Co. Ltd. 東營宜寶軒汽車銷售服務有限公司	PRC	March 1, 2011	RMB10,000,000	100	100	4S dealership
Yulin Baitai Automobile Sales and Services Co., Ltd. 榆林百泰汽車銷售服務有限公司	PRC	May 24, 2012	RMB52,000,000	100	100	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Fujian Quanzhou Baitai Automobile Sales and Services Co., Ltd. 福建省泉州百泰汽車銷售服務有限公司	PRC	March 23, 2011	RMB50,000,000	100	100	4S dealership
Fujian Baitai Automobile Sales and Services Co., Ltd. 福建百泰汽車銷售服務有限公司	PRC	December 19, 2013	RMB95,000,000	100	100	4S dealership
Yulin Chengtai Automobile Sales Service Co., Ltd. 榆林誠泰汽車銷售服務有限公司	PRC	August 21, 2013	RMB25,000,000	100	100	4S dealership
Fuqing Dachangjiang Runtong auto sales Services Ltd. 福清大長江潤通汽車銷售服務有限公司	PRC	December 10, 2013	RMB30,000,000	100	100	4S dealership
Haina Automobile Insurance Sales Co., Ltd. 海納汽車保險銷售有限公司	PRC	May 4, 2012	RMB50,000,000	100	100	Insurance services
Weifang Yongda Investment management Ltd. 濰坊永達投資管理有限公司	PRC	May 4, 2012	RMB13,580,595	100	100	Consultation
Fuzhou Tianchu Machinery Co., Ltd. 福州天楚機械有限公司	PRC	August 13, 1998	RMB13,500,000	100	100	Machinery
Nanchong Yongda Lujie Automobile Sales Service Co., Ltd. 南充永達路捷汽車銷售服務有限公司	PRC	April 3, 2014	RMB64,500,000	100	100	4S dealership
Chengdu Xin Jin Feng Automobile Sales and Services Co., Ltd. 成都新錦豐汽車銷售服務有限責任公司	PRC	February 22, 2013	RMB62,300,000	100	100	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2018 and 2017 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31, 2018 %	2017 %	Principal activities @
Mianyang Xinjincheng Automobile Sales and Services Co., Ltd. 綿陽新錦程汽車銷售服務有限責任公司	PRC	May 23, 2014	RMB81,000,000	**100**	100	4S dealership
Nanchong Xinshuangli Automobile Sales Service Co. Ltd. 南充新雙立汽車銷售服務有限責任公司	PRC	April 4, 2014	RMB26,700,000	**100**	100	4S dealership
Jiangyin Shengda Automobile Sales Service Co. Ltd. 江陰市盛達汽車銷售服務有限公司	PRC	April 25, 2001	RMB10,000,000	**100 *(note 1)***	N/A	4S dealership
Jiangyin Shengda Toyota Automobile Sales Service Co. Ltd. 江陰市盛達豐田汽車銷售服務有限公司	PRC	October 27, 1999	RMB20,000,000	**100 *(note 1)***	N/A	4S dealership
Jiangyin Shengda Yintian Automobile Sales Service Co. Ltd. 江陰市盛達穎田汽車有限公司	PRC	November 16, 2005	RMB10,000,000	**100 *(note 1)***	N/A	4S dealership
Jiangyin Yinda Automobile Sales Service Co. Ltd. 江陰市穎達汽車銷售有限公司	PRC	May 15, 2007	RMB12,100,000	**100 *(note 1)***	N/A	4S dealership
Jiangyin Shengda Jiayin Automobile Sales Service Co. Ltd. 江陰市盛達佳穎汽車銷售有限公司	PRC	September 5, 2007	RMB5,000,000	**100 *(note 1)***	N/A	4S dealership
Jiangyin Shengsheng Automobile Sales Service Co. Ltd. 江陰盛升汽車有限公司	PRC	August 4, 2009	RMB15,000,000	**100 *(note 1)***	N/A	4S dealership

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Except for Sea of Wealth and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.

^ The English names of all subsidiaries established in the PRC are translated for identification purpose only.

@ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, services and survey.

Notes:

1. These companies were newly acquired in 2018. Details are set out in Note 40.

2. The Group acquired partial equity interests of the subsidiary in 2018.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year, except for Shanghai Yongda Investment Holdings Group Co., Ltd. which issued super short-term commercial papers with principal amount of RMB1.3 billion, corporate bonds with principal amount of RMB2 billion. Details of the super short-term commercial papers are set out in Note 37, details of the corporate bonds are set out in Note 38.

51. SUBSEQUENT EVENTS

Possible disposal of certain subsidiaries of the Group

On February 20, 2019, the Company announced that it is in discussion with a consortium of investors in relation to a potential transaction which may lead to the disposal of possibly more than 50% of its equity interest in its automobile finance business which comprises of certain of its subsidiaries, including Shanghai Yongda Information Technology Group Co., Ltd. (上海永達信息技術集團有限公司). The discussions are preliminary in nature and no binding agreements have been entered into regarding the potential transaction as of the date of this annual report. For details, please refer to the announcement of the Company dated February 20, 2019. The discussions may or may not lead to the entering into of any definitive agreement and the potential transaction may or may not proceed as contemplated or at all.

Financial Summary

For the year ended December 31, 2018

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended December 31,				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
REVENUE	**55,318,486**	50,699,302	43,032,502	35,657,593	32,937,975
Profit before tax	**1,752,561**	2,007,500	1,152,003	776,535	705,235
Income tax expense	**(427,525)**	(405,712)	(244,227)	(209,201)	(165,755)
Profit for the year	**1,325,036**	1,601,788	907,776	567,334	539,480
Other comprehensive income	**(15,161)**	5,789	–	–	–
Total comprehensive income for the year	**1,309,875**	1,607,577	907,776	567,334	539,480
Profit for the year attributable to:					
Owners of the Company	**1,253,099**	1,509,930	851,272	524,468	501,130
Non-controlling interests	**71,937**	91,858	56,504	42,866	38,350
	1,325,036	1,601,788	907,776	567,334	539,480
Total comprehensive income for the year attributable to:					
Owners of the Company	**1,237,938**	1,515,719	851,272	524,468	501,130
Non-controlling interests	**71,937**	91,858	56,504	42,866	38,350
	1,309,875	1,607,577	907,776	567,334	539,480
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**31,015,663**	27,926,788	20,375,125	17,207,264	16,919,270
TOTAL LIABILITIES	**(21,495,676)**	(19,145,354)	(14,972,192)	(12,606,829)	(12,743,580)
NON-CONTROLLING INTERESTS	**(532,074)**	(493,123)	(441,174)	(363,240)	(331,799)
	8,987,913	8,288,311	4,961,759	4,237,195	3,843,891