This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

YONDA 永达汽车

China Yongda Automobiles Services Holdings Limited
中國永達汽車服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03669)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the six months ended June 30, 2017, together with comparative figures for the six months ended June 30, 2016.

FINANCIAL HIGHLIGHTS OF THE GROUP

- Consolidated revenue including revenue from finance and insurance agency services was RMB22,556 million for the six months ended June 30, 2017, a 18.8% increase from RMB18,990 million for the six months ended June 30, 2016.

- Consolidated gross profit including revenue from finance and insurance agency services was RMB2,642 million for the six months ended June 30, 2017, a 31.3% increase from RMB2,013 million for the six months ended June 30, 2016.

- Consolidated gross profit margin including revenue from finance and insurance agency services was 11.71% for the six months ended June 30, 2017, a 1.11 percentage points increase from 10.60% for the six months ended June 30, 2016.

- Net profit was RMB698 million for the six months ended June 30, 2017, a 72.6% increase from RMB405 million for the six months ended June 30, 2016.

- Net profit attributable to the owners of the Company was RMB652 million for the six months ended June 30, 2017, a 70.2% increase from RMB383 million for the six months ended June 30, 2016.

- Basic earnings per share was RMB0.43 for the six months ended June 30, 2017 (for the six months ended June 30, 2016: RMB 0.26).

MARKET REVIEW

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

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

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

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

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

According to the data from www.chyxx.com, in terms of revenue, the highly dispersed long-term automobile rental market accounts for the largest share of the automobile rental market in China. The long-term automobile rental market increased from RMB7 billion in 2009 to RMB35.5 billion in 2015 at a CAGR of 31%. Driven by factors such as increased car use by enterprises, financial optimization of enterprises and government service vehicles reform, the long-term automobile rental market in China will maintain a faster growth and will undergo further integration in the future. It is expected that the market size of the long-term automobile rental market in China will amount to RMB58 billion by 2018.

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

BUSINESS REVIEW

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

Fast and Steady Growth in New Vehicle Sales

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

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

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

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

With respect to the cost control of new vehicle sales, by adopting a matric comprehensive management system for new vehicle inventory and working capital, we ensured the continuous optimization of our new vehicle inventory structure and effectively reduced our sales costs. We thoroughly carried out the effective integration and sharing of our enterprise resources within the Group, built our resource sharing platform for new vehicle inventories, launched the centralized multi-brand marketing activities, intensified the development and effective utilization of customer resources and achieved the growth of new vehicle sales and the improvement of profitability in the first half of 2017 through improving the coordinated management of sales.

Fast and Healthy Growth in After-sales Services

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

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

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

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

High-speed Growth of Our Pre-owned Vehicle Business

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

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

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

Clear development goal in Automobile Finance with High-speed Development

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

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

Sustainable Growth in Automobile Operating Leases

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

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

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

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

Stable Development of New Energy Vehicle Business

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

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

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

Continuous Optimization and Improvement of Our Network

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

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

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

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

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

We continued to operate our extensive network with the Yangtze River Delta as the center and have expanded our network to other regions in China, such as Northern China, Northeast China, Central China and Southern China. As of June 30, 2017, we have a total of 230 outlets which have been opened and authorized to be opened. Such outlets spread all over 4 municipalities and 64 cities in 16 provinces in China, including 161 opened outlets with manufacturers' authorization, 49 opened non-manufacturer authorized outlets and 20 outlets with authorizations to be opened. Set out below are the details of our outlets as at June 30, 2017:

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

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

Continuously Improved Management

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

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

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

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

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

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

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017

	NOTES	For the six months ended June 30,	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**22,170,757**	18,709,529
Cost of sales and services		**(19,913,990)**	(16,976,995)
Gross profit		**2,256,767**	1,732,534
Other income and other gains and losses	*4*	**415,168**	314,005
Distribution and selling expenses		**(1,012,274)**	(838,892)
Administrative expenses		**(531,184)**	(472,086)
Finance costs		**(238,338)**	(223,307)
Share of profits of joint ventures		**4,948**	3,179
Share of profits of associates		**19,533**	9,303
Profit before tax	*5*	**914,620**	524,736
Income tax expense	*6*	**(216,342)**	(120,069)
Profit and total comprehensive income for the period		**698,278**	404,667
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**652,017**	383,014
Non-controlling interests		**46,261**	21,653
		698,278	404,667
Earnings per share — basic	*8*	**RMB0.43**	RMB0.26
Earnings per share — diluted	*8*	**RMB0.41**	RMB0.26

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2017

	NOTES	**June 30, 2017** *RMB'000* **(Unaudited)**	December 31, 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**4,192,543**	3,941,738
Prepaid lease payments		**1,130,849**	1,115,713
Goodwill		**584,589**	478,860
Intangible assets		**954,904**	827,440
Deposits paid for acquisition of property, plant and equipment		**33,962**	29,292
Deposits paid for acquisition of land use rights		**52,482**	16,000
Deposits paid for acquisition of a subsidiary		**7,001**	—
Available-for-sale investments		**106,280**	94,690
Interests in joint ventures		**104,033**	99,085
Interests in associates		**377,647**	354,989
Finance lease receivables	*9*	**584,179**	301,751
Loan receivables	*10*	**20,245**	7,687
Amounts due from a related party		**32,356**	32,356
Deferred tax assets		**94,626**	83,793
Other assets	*12*	**30,000**	—
		8,305,696	7,383,394
Current assets			
Prepaid lease payments		**32,476**	31,487
Inventories	*11*	**6,020,542**	4,317,443
Finance lease receivables	*9*	**1,054,682**	788,934
Loan receivables	*10*	**1,232,946**	275,951
Trade and other receivables	*12*	**4,204,834**	4,362,340
Amounts due from related parties		**144,466**	89,353
Cash in transit		**110,153**	214,666
Time deposits		**385,000**	21,000
Pledged bank deposits		**1,023,864**	1,118,744
Bank balances and cash		**1,191,340**	1,771,813
		15,400,303	12,991,731
Current liabilities			
Trade and other payables	*13*	**5,654,308**	5,201,419
Amounts due to related parties		**5,715**	3,665
Income tax liabilities		**247,558**	127,659
Borrowings		**5,560,540**	5,319,251
Short-term debentures	*14*	**—**	799,333
Super short-term commercial papers	*15*	**1,995,494**	—
Convertible bonds		**—**	978,837
		13,463,615	12,430,164
Net current assets		**1,936,688**	561,567
Total assets less current liabilities		**10,242,384**	7,944,961

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

For the six months ended June 30, 2017

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

For the six months ended June 30, 2016

	Passenger vehicle sales and services *RMB'000* (Unaudited)	Automobile rental services *RMB'000* (Unaudited)	Proprietary finance business *RMB'000* (Unaudited) *(note d)*	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
External revenue	18,501,127	174,980	33,422	—	18,709,529
Inter-segment revenue	88,210	—	16,154	(104,364)	—
Segment revenue *(note a)*	18,589,337	174,980	49,576	(104,364)	18,709,529
Segment cost *(note b)*	16,922,760	132,350	10,095	(88,210)	16,976,995
Segment gross profit	1,666,577	42,630	39,481	(16,154)	1,732,534
Service income	284,493	—	—	(4,086)	280,407
Segment result	1,951,070	42,630	39,481	(20,240)	2,012,941
Other income and other gains and losses *(note c)*					33,598
Distribution and selling expenses					(838,892)
Administrative expenses					(472,086)
Finance costs					(223,307)
Share of profits of joint ventures					3,179
Share of profits of associates					9,303
Profit before tax					524,736

Notes:

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

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

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

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

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

Revenue from major products and services

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

Notes:

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

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

4. OTHER INCOME/OTHER GAINS AND LOSSES

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

Notes:

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

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

c. Government grants represent unconditional grants received from local finance bureaus.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

6. INCOME TAX EXPENSE

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

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

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

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

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

7. DIVIDENDS

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

The board of directors of the Company has determined that no dividend will be paid in respect of the interim period for the six months ended June 30, 2017 (for the six months ended June 30, 2016: nil).

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:

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**652,017**	383,014
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**33,531**	—
Earnings for the purpose of diluted earnings per share	**685,548**	383,014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,522,311**	1,480,022
Effect of dilutive potential ordinary shares:		
Share options	**11,504**	—
Convertible bonds	**158,455**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,692,270**	1,480,022

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

Outstanding share options of the Company during the six months ended June 30, 2016 have not been included in the computation of diluted earnings per share as they did not have a dilutive effect on the Company's earnings per share for the six months ended June 30, 2016.

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.

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed as:		
Current	**1,054,682**	788,934
Non-current	**584,179**	301,751
	1,638,861	1,090,685

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

As at June 30, 2017, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB227,916,000 (December 31, 2016: RMB207,137,000) and RMB371,982,000 (December 31, 2016: RMB273,983,000) were recognized as other non-current liabilities and current liabilities, respectively.

Movement in the allowance for doubtful debts

	For the six months ended June 30, 2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
January 1	**(1,440)**	—
Impairment losses recognised on receivables	**(1,001)**	(1,777)
June 30	**(2,441)**	(1,777)

10. LOAN RECEIVABLES

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

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

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

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

11. INVENTORIES

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

12. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

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

a. In general, deposits and advances are required and no credit period is allowed for sales of automobiles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 180 days is granted;

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

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

Notes:

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

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

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

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

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

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

Movement in the allowance for doubtful debts

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
January 1	**(6,420)**	(8,020)
Reversal of impairment losses on the receivables	**—**	1,600
June 30	**(6,420)**	(6,420)

13. TRADE AND OTHER PAYABLES/OTHER LIABILITIES

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Trade payables	**444,334**	282,007
Bills payables	**2,678,516**	2,774,540
	3,122,850	3,056,547
Other payables		
Other tax payables	**55,868**	170,718
Advances and deposits from customers	**1,124,967**	1,101,267
Payables for acquisition of property, plant and equipment	**78,842**	40,157
Rental payables	**34,682**	27,526
Salary and welfare payables	**37,039**	51,273
Accrued interest	**88,320**	55,479
Accrued audit fee	**2,200**	4,300
Other accrued expenses	**22,218**	13,683
Transaction costs payable for issue of medium-term note	**—**	626
Consideration payable for acquisition of subsidiaries	**103,867**	86,206
Consideration payable for acquisition of non-controlling interests of subsidiaries *(note)*	**18,350**	—
Advance from non-controlling shareholders *(note)*	**103,262**	103,492
Advance from an independent third party	**20,000**	—
Advances from former shareholders of acquired subsidiaries	**210,336**	2,688
Deposits received from customers under finance leases *(Note 9)*	**371,982**	273,983
Others	**259,525**	213,474
	2,531,458	2,144,872
	5,654,308	5,201,419
Non-current		
Other liabilities		
Deposits received from customers under finance leases *(Note 9)*	**227,916**	207,137

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

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

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

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

14. SHORT-TERM DEBENTURES

On October 20, 2015 and March 16, 2016, Shanghai Yongda Investment Holdings Group Co., Ltd. ("Shanghai Yongda Investment"), an indirect wholly-owned subsidiary of the Company, issued the first tranche and the second tranche of the short-term debentures, respectively, each of an aggregate principal amount of RMB0.8 billion and with a term of one year from their respective dates of issuance. The short-term debentures are unsecured and carry interests at rates of 4% per annum and 4.3% per annum, respectively. The interests are payable upon maturity. The short-term debentures were issued to domestic institutional investors in the PRC which are independent third parties.

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

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

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

15. SUPER SHORT-TERM COMMERCIAL PAPERS

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

On April 12, 2017 and June 8, 2017, Shanghai Yongda Investment issued the first tranche and the second tranche of the super short-term commercial papers, respectively, each of an aggregate principal amount of RMB1 billion and with a term of 270 days and 250 days from their respective dates of issuance. The super short-term commercial papers are unsecured and carry interests at rates of 5.10% per annum and 5.89% per annum, respectively. The interests are payable upon maturity. The super short-term commercial papers were issued to domestic institutional investors in the PRC which are independent third parties.

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

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

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

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

16. CORPORATE BONDS

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

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

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

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

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

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

17. SUBSEQUENT EVENTS

(a) Issuance of super short-term commercial papers

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

(b) Acquisition of subsidiaries

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

FINANCIAL REVIEW

Revenue

Revenue was RMB22,170.8 million for the six months ended June 30, 2017, a 18.5% increase from RMB18,709.5 million for the six months ended June 30, 2016, which was primarily due to the growth of sales of luxury and ultra-luxury brand passenger vehicles and after-sales services. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

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

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

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

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

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

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

Cost of Sales and Services

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

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

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

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

Cost of services for the proprietary finance business segment was RMB29.6 million for the six months ended June 30, 2017, a 193.4% increase from RMB10.1 million for the six months ended June 30, 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB2,256.8 million for the six months ended June 30, 2017, a 30.3% increase from RMB1,732.5 million for the six months ended June 30, 2016. Gross profit margin increased to 10.18% for the six months ended June 30, 2017 from 9.26% for the six months ended June 30, 2016.

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

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

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

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

Other Income and Other Gains and Losses

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

Distribution and Selling Expenses

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

Administrative Expenses

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

Finance Costs

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

Profit before Tax

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

Income Tax Expense

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

Profit and Total Comprehensive Income

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

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

As a result of the foregoing, profit and total comprehensive income attributable to the owners of the Company was RMB652.0 million for the six months ended June 30, 2017, a 70.2% increase from RMB383.0 million for the six months ended June 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

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

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

Inventories

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

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

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

Note:

(1) The average inventory turnover days for the period is the average of opening and closing inventories balances divided by the cost of sales and services for that period and multiplied by 183 days for the six months period.

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of fixed assets, land use rights, intangible assets and acquisition of subsidiaries. For the six months ended June 30, 2017, our total capital expenditures comprising expenditures on purchase of fixed assets, land use rights, intangible assets and acquisition of subsidiaries were RMB623.8 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

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

Borrowings and Bonds

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

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

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

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

Contingent Liabilities

As of June 30, 2017, we did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

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

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

Use of Proceeds

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

In July 2014, we issued 1.5% US dollar settled convertible bonds due 2019 with an aggregate principal amount of RMB1 billion (the "**Bonds**"), and the funds raised were used for establishment of and acquisitions of 4S dealerships and replenishment of working capital. As of the date of this announcement, principal amount of RMB3,000,000 of the Bonds was converted into 474,778 ordinary shares of the Company at the conversion price of HK$7.958 per share, and principal amount of RMB738,000,000 of the Bonds was converted into 117,660,507 ordinary shares of the Company at the conversion price of HK$7.8995 per share.

FUTURE PROSPECT AND STRATEGIES

Automobile Sales and Services Business

In the first half of 2017, the overall passenger vehicles market in China maintained a stable growth, which was highlighted by the sales scale of luxury vehicles, with a growth rate of 17%, higher than the overall level. Driven by the upgrade of consumption structure and the broadened variety of vehicle models in the market, the share of the luxury vehicles is expected to further increase. In the first half of 2017, the sales of BMW brand, among the major luxury brands in China, recorded a year-on-year increase of 18.4%, higher than that of the overall luxury vehicles market. As the largest BMW dealership group in China, we will seize the strong advantage of the powerful product cycle of BMW since 2017 to increase the sales performance of BMW generally. BMW will release up to 30 brand new, updated or modified models in the years to come, which will bring strong driving force for our business growth. Meanwhile, there will be upgrade cycles of major luxury brands, such as Audi and Porsche in 2018. Jaguar and Land Rover, Volvo, Cadillac, Lincoln, which are in the second echelon of luxury brands, also recorded fast growth in recent years. We are expected to benefit from the increase in the market share of new products of these luxury brands. Therefore, we will firmly uphold our position as a dealership group of luxury automobiles and continue to develop the business of the sales and services of luxury and ultra-luxury automobiles brands.

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

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

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

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

Finance Business

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

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

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

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

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

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

Customer-oriented and Embracing the Future

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 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 six months ended June 30, 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2017.

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, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2017. The Audit and Compliance Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2017 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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**") as 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 six months ended June 30, 2017.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Issue of Super Short-term Commercial Papers

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

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

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

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2017 (for the six months ended June 30, 2016: nil) to the shareholders of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended June 30, 2017 will be despatched to the shareholders of the Company and published on the above websites 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

The PRC, August 22, 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.