**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)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the year ended December 31, 2016, together with comparative figures for the year ended December 31, 2015.

## GROUP FINANCIAL HIGHLIGHTS

- Consolidated revenue including revenue from finance and insurance agency services was RMB43,739 million in 2016, a 21.2% increase from RMB36,079 million in 2015.
- Consolidated gross profit including revenue from finance and insurance agency services was RMB4,512 million in 2016, a 30.8% increase from RMB3,449 million in 2015.
- Consolidated gross profit margin including revenue from finance and insurance agency services was 10.31% in 2016, a 0.75 percentage point increase from 9.56% in 2015.
- Net profit was RMB908 million in 2016, a 60.0% increase from RMB567 million in 2015.
- Net profit attributable to the owners of the Company was RMB851 million in 2016, a 62.3% increase from RMB524 million in 2015.
- Basic earnings per share was RMB0.58 in 2016 (2015: RMB0.35).
- The final dividend proposed for 2016 is HK$0.19 per share (approximately RMB0.17 per share), which is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company.

# MANAGEMENT DISCUSSION & ANALYSIS

## MARKET REVIEW

In 2016, China's passenger vehicles presented a relatively higher growth in sales volume as compared to 2015. According to the information of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in China was 24.38 million units for 2016, representing an increase of 14.9% compared to the same period in 2015, among which, the sales volume of sport utility passenger vehicles recorded a faster growth at a growth rate of 44.6%, representing 37.1% of the passenger vehicle market share. In 2016, benefiting from the continuity of China's preferential policies on vehicle purchases and the cyclical adjustments in the passenger vehicle market over the past years, the passenger vehicle market in China had turned the corner, resulting in higher price and sales volumes. As the Chinese macro-economic conditions further stabilize, it is expected that the sales volume of passenger vehicles in China would continue to grow in 2017 and the profitability of the automobile dealers would continue to improve.

In 2016, under the guidance of the national supply-side reform policy, a substantial number of luxury brand passenger vehicles manufacturers took the initiative to reduce their sales volume growth targets for the year in order to stabilize retail prices of new vehicles and to reduce the inventories of dealers for the purpose of achieving a sustainable and sound growth in sales volume. As a result, in 2016, the channel inventories of luxury and ultra-luxury brand passenger vehicles in China experienced continuous reduction, the price of new vehicles tended to stabilize and exhibited a trend of recovery in the second half of the year. The overall sales volume recorded a faster growth in the second half of the year. In the medium- to long-term, driven by the strong demand for product updating and upgrading and the rising permeability rate of automobile finance, it is anticipated that the growth of the sales volume of luxury and ultra-luxury brand passenger vehicles in China will continue to be faster than that of the overall growth of passenger vehicles in China, and that the proportion of sales volume of luxury and ultra-luxury brand passenger vehicles contributing to the sales volume of the passenger vehicles in China would further increase.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security, vehicle ownership in China reached 194 million units by the end of 2016, making it the second largest in the world, only after the United States of America (the "US"). With the continuous rise in passenger vehicle ownership and the aging of vehicles in China, the after-sales services market for passenger vehicles in China has maintained its fast growing pace in 2016. According to the results released by AutoNation for the fourth quarter of 2016, the largest automobile dealer in the US, the revenue and gross profit generated from new vehicle sales in 2016 only accounted for 57% and 19% of its total revenue and gross profit, respectively, while the remaining revenue and gross profit were generated from after-market services, such as automobile repair and maintenance, accessories, finance and insurance services, and pre-owned vehicles services. Compared to the data from China Automobile Dealers Association, the proportion of revenue of China's listed automobile dealership groups derived from new vehicle sales decreased by an average of 1.25 percentage points from 2014 to 2015, while the proportion of revenue derived from after-sales business increased by 1.1 percentage points, representing 9.75% of the total revenue. The gross profit derived from vehicles sales services decreased by an average of 5.33 percentage points, but the gross profit generated from the business of after-sales services recorded an average growth of 5.85 percentage points as compared to last year. On the basis of the foregoing, as a result of the industrial cyclical adjustments over the past years, the composition of revenue and gross profit of the automobile dealers had experienced a structural transformation. As the proportion of gross profit generated from new vehicles sales continued to mature and remained stable, the rapid growth of the extended services businesses such as after-sales services, pre-owned vehicles services and finance and insurance services has started to stimulate the improvement of profitability.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 10.39 million units in 2016. With the increase in the vehicle ownership in China and the speeding up of product updating and upgrading, the growth of the pre-owned vehicle market in China has accelerated. China Automobile Dealers Association forecasts that the transaction volume of pre-owned vehicles in China is expected to exceed 12.5 million units in 2017, representing a year-on-year increase of approximately 20%.

According to the data from China Automobile Dealers Association, the permeability rate of automobile consumer finance was approximately 38% in 2016, representing a significant increase over the previous years. However, there remains significant room for the growth of the permeability rate of China's automobile consumer finance as compared to the developed countries and regions, such as the US and Europe. Benefiting from the higher level of acceptance of automobile consumer finance among the younger generations and the wider variety of automobile finance products, it is expected that the permeability rate of China's automobile consumer finance will rise further in the future, creating huge potential for growth. Deloitte Touche Tohmatsu forecasts in the White Paper on Automobile Finance in China (2015) that the permeability rate of automobile consumer finance in China will reach 50% by 2020, and the market size is expected to exceed RMB2 trillion.

According to the data from www.chyxx.com, in terms of income, the highly fragmented long-term automobile rental market accounts for the largest portion of China's automobile rental market. The long-term automobile rental market increased from RMB7 billion in 2009 to RMB35.5 billion in 2015 with a compound annual growth rate (CAGR) of 31%. Driven by factors such as increased car use by enterprises, financial optimization of enterprises and reform policies of government vehicles, the long-term automobile rental market in China is expected to maintain a relatively fast growth with further integration in the future. According to the forecast by Deloitte Touche Tohmatsu in the White Paper on Automobile Finance in China (2015) as mentioned above, it is expected that the market size of China's automobile rental market will amount to RMB58 billion by 2018.

According to the data from China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles in 2016 in China reached 517,000 units and 507,000 units, respectively, representing a year-on-year increase of 51.7% and 53%, respectively. The sales of pure electric vehicles accounted for 81% of the new energy vehicles sales, taking the lead in the new energy vehicles industry. With the rapid launch of competitive new energy vehicle models, the introduction of supportive national policies and the continuous improvement of infrastructures of the new energy vehicles industry, it is believed that new energy vehicles business will enjoy great potential for growth in the future.

## BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved a strong growth in 2016. In 2016, our consolidated revenue and consolidated gross profit, taking into account the revenue from finance and insurance agency services, were RMB43,739 million and RMB4,512 million, respectively, representing an increase of 21.2% and 30.8%, respectively, compared to the same period in 2015. Taking into account the revenue from finance and insurance agency services, our consolidated gross profit margin for 2016 was 10.31%, representing an increase of 0.75 percentage point compared to 9.56% for the same period in 2015. In 2016, our net profit was RMB908 million, representing an increase of 60.0% as compared to the same period in 2015. Net profit attributable to owners of the Company was RMB851 million, representing an increase of 62.3% as compared to the same period in 2015. Set forth below is a summary of major developments of our businesses in 2016:

**Steady and Fast Growth in New Vehicle Sales**

The passenger vehicle sales market in China exhibited a steady and fast growth in 2016. Against this backdrop, our sales volume of new vehicles exhibited a fast growth and reached 147,262 units, representing a 26.5% increase compared to the same period in 2015. Our sales revenue of new vehicles from our passenger vehicle sales and services segment was RMB37,304 million in 2016, representing a 19.4% increase compared to the same period in 2015. Our gross profit margin for new vehicles sales from our passenger vehicle sales and services segment was 3.10% in 2016, representing a slight increase as compared to 3.06% for the same period in 2015.

In respect of the management and marketing of new vehicle sales, we strengthened the comprehensive management on sales quality of new vehicles and implemented our enterprise tracking and assessment model focusing on the consolidated gross profit of sales in order to improve the comprehensive profitability of new vehicle per unit and ensured a rapid growth in the consolidated gross profit of new vehicle sales. We further enhanced the retail rate of new vehicles and continued to improve the permeability rate of our extended services businesses, such as automobile finance, automobile insurance and automobile accessories, and hence ensured the fast growth in the profitability of our extended services businesses. In addition, we also carried out a comprehensive management of new vehicle inventories and reinforced the tracking of the composition of the vehicle models in stock and the overdue inventories to ensure the continuous optimization of the inventory structure of new vehicle that effectively reduced cost of sales. Meanwhile, we continued to expand our sales channels and cooperated with a number of industry-leading leasing companies and vehicle sharing platforms and proactively tapped into the nationwide leaseable vehicle procurement markets in light of the lessons learned in the established international automobile markets. At the same time, we extensively carried out efficient integration and sharing of enterprise resources within the Group to enhance marketing capability and brand effect. In addition, we improved internal refined management and reinforced the effective use of customer resources, thus achieving the rapid growth in new vehicle sales volume in 2016.

**Fast Growth in After-sales Services**

In 2016, our after-sales services business (including repair and maintenance services and automobile extended products and services) achieved healthy and rapid growth, recording a revenue of RMB5,446 million, representing an increase of 31.7% compared to the same period in 2015. In 2016, our gross profit margin for after-sales services was 45.72 %, representing a modest growth as compared to 45.56 % for the same period in 2015.

In respect of the optimization of internal management, the per capita repair and maintenance service income and service efficiency of our repair and maintenance workforce were further increased through the continuous adjustment and optimization of our after-sales services management structure and internal business processes. By doing so, we enhanced our sensitivity and response to market changes, such that we are able to capitalize on the market opportunities and secure more market resources, whereby ensuring the rapid development of our after-sales services.

In respect of attracting and retaining customers, we continued to strengthen the promotion of our self-owned after-sales service booking platform system, deepen the collaboration with third party internet platforms such as Tmall, and strengthen the customized services such as delivery and pick-up service. At the same time, we launched in time a series of customized services and products to meet the needs of our customers and win their recognition, thereby enhancing our customer loyalty and achieving good results, contributing to the increasing enhancement of our customer loyalty.

In respect of cost control, we have drawn on the advantages of our ever-expanding size, thereby further strengthening efforts in the centralized procurement of spare parts and decoration materials. We further reduced the procurement cost of spare parts and decoration materials by increasing the size of centralized procurement of parallel imported spare parts and major supplies. We continuously improved the market coverage of our professional care and maintenance products series under our proprietary "QUICKACT" brand to meet the needs of various companies and customers. The sales of our own "QUICKACT" brand care and maintenance products continued to improve, which effectively increased the gross profit of the after-sales services and enhanced our competitiveness. In addition, the external sales volume of our parallel imported spare parts and our own "QUICKACT" brand professional care and maintenance products series continued to improve, achieving recognisable results.

We continued to actively develop and deploy our independent after-sales services business and achieved satisfactory performance in certain regions which consolidated and increased the market share of our after-sales services. For each of the extended services businesses that we have always valued, we improved the product offerings of automobile decoration and modifications services and offered a variety of flexible product solutions to meet the personalized needs of existing after-sale services customers and other new customers, which further promoted the development of our automobile extended products and services business and strengthened the gross profit margin of our overall after-sales services.

**Rapid Growth of the Pre-owned Vehicle Business**

In 2016, the sales volume of pre-owned vehicles effected by us were 25,384 units, representing an increase of 41.0 % as compared to 18,002 units in the same period in 2015. The revenue from pre-owned vehicle agency service amounted to RMB129.35 million, representing an increase of 42.1 % as compared to RMB91.04 million in the same period in 2015.

In line with the industry development trend and with reference to the excellent experience in the established market, we have determined the development direction of our business to consumer (B2C) retail business in respect of our business models. On the one hand, we have proactively implemented the official certified pre-owned vehicle business in respect of the brands surrogated by us to maximize the value of pre-owned vehicles through our existing 4S channels; on the other hand, in respect of non-agency brands, we collaborated with TUV, a global leading German third-party testing institution, to launch the standardized testing system, and implemented Yongda certified pre-owned vehicle business. Fast turnaround and disposal of pre-owned vehicles which failed to meet the retail requirements were achieved through third-party platforms. We expect to raise the retail rate of pre-owned vehicles to over 70% within the next three years. The development of the retail business will effectively promote the growth of high value-added products, such as finance, insurance and extended warranty of pre-owned vehicles, as well as the after-sales services and replacement businesses, so as to perform better customer relationship management and form a perfect closed-loop business.

In 2016, we continued to expand the procurement channels of pre-owned vehicles by improving the management capacity of pre-owned vehicle pricing and salvage value. Firstly, by fully utilizing our existing 4S channels and broad customer base, we continuously increased the pre-owned vehicle replacement ratio of our existing customer base for updating and upgrading through replacement of new cars and successful after-sales services. Secondly, we secured steady and high-quality pre-owned vehicle resources each year by propelling the vehicle buy-back business with large leasing companies and group users, along with the sales of new vehicles. Lastly, we also focused on the cooperation with third-party platforms in respect of vehicle sourcing, and were able to offer instant professional quote services to individual or corporate car owners so as to gain access to the most favorable resources.

In 2016, we continued to speed up the construction of our pre-owned vehicles sales network, which consisted of two pre-owned vehicles retail channels, namely the online and offline channels. For our online channels, we have achieved real-time connection with the pre-owned vehicles inventory resources through connecting with third-party Internet platform companies at the system level, whereby end customers are provided with appraisal and quotations for car-sale and exhibition and enquiries services for car-purchase. In respect of our offline channels, we have carried out the appraisal, replacement and retail businesses of pre-owned vehicles through the existing 4S sales outlets of the Group on the one hand, and have implemented Yongda certified pre-owned vehicle business independently through Yongda Pre-owned Vehicle Malls on the other. Currently, we have established 103 pre-owned vehicle retail outlets across the country, including 16 business outlets certified by OEM brands, 71 4S sales outlets and 16 Yongda Pre-owned Vehicle Malls.

Yongda Pre-owned Vehicle Mall, the independent pre-owned vehicle chain brand under the Group, is one of the leading pre-owned vehicle brands in China. Leveraging on the strategic branding management, we established the regional repair and reconditioning center under centralized management, and implemented Yongda certified pre-owned vehicle system covering 178 items of 15 categories of professional inspection, built an all-process quality control system characterized with product standardization and processed management, and we strived to expand the business scale of the pre-owned vehicle chain operation in order to provide consumers with cost effective and quality assured professional pre-owned vehicle products and relevant extended services, as well as car-purchase experience characterized with "assured car-purchase, comfortable services and worry-free car use". We have initially achieved a brand new business landscape combining pre-owned vehicle, Internet and finance.

**Record High Results from Automobile Finance**

In 2016, we steadily promoted the industry-finance integration in our automobile finance business to discern industrial demands from a financial perspective, and achieved comprehensive connection between financial services and the automobile industry, resulting in significant synergies. Following the completion of the construction of finance and insurance business sectors, we launched several innovative financial products, such as "Drive New Cars" (開新車), "Installment Settlement" (達分期) and "Cloud+ Intelligent POS" (雲＋智能POS). We have made new breakthroughs as compared to last year in terms of business scale and profitability. In terms of scale, our permeability rate of finance exceeded 50% in 2016, representing an increase of 41.7% as compared to the same period in 2015, far higher than the average market level. In terms of profitability, the contribution of finance and insurance business to the gross profit of the Group increased by 17.8% from 15.2% in 2015 to 17.9%, serving as a key driving force for the Group's rapid business growth.

With respect to our automobile finance agency business, we cooperated with major financial institutions on a headquarter-to-headquarter basis, securing more resources and support for the Group and sustaining the continuous growth of the business. In 2016, the total revenue generated from our finance and insurance agency business was RMB712 million, representing an increase of 64.7% as compared to the same period last year, among which, the revenue from our finance agency service was RMB423 million, representing an increase of 76.0% as compared to RMB240 million in the same period last year; the revenue from our insurance agency service was RMB289 million, representing an increase of 50.6% as compared to the same period last year.

With respect to our proprietary business, we focused on expanding our assets scale and increasing our income while also emphasizing on the development of products and regional markets as well as making great efforts to explore new marketing methods. In 2016, we achieved additional interest-bearing assets of RMB2,560 million, including RMB2,232 million derived from the increase in the finance leasing business, representing an increase of 53.1% as compared to the same period last year, and the rest was derived from our small loan company officially commenced operations since September last year. Our finance leasing companies recorded a net profit of RMB53.42 million in 2016, representing an increase of 15.5% as compared to RMB46.26 million in the same period last year, and our small loan company also broke-even over the year. For our product design, we launched certain insurance installment products through the cooperation with a number of insurance agencies to perform the financing function in supporting the automobile industry, such products would be a driving force to strengthen our new insurance and renewal insurance businesses by installment financing with small amounts and specific usages.

With respect to the information construction, we completed the renewal for our Group's conventional cashier mode and achieved the full connection between sales and capital information in an intelligent and technological way by "Cloud + Intelligent POS", laying a solid foundation for future large data analysis. In addition, we implemented a centralized management model to complete the formation and layout of information system which aligns with the centralized management model in the finance industry. We established a credit facilities factory system as our core business processing center, achieving the integration of information input, risk assessment and assets management into a comprehensive end-to-end system. With respect to our sales channels, we had completed the first phase of the construction of our mobile exhibition platform, materializing real-time linkage between the foreground, middle-ground and background. At customers' side, our "Golden Touch" online platform (點車成金線上平台) had become more full-fledged, which was featured by simulation scenes as entry points, such as car-purchase, maintenance and sale. It would provide our customers with a brand new experience in the total integration of finance and insurance and automobile life.

With respect to asset quality, 2016 is the third full year after the Group launched the finance leasing business, with a positive trend maintained in its asset quality. According to the relevant data, the delinquency ratio of the Group's overall risky businesses has always been kept below 0.2%, and the Group has not incurred any substantive underperforming assets. The premium quality of assets is attributable to the Group's established risk management system. In 2016, we have already set up a vertical risk management system featuring "risk prevention at an earlier stage, policies first, uniform authorization and independent examination and approval", so as to ensure steady business growth in circumstances where risks are controllable.

**Sustainable Increase of Automobile Rental Services**

In 2016, our automobile rental services recorded a revenue of RMB364 million, representing an increase of 10.2% as compared to the same period in 2015.

In 2016, the domestic automobile rental services industry continued to develop by leaps and bounds, with many opportunities arising in Eastern China and the Shanghai regional market. With respect to the long-term rental business, we continued to maintain our existing predominance, with an increasing number of long-term rental contract customers ranging from the world's top 500 and large state-owned enterprises and private enterprises in finance, manufacturing, public utilities, media entertainment and high-tech sectors. We had constantly acquired long-term rental businesses from a number of large customers, such as SGCC, FAW Audi, Jaguar Land Rover and Qoros. The total number of contracts and orders grew by 15% as compared to that at the beginning of the year. The fleet size serving the Shanghai Disneyland Park increased by threefold.

With respect to the short-term rental business for high-end businesses and conferences, we kept forging ahead to become the designated automobile service provider of numerous influential international conferences, major sports and cultural events, such as the Global Exhibition CEO Shanghai Summit 2016, F1 Shanghai Grand Prix, China International Medical Equipment Fair, the opening ceremony of Shanghai Disneyland, WGC-HSBC Champions 2016, China Shanghai International Arts Festival 2016, and The American Chamber of Commerce in Shanghai Independence Day Celebration. We have also officially stationed in China National Convention Center, the world's largest convention center located in the central business district, Hongqiao District, Shanghai, and achieved positive economic returns and exciting marketing effect.

In 2016, we have been designated by government authorities, such as the People's Governments of Pudong New District, Xuhui District, Yangpu District, Hongkou District and Putuo District, and Public Security Bureau, Shanghai Public Security Bureau Baoshan Branch and Yangpu Branch to offer government service vehicles, and have launched the vehicle steward services for government civil servants in response to the public vehicle reform policy of Shanghai Government. Specifically, our vehicle steward services cover new vehicle purchases, repair and maintenance services, accident rescue and management, automobile insurance agency services, vehicle inspection agency services, old vehicle disposal, automobile service and decoration, agency of traffic peccancy processing, etc. This project will further strengthen our leading position in the sphere of automobile rental services in Shanghai.

In 2016, we actively promoted the business management information systemization. We completed our preliminary needs assessment study before the phased construction of sub-systems, and perfected the client's service booking system, service execution by drivers and management's compliance with regulatory measures, to meet the needs of long-term business development.

In 2016, we continued to conduct the layout of rental network in provinces and cities outside Shanghai. Currently, we have set up rental companies or developed operations in 20 cities nationwide. The vehicles in operation outside Shanghai accounted for 15% of our total number of vehicles. Meanwhile, we actively explored opportunities for cooperation with companies and agencies with established customer base and license resources in the markets across the country, including Beijing, Tianjin, Guangzhou, Shenzhen and Hainan.

**Fast Growth in New Energy Automobile Industry**

According to the information from China Association of Automobile Manufacturers, after the first explosive growth of the new energy automobile industry in China in 2015, the industry had maintained its fast development in 2016, with the production and sales volume of new energy vehicles over 500,000 units, which increased by more than 50% as compared to 2015. In 2016, the sales volume of new energy vehicles in China was below the annual target, due to the impact of the investigation in swindling subsidies, delay in the regional subsidies and the regulatory policies on import of batteries. However, driven by the industry favourable policies, as well as the concentrated implementation of new energy vehicle models by joint ventures and self-owned brands in the second half of the year, the production and sales volume of new energy vehicles continued to maintain fast growth. Meanwhile, according to the information from this association, as the production scale of new energy vehicles dealers, rental service companies and vehicle charging service providers was expanded significantly, it is expected that a consumption market for new energy vehicles with an annual sales volume of more than one million units will soon be developed in China.

We actively captured such industry trend and incorporated a new energy vehicle investment and development company in 2015. 2016 was the first year of commencement and development of our new energy automobile industry. We focused on exploring areas such as the sales and services of new energy vehicles, the oil to electricity conversion for service cars, charging station network layout, fully contribute to making new energy vehicle industry as an important field of our future business.

In 2016, we obtained the agency authorization from major domestic new energy vehicles brands (namely, SAIC, BAIC BJEV, JAC and DENZA). We completed the construction of the first six new energy vehicles sales and service centers and they were put into operation. The sales and services business of new vehicles recorded fast growth, which enabled us to win the procurement bidding from some group users, such as Global Car Rental (環球租車). Meanwhile, the oil to electricity conversion for service cars was implemented smoothly, which significantly lowered costs and had a good demonstration effect. In 2016, we accelerated the construction of our self-built charging station, officially launched the management platform of charging stations, and actively formulated the parallel cooperation with other renowned charging station operation platforms.

In 2016, we established business connection and cooperation relationships with a number of well-known companies or entities at home and abroad, including manufacturers that engaged in research and development of new energy vehicles, manufacturers and operators of charging stations, International Grid, China New Energy Vehicles Industry Association (國家新能源汽車產業協會), and Shanghai New Energy Vehicles Industry and Charging Industry Alliance (上海市新能源汽車產業和充電行業聯盟), laying a solid foundation for an all-round development of the new energy vehicles business of the Group in the future.

**Information Technology and Internet E-commerce Platforms**

We proposed "Internet + automobile" as a transformative concept in the automobile e-commerce field in 2014, aiming to improve the operating efficiency while enhancing customer service experience by building online to offline (O2O) channels, thus constructing our self-owned vertical service platform, building an automobile service industry ecosystem and creating "Yongda Auto Life Ecosystem".

In 2016, we have substantially completed the construction of the core data of customers, and completed the data consolidation and collection of all brand customers. We basically realized the big data intelligent analysis on customers' information, based on actual business scenarios involving the business of new vehicles sales, after-sales services, pre-owned vehicles and automobile finance. Meanwhile, we officially launched "永達汽車達人匯", a member service platform specially designed for the users of Yongda Automobile, so as to enhance level of members' loyalty by providing our members with customized activities, care and value-added services. The members of "永達汽車達人匯" exceeded 100,000 in the first half year after operation, with over 70% active members. In respect of external cooperation, we continued to strengthen cooperation with vertical and platform e-commerce players, such as Alibaba Automobile, Meituan Dianping (美團點評), BitAuto and Autohome, which facilitated stable online and offline integration in terms of sales of new vehicles and after-sales maintenance. We formally entered into a strategic cooperation agreement with Autohome at the end of 2016, pursuant to which, both parties will deepen their cooperation in automobile sales, e-commerce service, automobile finance and application of users' big data.

We have currently initiated another three-year information technology planning. Looking forward, we will adhere to the strategic guiding ideology of taking management of customers' assets as the core, together with synergy of diversified industries of the Group, and eventually digitalize the operation and management process and channelize customer services, thus driving the transformation and upgrading of the industry through data.

**Continuous Optimization and Improvement of Our Network**

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

In respect of developing the outlets authorized by manufactures, the Group continuously prioritized important markets for the development of important brands and new energy brands under the "streamlining, modularization and intensification" principle. We focused on the functionality and scalability of our new outlets and further controlled our investment cost while planning to implement optimization and improvement measures by closing out, disposing of or otherwise transforming outlets without strong profit-making capability.

In 2016, we obtained authorization to open 13 new passenger vehicles sales and services outlets, mainly focusing on luxury and ultra-luxury and new energy brands, including one Jaguar/Land Rover 4S dealership, one Lincoln 4S dealership, one Volvo 4S dealership, two Roewe 4S dealerships, one Skoda 4S dealership, one FAW-Volkswagen 4S dealership, one Shanghai-Volkswagen 4S dealership, one BAIC BJEV 4S dealership, one JAC 4S dealership, one Porsche city showroom and two BMW motorcycle city showrooms.

In 2016, we opened ten new passenger vehicles sales and services outlets, mainly focusing on luxury and ultra-luxury and new energy brands, including one Jaguar/Land Rover 4S dealership, one Bentley 4S dealership, two Volvo 4S dealerships, one Aston Martin 4S dealership, one Buick 4S dealership, one DENZA electric vehicles 4S dealership, one BAIC BJEV 4S dealership, one JAC 4S dealership and one BMW express service center.

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

Meanwhile, we adhere to our low-cost acquisition and merger strategy and actively seized opportunities for mergers and acquisitions. In the first half of 2016, we successfully acquired the 100% equity interest in JS Baozun Investment Group Co., Ltd. and its 18 4S dealerships, mainly for luxury brands, including BMW, Cadillac and Buick. For details, please refer to the announcement of the Company dated April 8, 2016.

We continued to operate our extensive network with the Yangtze River Delta as the center and have expanded our network to other regions in China, such as Northern China, Northeast China, Central China and Southern China. We have a total of 271 outlets opened and authorized to open, which are located across four municipalities and 60 cities in 20 provinces in China as of December 31, 2016, including 147 opened outlets with manufacturers' authorization, 108 opened self-owned outlets and 16 outlets with authorizations to be opened.

**Continuously Improving Management Capability**

We firmly adhered to management with integrity and preeminent culture, and integrated our automobile industry experience in over the past twenty years with the demand of current industry development so as to continuously achieve management innovation. In 2016, along with our continuous and steady business expansion, we continued to carry out our customer demand oriented and employee development management concept, and emphasized on customer service as the driving force of management. We continued our efforts in reform and innovation, to improve our process efficiency and service standards. We took the training and development of our employees as the core factor for sustainable development, aiming at building our talent team, especially the construction of the youth talent team. We continued to optimize our management through the following measures so as to create our core competitiveness:

**Channel Reforms:** We continually promoted channel reforms which focus on customer connection and experience and implemented comprehensive channel development strategy. We also expanded the monotonic offline physical automobile sales and service outlets into channel outlets which consist of related automobile industrial chain, including automobile sales and services, pre-owned vehicles, automobile finance and automobile lifestyle commodities such that our customers could enjoy the comprehensive one-stop auto life services. Meanwhile, we focused on constructing online mobile terminal entrance by online and offline integration, to provide our customers with convenient scene-mode service experience.

**Industry Convergence:** Relying on our competitive edge in the automobile industry, we proactively developed our automobile finance business and pre-owned vehicle business to meet the industry demand. On the one hand, we will provide sales and service enterprises and end-customers with competitive automobile finance products along the downstream of automobile industrial chain so as to create a leading automobile industry finance brand. On the other hand, with a clear B2C pre-owned vehicle pattern, we target to become a leading pre-owned vehicle retail service brand through online and offline integration. We will close the loop of automobile service industry chain at user end by way of automobile finance and pre-owned vehicle together with the original new vehicle and services.

**Brand Building:** We firmly believe in the principle of "brand is the life of an enterprise". With over twenty years' of our industry experience and persistence in conducting business with integrity, we strive to achieve transformation from automobile authorized agency sales and services to self-owned service business. We continuously improve our service quality and fully utilize the advantages of our large user base to shape the Group into one of the national leading passenger vehicle sales and service provider brands, by adhering to the concept of service expert and customer-driven operations.

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

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

## ANNUAL RESULTS

**Consolidated statement of profit or loss and other comprehensive income**
FOR THE YEAR ENDED DECEMBER 31, 2016

| | *NOTES* | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|---|
| Revenue | *3* | **43,032,502** | 35,657,593 |
| Cost of sales and services | | **(39,227,078)** | (32,630,645) |
| Gross profit | | **3,805,424** | 3,026,948 |
| Other income and other gains and losses | *4* | **760,367** | 414,569 |
| Distribution and selling expenses | | **(1,915,093)** | (1,503,417) |
| Administrative expenses | | **(1,052,121)** | (730,091) |
| Finance costs | | **(479,492)** | (447,070) |
| Share of profits of joint ventures | | **8,109** | 12,530 |
| Share of profits of associates | | **24,809** | 3,066 |
| Profit before tax | *5* | **1,152,003** | 776,535 |
| Income tax expense | *6* | **(244,227)** | (209,201) |
| Profit and total comprehensive income for the year | | **907,776** | 567,334 |
| Profit and total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **851,272** | 524,468 |
| Non-controlling interests | | **56,504** | 42,866 |
| | | **907,776** | 567,334 |
| Earnings per share — basic | *8* | **RMB0.58** | RMB0.35 |
| Earnings per share — diluted | *8* | **RMB0.56** | RMB0.35 |

**Consolidated statement of financial position**
AT DECEMBER 31, 2016

| | *NOTES* | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **3,941,738** | 3,578,068 |
| Prepaid lease payments | | **1,115,713** | 978,275 |
| Goodwill | | **478,860** | 286,624 |
| Intangible assets | | **827,440** | 530,053 |
| Deposits paid for acquisition of property, plant and equipment | | **29,292** | 118,683 |
| Deposits paid for acquisition of land use rights | | **16,000** | 24,607 |
| Available-for-sale investments | | **94,690** | 91,845 |
| Interests in joint ventures | | **99,085** | 80,109 |
| Interests in associates | | **354,989** | 166,068 |
| Finance lease receivables | *9* | **301,751** | 207,719 |
| Loan receivables | *10* | **7,687** | — |
| Amount due from a related party | | **32,356** | — |
| Deferred tax assets | | **83,793** | 92,756 |
| | | **7,383,394** | 6,154,807 |
| **Current assets** | | | |
| Prepaid lease payments | | **31,487** | 28,504 |
| Inventories | *11* | **4,317,443** | 4,083,064 |
| Finance lease receivables | *9* | **788,934** | 569,926 |
| Loan receivables | *10* | **275,951** | — |
| Trade and other receivables | *12* | **4,362,340** | 3,533,562 |
| Amounts due from related parties | | **89,353** | 67,382 |
| Cash in transit | | **214,666** | 99,817 |
| Time deposits | | **21,000** | — |
| Pledged bank deposits | | **1,118,744** | 1,138,209 |
| Bank balances and cash | | **1,771,813** | 1,531,993 |
| | | **12,991,731** | 11,052,457 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **5,201,419** | 4,682,769 |
| Amounts due to related parties | | **3,665** | 2,508 |
| Income tax liabilities | | **127,659** | 442,789 |
| Borrowings | | **5,319,251** | 3,902,214 |
| Short-term debentures | | **799,333** | 797,422 |
| Medium-term note | | **—** | 1,157,472 |
| Convertible bonds | | **978,837** | — |
| | | **12,430,164** | 10,985,174 |
| **Net current assets** | | **561,567** | 67,283 |
| **Total assets less current liabilities** | | **7,944,961** | 6,222,090 |

| | NOTES | 2016 | 2015 |
|---|---|---|---|
| | | **RMB'000** | *RMB'000* |
| **Non-current liabilities** | | | |
| Borrowings | | **157,521** | 250,928 |
| Corporate bonds | *14* | **1,990,344** | — |
| Convertible bonds | | **—** | 928,911 |
| Other liabilities | *13* | **207,137** | 337,398 |
| Deferred tax liabilities | | **187,026** | 104,418 |
| | | **2,542,028** | 1,621,655 |
| **Net assets** | | **5,402,933** | 4,600,435 |
| **Capital and reserves** | | | |
| Share capital | | **12,066** | 12,065 |
| Reserves | | **4,949,693** | 4,225,130 |
| Equity attributable to owners of the Company | | **4,961,759** | 4,237,195 |
| Non-controlling interests | | **441,174** | 363,240 |
| **Total equity** | | **5,402,933** | 4,600,435 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

| | |
|---|---|
| Amendments to IFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| Amendments to IAS 1 | *Disclosure Initiative* |
| Amendments to IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* |
| Amendments to IAS 16 and IAS 41 | *Agriculture: Bearer Plants* |
| Amendments to IFRS 10, IFRS12 and IAS 28 | *Investment entities: Applying the Consolidation Exception* |
| Amendments to IFRSs | *Annual Improvements to IFRSs 2012–2014 Cycle* |

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

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors, being the Group's chief operating decision maker who reviews the segment revenues 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 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; (ii) provision of after-sales services, including primarily repair and maintenance services, certain auxiliary automobile sales related services and provision of other automobile-related services, such as vehicle inspection, title transfer and registration and pre-owned vehicle agency;

- Automobile rental services; and

- Finance leasing and small loan services.

**Segment revenues and results**

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

| | Passenger vehicle sales and services *RMB'000* | Automobile rental services *RMB'000* | Finance leasing services *RMB'000* | Elimination *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| ***For the year ended December 31, 2015*** | | | | | |
| External revenue | 35,235,308 | 330,183 | 92,102 | — | 35,657,593 |
| Inter-segment revenue | 130,387 | — | 34,564 | (164,951) | — |
| Segment revenue *(note a)* | 35,365,695 | 330,183 | 126,666 | (164,951) | 35,657,593 |
| Segment cost *(note b)* | 32,527,648 | 221,722 | 35,968 | (154,693) | 32,630,645 |
| Segment gross profit | 2,838,047 | 108,461 | 90,698 | (10,258) | 3,026,948 |
| Service income | 432,126 | — | — | (10,384) | 421,742 |
| Segment result | 3,270,173 | 108,461 | 90,698 | (20,642) | 3,448,690 |
| Other income and other gains and losses *(note c)* | | | | | (7,173) |
| Distribution and selling expenses | | | | | (1,503,417) |
| Administrative expenses | | | | | (730,091) |
| Finance costs | | | | | (447,070) |
| Share of profits of joint ventures | | | | | 12,530 |
| Share of profits of associates | | | | | 3,066 |
| Profit before tax | | | | | 776,535 |

*Notes:*

a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2016 included the sales of passenger vehicles amounting to approximately RMB37,304,149,000 (2015: RMB31,230,199,000) and the after-sales services income amounting to approximately RMB5,446,431,000 (2015: RMB4,135,496,000).

b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2016 included the cost of sales of passenger vehicles amounting to approximately RMB36,148,357,000 (2015: RMB30,276,099,000) and the cost of after-sales services amounting to approximately RMB2,956,486,000 (2015: RMB2,251,549,000). The segment cost of finance leasing and small loan services is mainly composed of finance costs.

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

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

**Geographical information**

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

**Information about major customers**

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

**Revenue from major products and services**

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Sale of passenger vehicles: | | |
| — Luxury and ultra-luxury brands *(note a)* | **29,297,654** | 25,128,211 |
| — Mid- to high-end brands *(note b)* | **7,849,887** | 5,977,097 |
| Subtotal | **37,147,541** | 31,105,308 |
| After-sales services | **5,438,734** | 4,130,000 |
| Automobile rental services | **363,991** | 330,183 |
| Finance leasing and small loan services | **82,236** | 92,102 |
| | **43,032,502** | 35,657,593 |

*Notes:*

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

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

## 4. OTHER INCOME/OTHER GAINS AND LOSSES

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Other income comprises: | | |
| Service income *(note a)* | **706,161** | 421,742 |
| Advertising support received from automobile manufacturers *(note b)* | **1,323** | 14,789 |
| Government grants *(note c)* | **51,363** | 24,845 |
| Interest income on bank deposits | **14,649** | 13,271 |
| Interest income from a related party | **921** | — |
| Others | **4,670** | 2,498 |
| | **779,087** | 477,145 |
| Other gains and losses comprise: | | |
| Gain (loss) on disposal of property, plant and equipment | **423** | (10,749) |
| Impairment loss on available-for-sale investments | **(9,806)** | (14,030) |
| Impairment loss on other receivables | **—** | (8,020) |
| Reversal of impairment loss on other receivables | **1,600** | — |
| Impairment loss of loan receivables | **(2,865)** | — |
| Impairment loss of finance lease receivables | **(1,440)** | — |
| Net foreign exchange losses | **(2,196)** | (29,263) |
| Loss on disposal of subsidiaries | **(1,221)** | — |
| Others | **(3,215)** | (514) |
| | **(18,720)** | (62,576) |
| Total | **760,367** | 414,569 |

*Notes:*

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

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

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

## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Staff costs, including directors' remuneration: | | |
| Salaries, wages and other benefits | **894,210** | 761,078 |
| Retirement benefits scheme contributions | **97,586** | 86,782 |
| Share-based payment expenses | **22,036** | 16,012 |
| Total staff costs | **1,013,832** | 863,872 |
| Auditors' remuneration: | | |
| — in respect of audit service for the Company | **6,500** | 6,000 |
| — in respect of the statutory audits service for the subsidiaries of the Company | **2,659** | 2,764 |
| Total auditors' remuneration | **9,159** | 8,764 |
| Cost of inventories recognized as an expense | **38,916,997** | 32,356,696 |
| Depreciation of property, plant and equipment | **440,248** | 366,283 |
| Release of prepaid lease payments | **30,581** | 14,454 |
| Amortization of intangibles assets | **19,068** | 12,552 |
| Impairment loss on available-for-sale investments | **9,806** | 14,030 |
| Impairment loss on other receivables | **—** | 8,020 |
| Reversal of impairment loss on other receivables | **(1,600)** | — |
| Impairment loss of loan receivables | **2,865** | — |
| Impairment loss of finance lease receivable | **1,440** | — |
| Operating lease expenses | **228,159** | 169,379 |

## 6. INCOME TAX EXPENSE

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC Enterprise Income tax ("EIT") | **245,846** | 202,927 |
| Over provision of PRC EIT in prior years | **(1,487)** | — |
| | **244,359** | 202,927 |
| Deferred tax | | |
| Current year | **(132)** | 6,274 |
| | **244,227** | 209,201 |

## 7. DIVIDENDS

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

During the year ended December 31, 2015, a final dividend of RMB0.10 per share in respect of the year ended December 31, 2014 was declared and paid out of share premium to the owners of the Company in HK$ based on the medium exchange rate between RMB and HK$ as announced by the People's Bank of China on May 8, 2015 (HK$1.00 to RMB0.78863). The aggregate amount of the final dividend declared and paid in the year ended December 31, 2015 amounted to approximately RMB148,002,000.

A final dividend of HK$0.19 per share in respect of the year ended December 31, 2016 has been proposed by the directors and is subject to approval by the shareholders in the upcoming annual general meeting.

## 8. 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:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit for the year attributable to owners of the Company | **851,272** | 524,468 |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible bonds | **64,926** | — |
| Earning for the purpose of diluted earnings per share | **916,198** | 524,468 |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,480,052** | 1,480,022 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible bonds | **158,260** | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,638,312** | 1,480,022 |

No conversion of the convertible bonds was assumed for the purpose of the calculation of diluted earnings per share for the year ended December 31, 2015 because they were anti-dilutive.

Outstanding share options of the Company during the years ended December 31, 2016 and 2015 have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's earnings per share for the years ended December 31, 2016 and 2015.

## 9. 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.

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Analysed as: | | |
| Current | **788,934** | 569,926 |
| Non-current | **301,751** | 207,719 |
| | **1,090,685** | 777,645 |

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Finance lease receivables comprise: | | | | |
| Within one year | **803,388** | 593,010 | **788,934** | 569,926 |
| In more than one year but not more than two years | **261,416** | 200,983 | **226,679** | 176,406 |
| In more than two years but not more than five years | **87,520** | 37,529 | **76,512** | 31,313 |
| | **1,152,324** | 831,522 | **1,092,125** | 777,645 |
| Less: unearned finance income | **(60,199)** | (53,877) | **N/A** | N/A |
| Less: allowance for impairment loss | **(1,440)** | — | **(1,440)** | — |
| Present value of minimum lease payment receivables | **1,090,685** | 777,645 | **1,096,685** | 777,645 |

At December 31, 2016, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB207,137,000 (2015: RMB337,398,000) and RMB273,983,000 (2015: RMB180,001,000) (Note 13) were recognized as other non-current liabilities and current liabilities, respectively.

## 10. LOAN RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Guaranteed but unsecured loans | **123,333** | — |
| Collateralised but unguaranteed loans | | |
| — loans secured by property | **163,170** | — |
| Gross loan receivables | **286,503** | — |
| Less: Allowances for impairment losses | | |
| — Collectively assessed | **(2,865)** | — |
| Net loan receivables | **283,638** | — |
| Analysed as: | | |
| Current | **275,951** | — |
| Non-current | **7,687** | — |
| | **283,638** | — |

The Group provided fixed-rate loans with a term from two months to three years to local individuals in 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:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Fixed-rate loan receivables: | | |
| Within one year | **275,951** | — |
| In more than one year but not more than two years | **4,782** | — |
| In more than two years but not more than three years | **2,905** | — |
| | **283,638** | — |

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

## 11. INVENTORIES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Motor vehicles | **3,887,906** | 3,559,841 |
| Spare parts and accessories | **429,537** | 523,223 |
| | **4,317,443** | 4,083,064 |

## 12. TRADE AND OTHER RECEIVABLES

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

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

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **757,363** | 305,247 |
| Bills receivables | **71,273** | — |
| | **828,636** | 305,247 |
| Other receivables comprise: | | |
| Payments and deposits to suppliers | **1,048,103** | 797,719 |
| Deposits to entities controlled by suppliers for borrowings | **151,002** | 107,720 |
| Payments and rental deposits on properties | **52,768** | 56,341 |
| Rebate receivables from suppliers | **1,659,630** | 1,753,903 |
| Insurance commission receivables | **72,307** | 53,500 |
| Staff advances | **8,888** | 8,835 |
| Value-Added Tax recoverable | **270,817** | 257,244 |
| Advances to non-controlling shareholders *(note)* | **46,899** | 39,549 |
| Advances to independent third parties *(note)* | **20,000** | 25,100 |
| Receivables on disposal of a subsidiary | **6,420** | 6,420 |
| Others | **203,290** | 130,004 |
| Less: allowance for doubtful debts | **(6,420)** | (8,020) |
| | **3,533,704** | 3,228,315 |
| | **4,362,340** | 3,533,562 |

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

Bills receivables held by the Group as at December 31, 2016 will mature within 3 months.

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 180 days | **828,636** | 305,247 |

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

Movement in the allowance for doubtful debts

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| January 1 | **(8,020)** | — |
| Impairment losses recognised on other receivables | **—** | (8,020) |
| Impairment losses reversed on other receivables | **1,600** | — |
| December 31 | **(6,420)** | (8,020) |

## 13. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

| | 2016<br>*RMB'000* | 2015<br>*RMB'000* |
|---|---|---|
| **Current** | | |
| Trade payables | **282,007** | 325,854 |
| Bills payables | **2,774,540** | 2,540,682 |
| | **3,056,547** | 2,866,536 |
| **Other payables** | | |
| Other tax payables | **170,718** | 88,652 |
| Advances and deposits from customers | **1,101,267** | 1,035,324 |
| Payable for acquisition of property, plant and equipment | **40,157** | 112,436 |
| Rental payables | **27,526** | 29,895 |
| Salary and welfare payables | **51,273** | 47,786 |
| Accrued interest | **55,479** | 30,827 |
| Accrued audit fee | **4,300** | 3,800 |
| Other accrued expenses | **13,683** | 10,703 |
| Transaction costs payable for issue of short-term debentures | **—** | 1,000 |
| Transaction costs payable for issue of medium-term note | **626** | 626 |
| Transaction costs payable for issue of convertible bonds | **—** | 16,912 |
| Consideration payables for acquisition of subsidiaries *(note)* | **86,206** | 17,045 |
| Advance from non-controlling shareholders *(note)* | **103,492** | 126,781 |
| Advance from former shareholders of acquired subsidiaries | **2,688** | 2,688 |
| Deposits received from customers under finance leases *(Note 9)* | **273,983** | 180,001 |
| Others | **213,474** | 111,757 |
| | **2,144,872** | 1,816,233 |
| | **5,201,419** | 4,682,769 |
| **Non-current** | | |
| **Other liabilities** | | |
| Deposits received from customers under finance leases *(Note 9)* | **207,137** | 337,398 |

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

Prepayments and deposits are in general required to be paid to suppliers before making purchases. 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 payable primarily relates to the Group's use of bank acceptance notes to finance its purchase of passenger vehicles, with a credit period of one to three months.

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:

| | 2016<br>*RMB'000* | 2015<br>*RMB'000* |
|---|---|---|
| 0 to 90 days | **3,056,547** | 2,866,536 |

## 14. CORPORATE BONDS

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

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

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

Movement of the First Tranche Corporate Bonds during the year ended December 31, 2016 was as follows:

| | ***RMB'000*** |
|---|---|
| Issue on November 2, 2016 | **2,000,000** |
| Less: capitalized transaction cost in relation to issuance | **(10,000)** |
| Add: interest expenses | **344** |
| At December 31, 2016 | **1,990,344** |

The Group paid transaction costs of approximately RMB10,000,000 during the year ended December 31, 2016.

During the year ended December 31, 2016, interest expenses of approximately RMB13,433,000 was recognized. As at December 31, 2016, unpaid interest expenses of approximately RMB13,433,000 was accrued in other payables.

# FINANCIAL REVIEW

## Revenue

Revenue was RMB43,032.5 million in 2016, a 20.7% increase from RMB35,657.6 million in 2015, which was primarily due to the growth of sales of 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,** | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | 2015 | | |
| | **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 | **29,409,498** | **83,456** | **352** | 25,226,251 | 68,664 | 367 |
| Mid to high end brands | **7,894,651** | **63,806** | **124** | 6,003,948 | 47,775 | 126 |
| Subtotal | **37,304,149** | **147,262** | **253** | 31,230,199 | 116,439 | 268 |
| After-sales services | **5,446,431** | **—** | **—** | 4,135,496 | — | — |
| Automobile rental services | **363,991** | **—** | **—** | 330,183 | — | — |
| Finance leasing and small loan services | **122,313** | **—** | **—** | 126,666 | — | — |
| Less: inter-segment eliminations | **(204,382)** | **—** | **—** | (164,951) | — | — |
| **Total** | **43,032,502** | **—** | **—** | 35,657,593 | — | — |

The sales volume of passenger vehicle sales and services segment was 147,262 units in 2016, a 26.5% increase from 116,439 units in 2015, among which the sales volume of luxury and ultra-luxury brand passenger vehicle in 2016 was 83,456 units, a 21.5% increase from 68,664 units in 2015.

Revenue of sales of passenger vehicles from the passenger vehicle sales and services segment was RMB37,304.1 million in 2016, a 19.4% increase from RMB31,230.2 million in 2015, among which the revenue from luxury and ultra-luxury brand passenger vehicle sales was RMB29,409.5 million in 2016, a 16.6% increase from RMB25,226.3 million in 2015.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB5,446.4 million in 2016, a 31.7% increase from RMB4,135.5 million in 2015.

Revenue from the automobile rental services segment was RMB364.0 million in 2016, a 10.2% increase from RMB330.2 million in 2015.

Revenue from the finance leasing and small loan services segment was RMB122.3 million in 2016, a 3.4% decrease from RMB126.7 million in 2015.

**Cost of Sales and Services**

Cost of sales and services was RMB39,227.1 million in 2016, a 20.2% increase from RMB32,630.6 million in 2015, which was generally in line with the growth of our revenue.

Cost of sales for sales of passenger vehicles of the passenger vehicle sales and services segment was RMB36,148.4 million in 2016, a 19.4% increase from RMB30,276.1 million in 2015, which was generally in line with the growth in our revenue from passenger vehicle sales.

Cost of after-sales services from the passenger vehicle sales and services segment was RMB2,956.5 million in 2016, a 31.3% increase from RMB2,251.5 million in 2015, which was generally in line with the growth in our revenue from after-sales services.

Cost of services for the automobile rental services segment was RMB260.1 million in 2016, a 17.3% increase from RMB221.7 million in 2015. The increase was slightly higher than the increase in our revenue from automobile rental services.

Cost of services for the finance leasing and small loan services segment was RMB26.5 million in 2016, a 26.4% decrease from RMB36.0 million in 2015. The decrease was slightly higher than the decrease in our revenue from the finance leasing and small loan services.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, gross profit was RMB3,805.4 million in 2016, a 25.7% increase from RMB3,026.9 million in 2015. Gross profit margin increased to 8.84% in 2016 from 8.49% in 2015.

Gross profit of sales from the sales of passenger vehicles of the passenger vehicle sales and services segment was RMB1,155.8 million in 2016, a 21.1% increase from RMB954.1 million in 2015. Gross profit margin for passenger vehicle sales increased to 3.10% in 2016 from 3.06% in 2015.

Gross profit of after-sales services from the passenger vehicle sales and services segment was RMB2,489.9 million in 2016, a 32.2% increase from RMB1,883.9 million in 2015. Gross profit margin for after-sales services increased to 45.72% in 2016 from 45.56% in 2015.

Gross profit from the automobile rental services segment was RMB103.9 million in 2016, a 4.2% decrease from RMB108.5 million in 2015. Gross profit margin for automobile rental services was 28.55% in 2016, representing a slight decrease compared to 32.85% in 2015.

Gross profit from the finance leasing and small loan services segment in 2016 was RMB95.8 million, a 5.7% increase from RMB90.7 million in 2015. Gross profit margin for finance leasing and small loan services was 78.35% in 2016, representing an increase compared to 71.60% in 2015, due to the decrease in the financing costs.

**Other Income and Other Gains and Losses**

Other income and other gains and losses were RMB760.4 million in 2016, a 83.4% increase from RMB414.6 million in 2015. The increase was primarily due to the fact that revenue of our after-market finance and insurance agency related services of the passenger vehicle sales and services segment amounted to RMB711.8 million in 2016, a 64.7% increase from RMB432.1 million in 2015.

**Distribution and Selling Expenses**

Distribution and selling expenses were RMB1,915.1 million in 2016, a 27.4% increase from RMB1,503.4 million in 2015, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, our distribution and selling expenses increased from 4.22% in 2015 to 4.45% in 2016, which was primarily due to the fact that the newly opened outlets in the second half of 2015 and in 2016 were still in the early development stage.

**Administrative Expenses**

Administrative expenses were RMB1,052.1 million in 2016, a 44.1% increase from RMB730.1 million in 2015, which was primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, our administrative expenses increased from 2.05% in 2015 to 2.44% in 2016, which was primarily due to the fact that the newly opened outlets in the second half of 2015 and in 2016 were still in the early development stage.

**Finance Costs**

Finance costs were RMB479.5 million in 2016, a 7.3% increase from RMB447.1 million in 2015, which was primarily due to the increased average balance of financing as a result of the expansion in sales and services network and business scale. As a percentage of revenue, the rate of finance costs decreased from 1.25% in 2015 to 1.11% in 2016.

**Profit before Tax**

As a result of the foregoing, profit before tax was RMB1,152.0 million in 2016, a 48.4% increase from RMB776.5 million in 2015.

**Income Tax Expense**

Income tax expenses were RMB244.2 million in 2016, a 16.7% increase from RMB209.2 million in 2015.

### Profit and Total Comprehensive Income

As a result of the foregoing, profit and total comprehensive income was RMB907.8 million in 2016, a 60.0% increase from RMB567.3 million in 2015.

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

As a result of the foregoing, profit and total comprehensive income attributable to the owners of the Company was RMB851.3 million in 2016, a 62.3% increase from RMB524.5 million in 2015.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

Our primary uses of cash are payment for purchases of passenger vehicles, spare parts and accessories, funding of our working capital and ordinary recurring expenses, funding of the capital expenditures in connection with the establishment and acquisition of new outlets, 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 2016, our net cash from operating activities was RMB571.1 million, a decrease of RMB1,397.1 million compared to net cash from operating activities of RMB1,968.2 million in 2015. The decrease was primarily due to the increase in the net cash outflow from operating activities of RMB353.3 million in 2016 compared to that in 2015, as a result of the payment of income tax made by us, the increase in the net cash outflow from operating activities in the finance leasing and small loan service segment of RMB877.4 million in 2016 compared to that in 2015 and the increase in the receivables of RMB292.8 million in 2016 compared to that of 2015, as a result of the slow repayment made in stages by the finance company of the manufacturers at the end of 2016. The increased receivables have been fully recovered as of the date of this announcement. After deducting all the above factors, our net cash from operating activities was RMB2,094.6 million in 2016, representing an increase compared to our net cash from operating activities of RMB1,968.2 million in 2015.

In 2016, our net cash used in investment activities was RMB1,311.0 million, which mainly included the amounts for purchase of fixed assets, land use rights and intangible assets of RMB987.3 million, the amount for acquisition of subsidiaries of RMB502.8 million, the investment in associates and joint ventures of RMB186.0 million, which was partially offset by the proceeds from the disposal of property, plant and equipment, land use rights and intangible assets of RMB348.3 million, as well as retrieving the overpayment made on land use rights in the previous years of RMB71.2 million. In 2015, our net cash used in investing activities was RMB1,571.1 million.

In 2016, our net cash from financing activities was RMB979.8 million, which mainly included the proceeds from bank loans and other borrowings of RMB28,681.4 million, the proceeds from the issue of corporate bonds of RMB2,000.0 million, and the proceeds from issue of short-term debentures of RMB800.0 million, which was partially offset by the repayment of bank loans and other borrowings of RMB27,783.4 million, the repayment of the medium-term notes of RMB1,160.0 million, the repayment of short-term debenture of RMB800.0 million, the payment of interest of RMB471.0 million, deposit of restricted fund for loan of RMB106.0 million, and the payment of dividends of RMB155.4 million. In 2015, our net cash used in financing activities was RMB739.3 million.

**Inventories and Inventory Prepayments**

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

Our inventories were RMB4,317.4 million as of December 31, 2016, a 5.7% increase from RMB4,083.1 million as of December 31, 2015. The following table sets forth our average inventory turnover days for the periods indicated:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2016** | 2015 |
| Average inventory turnover days[(1)] | **39.1** | 47.0 |

*Note:*

(1) Average inventory turnover days for the period is the average of opening and closing inventories balances divided by the cost of sales and services for that period and multiplied by 365 days.

Our inventory and inventory prepayments were RMB5,227.9 million as of December 31, 2016, a 10.1% increase from RMB4,746.2 million as of December 31, 2015. The following table sets forth our average inventory and inventory prepayment turnover days for the periods indicated:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2016** | 2015 |
| Average inventory and inventory prepayments turnover days[(1)] | **46.4** | 54.2 |

*Note:*

(1) Average inventory and inventory prepayments turnover days for the period is the average of opening and closing inventories and inventory prepayments balances in aggregate divided by the cost of sales and services for that period and multiplied by 365 days.

Our average inventory and inventory prepayment turnover days in 2016 were 46.4 days, compared to 54.2 days in 2015, which was primarily due to our continuous enhancement of inventory and inventory prepayment turnover management.

**Capital Expenditures and Investment**

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights, intangible assets, acquisition of subsidiaries and investments in associates and joint ventures. In 2016, our total capital expenditures comprising expenditures on purchase of fixed assets, land use rights and intangible assets and acquisition of subsidiaries and investments in associates and joint ventures were RMB1,676.1 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

| | **For the year ended December 31, 2016** ***(RMB in millions)*** |
|---|---|
| Expenditures on purchase of property, plant and equipment | **929.1** |
| Expenditures on purchase of land use rights | **16.9** |
| Expenditures on purchase of intangible assets | **41.3** |
| Expenditures on acquisition of subsidiaries | **502.8** |
| Expenditures on investments in associates and joint ventures | **186.0** |
| **Total** | **1,676.1** |

**Borrowings and Bonds**

We obtained borrowings consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufactures, bonds and convertible bonds to fund our working capital and network expansion. As of December 31, 2016, the outstanding amount of our borrowings, bonds and convertible bonds amounted to RMB9,245.3 million, a 31.4% increase from RMB7,036.9 million as of December 31, 2015. The following table sets forth the maturity profile of our borrowings and bonds as of December 31, 2016:

| | **As of December 31, 2016** ***(in RMB millions)*** |
|---|---|
| Within one year | **7,097.4** |
| One year to two years | **103.5** |
| Two to five years | **2,044.4** |
| **Total** | **9,245.3** |

As of December 31, 2016, our gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 68.7% (as of December 31, 2015: 68.1%). The net debt was total debt net of cash and cash equivalents, time deposits, pledged bank deposits and cash in transit.

As of December 31, 2016, 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, 2016 consisted of (i) inventories of RMB670.1 million; (ii) property, plant and equipment of RMB234.8 million; (iii) land use rights of RMB239.1 million; and (iv) pledged bank deposits of RMB106.0 million.

**Contingent Liabilities**

As of December 31, 2016, we did not have any material contingent liabilities.

**Interest Rate Risk and Foreign Exchange Risk**

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

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

**Use of Proceeds**

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

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

## FUTURE PROSPECTS AND STRATEGIES

In 2016, benefiting from the government industry and consumption policies, as well as the better communications and cooperation between automobile manufacturers and dealers, the overall automobile market recovered considerably. In particular, driven by the upgrade of consumption structure and the broadened variety of vehicle models in the market, the sales scale of luxury vehicles exceeded 2 million units for the first time, representing an increase of 16.3% as compared to the same period of last year, the average growth rate of which exceeded that of the overall passenger vehicles market. Meanwhile, we also noted that, as the internet E-commerce in automobile sales and service industry is gradually fading out, 4S dealerships returned to become the major, substantial channels for new vehicles purchases and automobile repair. Following the impact of the internet E-commerce over the years, the automobile dealers, especially the large-scale dealership groups, whose principal operations focus on real economy, have made good progress, in aspects such as the expansion and diversion of online channels, refined operation of offline services, improvement of customers' consumption experience, upgrading and transformation of the industry, and expansion of after-sales markets.

Going forward, China's automobile market is expected to maintain a stable growth trend as China's urbanization accelerates and vehicles consumption becomes more sophisticated, especially for the luxury and ultra-luxury automobile market, which is expected to maintain relatively fast growth. Extended services business such as automobile repair, pre-owned vehicles, automobile decoration, care and maintenance, as well as after-market businesses such as automobile finance and insurance services and automobile rental services are expected to have robust development with tremendous business opportunities following a rapid growth over recent years. Meanwhile, the rapid development of new energy vehicles together with the gradual maturity of the internet of vehicles and auto-pilot techniques will bring along great changes and new opportunities to the future automobile industry. Hence, we will continue to adhere to our "customer-oriented" belief and continue to focus on the automobile industry.

Currently, the automobile retail service market in China is undergoing a period of merger, acquisition and integration, with gradually strengthened centralization. Leveraging on the strength in bargaining and consolidation throughout the upstream and downstream of the industry chain, as well as the output management capability, powerful dealership groups are able to capture opportunities to expand the market share and coverage of business segements through merger and acquisition on capital platforms, so as to realize the synergy from sizable resources, and play a leading role in the end markets. Meanwhile, we firmly believe that, the 4S dealership model will remain as the mainstream of the automobile sales and service markets in China in the next decade. As a result of the foregoing, we will continue our work in the layout of domestic automobile sales service network, and expand our sales outlets of the major luxury brands through self-built network and merger and acquisition, thereby forming the national network with equal emphasis on scale and quality.

We noted the robust growth of the performance of Benz in 2016, and we recognized that the powerful luxury brands are enjoying tremendous opportunities in the market of China throughout the powerful product life cycle. Therefore, we will focus on and proactively push for the expansion of the network of top-tier powerful luxury brands, such as BMW, Audi and Porsche. In particular, BMW will release new products and will update and upgrade its heavyweight products in 2017, with more than 10 brand new products and upgraded products to be launched in the coming two years. Powerful products including the brand new 2017 BMW 1 Series and 5 Series, the 2018 upgraded BMW X3 and X5, as well as the brand new 2018 BMW X7, X2 and 8 Series, will set new benchmarks for competitors of the same category, and meet the greater demand of different market segments, leading to a new product cycle. At the same time, the BMW manufacturers adjusted the dealers' rebate policies, including increasing the number of wholesale and retail outlets, speeding up the payback term, which will definitely give a powerful impetus to the enhancement of our business and cost reduction. Audi will also unveil its new products and its upgraded products in 2018. Hence, from 2017 and onwards, an important priority of our strategy is to continuously strengthen and increase the number of outlets and the market share of the Group as the largest BMW dealership group in China, along with the expansion of business scale of major luxury brands such as BMW.

We will realize refined management and standard operation in traditional automobile sales and services business through continuous in-depth digitalization, and provide strong support and extensive platform for growing our business segments including automobile finance, pre-owned vehicles and automobile rental. Leveraging on the construction and integration of marketing, operational management, support and data platforms, we will continue to reduce operating costs, enhance efficiency and optimize the allocation of resources, simultaneously forming a professional vertical Internet E-commerce platforms for marketing services focusing on customer experience. These will include location-based real-time product information services, social media based promotion and marketing, full scenario-based mobile payment, and big data access and analysis based on mobile phones and automobiles connected to car internet, thus forming an internally and externally integrated digital ecosystem applying the big data. Going forward, the intelligent application scenarios of big data will run throughout the whole lifecycle of automobile owned by customers, enabling us to provide personalized point-to-point services and experience featuring instant interactions and precise predictions.

Our recent development will also focus on our pre-owned vehicle business. We will develop front-end asset light physical chain outlets through building the middle-ground and background system which has the functions of uniform quotation, appraisal and certification, and focus on the pre-owned vehicles retail business by using the O2O business model of the one-stop online mall. In terms of channels, we will adopt a business model that utilises standardized chain stores, focusing on regions where pre-owned vehicles are actively traded, such as the East China. We will undertake purchase, consignment and exhibition, and sales of pre-owned vehicles in such regions, with plans to reach 200 outlets nationwide in 2020. In respect of procurement, we will constantly increase the replacement ratio of our chain outlets, and strategically cooperate with major leasing companies, such as eHi Car Services Limited, thereby achieving bulk repurchase and securing sufficient, steady and high-quality pre-owned vehicle resources. In respect of sales, we will integrate the high value-added businesses, such as finance and insurance of pre-owned vehicles, warranty and extended warranty, to provide our customers with a wider variety of value-added services. Meanwhile, we will continue to build our Yongda certified pre-owned vehicle brand in the retail market, and adopt a standard certification process featured by stringent inspections, appraisal and servicing and repair of pre-owned vehicles, thus establishing our market reputation and integrity. Meanwhile, we will leverage on the internet platform to construct our online exhibition and sales platform, forming the virtual exhibition and transaction center of pre-owned vehicles which assembles nationwide resources. Our transaction volume of pre-owned vehicles is expected to reach 100,000 units in 2020, the retail of which will account for not less than 80%.

Relying on our innovation driving force, we will further enhance the layout of our automobile finance business, expand our channel network and continually optimize and upgrade our products and services to further improve the synergies between the financial services and the automobile industry. We will also stably develop our proprietary business while actively expanding our agency business. With respect to our agency business, we will increase the permeability rate of finance by virtue of more financial instruments and establish the strategic cooperation model with domestic financial institutions on headquarter-to-headquarter basis by integrating advantageous resource, so as to obtain more resources and supports. On the other hand, we will also actively change our insurance agency business concept to continually upgrade and optimize our products and services. In respect of our proprietary business, leveraging on the advantage of the industrial chain and our remaining value management, we will strive to develop our rent consignment products with low monthly payments and mainly promote the installment sales model, to create various installment-paid products in the automobile industrial chain and meet the multiple demands of the customers.

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

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

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has complied with the code provisions in the CG Code during the year ended December 31, 2016.

## Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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, 2016.

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

## Purchase, Sale or Redemption of Listed Securities

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, 2016.

## Audit and Compliance Committee

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to 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, 2016 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The auditor of the Company, Deloitte Touche Tohmatsu, has agreed that the figures in respect of the Group's annual results for the year ended December 31, 2016 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year.

## FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company in the forthcoming annual general meeting on May 26, 2017 (Friday) for the distribution of a final dividend of HK$0.19 per share (approximately RMB0.17 per share) for the year ended December 31, 2016. The final dividend is expected to be paid on or about June 30, 2017 (Friday) to the shareholders of the Company whose names are listed in the register of members of the Company on June 2, 2017 (Friday). On the basis of the total issued share capital of 1,480,122,000 shares of the Company as of December 31, 2016, it is estimated that the aggregate amount of final dividend would be approximately HK$281.2 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 forthcoming annual general meeting of the Company.

## RECORD DATE OF ANNUAL GENERAL MEETING

Shareholders whose names appear on the register of members of the Company at the close of business on May 22, 2017 (Monday) (the "**Record Date**") will be entitled to attend the forthcoming annual general meeting to be held on May 26, 2017 (Friday) (the "**AGM**"). 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

The register of members of the Company will be closed from June 2, 2017 (Friday) to June 6, 2017 (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, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on June 1, 2017 (Thursday).

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (***www.hkexnews.hk***) and the Company (***www.ydauto.com.cn***).

The annual report for the year ended December 31, 2016 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

## APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

PRC, March 28, 2017

*As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Cheung Tak On, Mr. Cai Yingjie, Mr. Wang Zhigao, Mr. Xu Yue and Ms. Chen Yi; (ii) one non-executive Director, namely Mr. Wang Liqun; and (iii) three independent non-executive Directors, namely Mr. Lyu Wei, Mr. Chen Xianglin and Ms. Zhu Anna Dezhen.*