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China Yongda Automobiles Services Holdings Limited

中國永達汽車服務控股有限公司

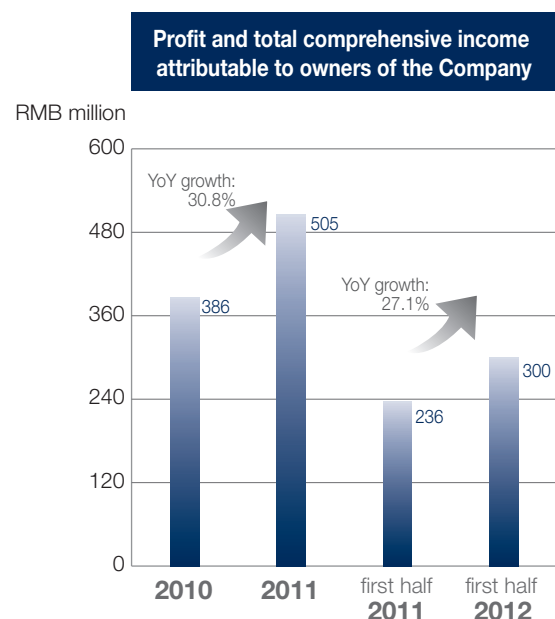
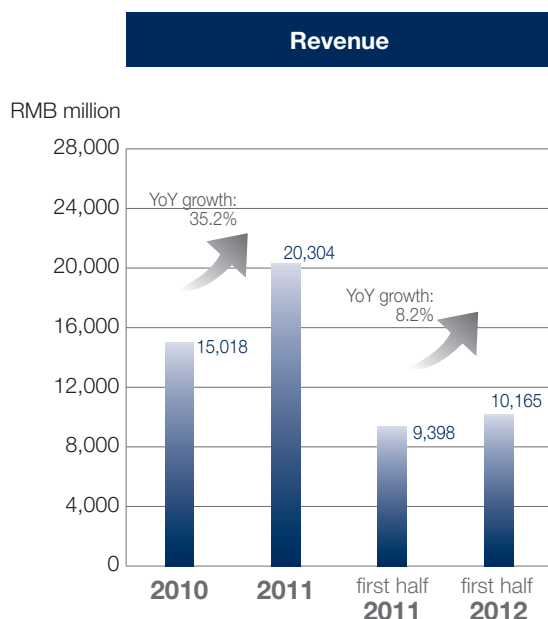
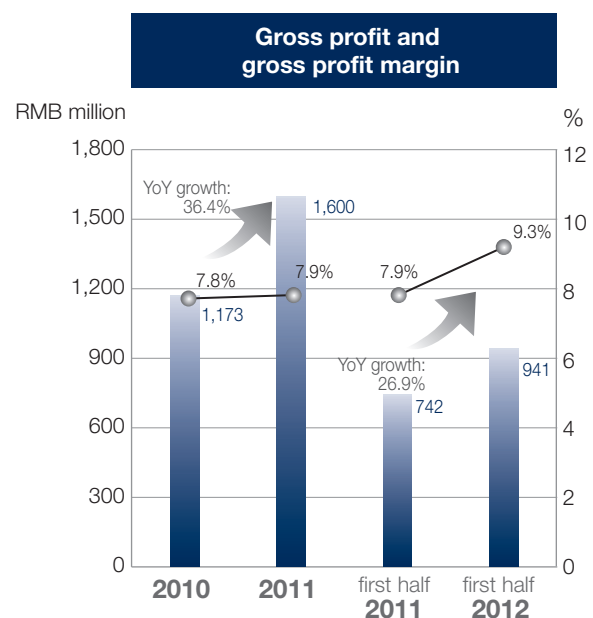
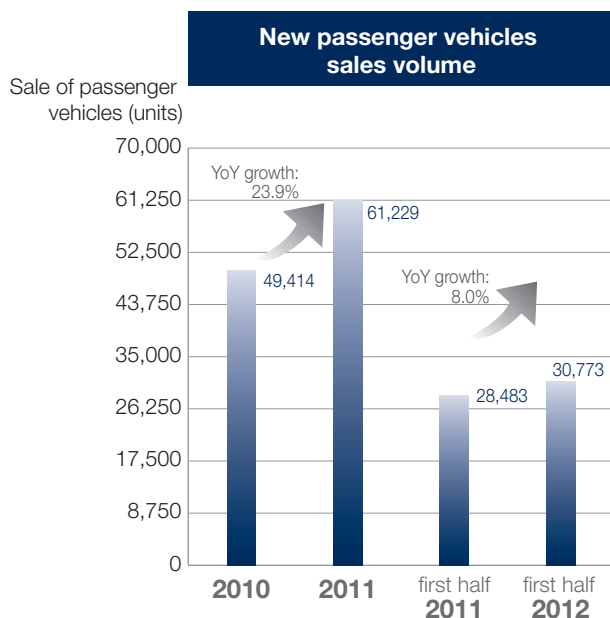
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03669)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

GROUP FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2012 increased by 8.2% to RMB10,164.9 million as compared to the corresponding period in 2011.
- Gross profit for the six months ended June 30, 2012 increased by 26.9% to RMB941.3 million as compared to the corresponding period in 2011.
- Revenue from after-sales services for the six months ended June 30, 2012 increased by 46.9% to RMB972.9 million as compared to the corresponding period in 2011. Gross profit margin for after-sale services increased from 38.8% for the six months ended June 30, 2011 to 43.6% for the six months ended June 30, 2012.
- Profit and total comprehensive income attributable to owners of the Company for the six months ended June 30, 2012 increased by 27.1% to RMB300.4 million as compared to the corresponding period in 2011.
- Basic and diluted earnings per share attributable to owners of the Company for the six months ended June 30, 2012 was RMB0.23.



MARKET REVIEW

During the first half of 2012, China's new passenger vehicle's market has experienced 8.4% growth as reported by the State Information Center of China which is slower than the corresponding period in 2011, primarily as a result of the recent economic slowdown in China and worldwide. Despite that, the luxury and ultra-luxury passenger vehicles market has achieved a continuously rapid growth and demonstrated a high growth rate among all market segments of new market passenger vehicle sales in China. According to the State Information Center of China, sales volume of the luxury and ultra-luxury brand passenger vehicles increased by 36.1% for the six months ended June 30, 2012, while the sales volume of other brands of passenger vehicles only increased by 6.2% during the same period.

The rise in passenger vehicle ownership has greatly promoted the growth of China's after-sales services' market, which has continued its fast pace during the first half of 2012. Moreover, the aging of passenger vehicles in China is expected to contribute further to the development of after-sales services market. After-sales services for the luxury and ultra-luxury segments have demonstrated significant growth potential. In the meantime, East China has continued to be the largest regional market for luxury and ultra-luxury passenger vehicles sales, after-sales services and pre-owned vehicles sales in China, where we have established a strong presence by developing an extensive network.

We believe the steady economic growth, rapid urbanization and rising disposable income level in China will continue promoting the growth of China's passenger vehicle's market and after-sales services' market in the second half of 2012.

BUSINESS REVIEW

The recent economic slowdown in China and worldwide has resulted in a more challenging business environment. Our management has prudently monitored the changes in the market. During the first half of 2012, we have developed adaptive plans in our sales of new passenger vehicles adjusted to the market environment in order to pursue a sustainable and balanced growth of our sales revenue and sales volume. We have strived to prioritize the profitability of our business and the management of inventory to a reasonable level by optimizing our sales structure and closely monitoring our inventory turnover. We aim to achieve long-term growth by leveraging our core strengths in passenger vehicle sales and after-sales services. The following sets forth an overview of our business during the first half of 2012.

As a leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury brands, we are primarily engaged in the sale of new passenger vehicles, after-sales services and automobile rental services. We have recorded steady growth during the first half of 2012. During this period, we sold a total of 30,773 new passenger vehicles, representing an increase of 8.0% compared to the corresponding period in 2011. For the same period, our revenue was RMB10,164.9 million, our gross profit was RMB941.3 million and total comprehensive income attributable to owners of the Company was RMB300.4 million, respectively, representing an increase of 8.2%, 26.9% and 27.1%, respectively, as compared to the corresponding period in 2011.

As of the date of this announcement, we were operating and had obtained manufacturer's authorizations to open a total of 93 outlets, including 66 existing outlets and 27 new outlets, located across 27 cities in 10 provinces in China. Our 66 existing outlets comprised 49 4S dealerships, five manufacturer-authorized service centers, 11 showrooms and one manufacturer authorized certified pre-owned vehicle center. As of the date of this announcement, 40 out of our 66 existing outlets were dedicated to luxury and ultra-luxury brands. Of the 27 new outlets that we had obtained authorizations to open, we will operate 26 new outlets for luxury and ultra-luxury brands.

We have continued to build our strong and long-term relationships with leading manufacturers of luxury and ultra-luxury passenger vehicles. During the first half of 2012, we continued our focus on luxury and ultra-luxury brands, including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac and Volvo, as well as operation of 4S dealerships for a select portfolio of mid-to high-end brands, including Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others.

We have continued to operate an extensive network with a strong presence in East China, particularly in Shanghai, and have expanded into other regions in China. As of the date of this announcement, 59 out of our 66 existing outlets were located in East China and a vast majority of our new outlets will also be strategically located in this region. We have selectively expanded our network beyond East China to enter strategic markets in other regions, such as Beijing, Shanxi, Hainan and Henan.

While we have expanded our business through continued organic growth, we have continued standardizing and optimizing our management and operations, and these standardized management processes have resulted in an operational model that can be readily replicated to our future outlets and in new regions.

We have continued to build our corporate brand “永達 (Yongda)” and made continuous efforts in marketing innovation and customer retention through a variety of channels, including our multi-media “96818” customer service platform, our VIP program, our partnership with banks and insurance companies, as well as marketing through TV shopping channel and online shopping platform. A high degree of awareness of our brand has become an important factor to enhance customer loyalty and differentiates us from our peers.

In addition, we have continued to commit ourselves to providing our customers with a comprehensive range of automobile-related services through our “one-stop shop” approach. These include after-sales services, automobile rental services, as well as a wide array of services that we offer in connection with pre-owned vehicles, automobile insurance products and vehicle inspection. Our comprehensive service offerings have continued to enable us to generate diverse, fast-growing profit streams and are an important factor for customers in selecting us for vehicle purchases or services. During the first half of 2012, our after-sales services have grown rapidly, which have benefited from a number of factors, including (i) our fast growing customer base, in particular, our customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demands for our after-sales services; (ii) our focus on providing high quality after-sales services to achieve a high degree of customer satisfaction which has increased customer retention rates and repeated purchases and attracted new customers through referrals; (iii) we have continued to be innovative and launched various automobile services extended products to boost the sustained growth of revenue from the relevant services; and (iv) the enhancement of our internal management skills.

INTERIM RESULTS

The board of directors (the “**Board**”) of China Yongda Automobiles Services Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2012, as follows:

Condensed Consolidated Statement of Comprehensive Income

	<i>Notes</i>	For the six months ended June 30,	
		2012 <i>RMB’000</i> (Unaudited)	2011 <i>RMB’000</i> (Unaudited)
Revenue	3	10,164,876	9,398,376
Cost of sales and services		<u>(9,223,620)</u>	<u>(8,656,678)</u>
Gross profit		941,256	741,698
Other income and gains	4	132,377	59,040
Other expenses	4	(7,252)	—
Distribution and selling expenses		(337,702)	(226,603)
Administrative expenses		(156,531)	(155,659)
Finance costs	5	(138,633)	(69,585)
Share of profits of jointly controlled entities		3,896	—
Share of losses of associates		<u>(24)</u>	<u>—</u>
Profit before tax	6	437,387	348,891
Income tax expense	7	<u>(105,567)</u>	<u>(89,656)</u>
Profit and total comprehensive income for the period		<u><u>331,820</u></u>	<u><u>259,235</u></u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		300,391	236,338
Non-controlling interests		<u>31,429</u>	<u>22,897</u>
		<u><u>331,820</u></u>	<u><u>259,235</u></u>
Earnings per share — basic and diluted	9	<u><u>RMB0.23</u></u>	<u><u>RMB0.16</u></u>

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	June 30, 2012 RMB'000 (Unaudited)	December 31, 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,166,991	1,088,779
Prepaid lease payments	10	257,180	246,050
Intangible assets		20,886	14,561
Deposits paid for acquisition of property, plant and equipment		39,775	4,570
Interests in jointly controlled entities		31,285	31,856
Interests in associates		27,668	27,692
Available-for-sale investments		—	1,000
Deferred tax assets		31,668	35,410
		1,575,453	1,449,918
Current assets			
Prepaid lease payments	10	6,011	5,089
Inventories	11	2,802,933	2,088,316
Trade and other receivables	12	2,076,352	2,643,589
Amounts due from related parties	17	23,253	6,968
Pledged bank deposits		768,599	884,658
Bank balance and cash		978,049	1,080,178
		6,655,197	6,708,798
Current liabilities			
Trade and other payables	13	2,413,001	2,895,123
Amounts due to related parties	17	27,864	880,194
Income tax liabilities		230,437	268,994
Borrowings	14	3,376,604	2,355,517
		6,047,906	6,399,828

Condensed Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	June 30, 2012 RMB'000 (Unaudited)	December 31, 2011 RMB'000 (Audited)
Net current assets		<u>607,291</u>	<u>308,970</u>
Total asset less current liabilities		2,182,744	1,758,888
Non-current liabilities			
Borrowings	14	<u>79,803</u>	<u>20,821</u>
Net assets		<u><u>2,102,941</u></u>	<u><u>1,738,067</u></u>
Capital and reserves			
Share capital	15	2	2
Reserves		<u>1,879,509</u>	<u>1,579,118</u>
Equity attributable to owners of the Company		1,879,511	1,579,120
Non-controlling interests		<u>223,430</u>	<u>158,947</u>
Total equity		<u><u>2,102,941</u></u>	<u><u>1,738,067</u></u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total
	Paid-in/ Issued share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i> (note a)	Special reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Subtotal <i>RMB'000</i>		
At January 1, 2011 (audited)	478,671	—	52,310	(26,809)	611,667	1,115,839	80,401	1,196,240
Profit for the period	—	—	—	—	236,338	236,338	22,897	259,235
Capital injection by equity holders	37,971	—	—	—	—	37,971	20,700	58,671
Deemed distribution to Yongda Holding and Yongda CLS (note b)	—	—	—	(22,823)	—	(22,823)	—	(22,823)
Dividends recognized as distribution (note c)	—	—	—	—	(191,352)	(191,352)	—	(191,352)
Dividends payable to non-controlling interests	—	—	—	—	—	—	(13,575)	(13,575)
At June 30, 2011 (unaudited)	516,642	—	52,310	(49,632)	656,653	1,175,973	110,423	1,286,396
Profit for the period	—	—	—	—	268,444	268,444	35,487	303,931
Capital injection by equity holders	25,229	—	—	—	—	25,229	11,580	36,809
Deemed distribution to Yongda Holding and Yongda CLS (note b)	—	—	—	(19,309)	—	(19,309)	—	(19,309)
Partial disposal of equity interests in subsidiaries	—	—	—	(12,713)	—	(12,713)	12,713	—
Conversion into capital (note a (ii))	19,112	—	(19,112)	—	—	—	—	—
Deemed distribution to equity holders pursuant to the Reorganization (note d)	(560,983)	—	—	415,301	—	(145,682)	—	(145,682)
Issue of shares	2	524,998	—	—	—	525,000	—	525,000
Transfer to statutory reserve	—	—	54,471	—	(54,471)	—	—	—
Dividends recognized as distribution (note c)	—	—	—	—	(237,822)	(237,822)	—	(237,822)
Dividends payable to non-controlling interests	—	—	—	—	—	—	(11,256)	(11,256)
At December 31, 2011 (audited)	2	524,998	87,669	333,647	632,804	1,579,120	158,947	1,738,067
Profit for the period	—	—	—	—	300,391	300,391	31,429	331,820
Capital injection	—	—	—	—	—	—	32,000	32,000
Partial disposal of equity interests in subsidiaries	—	—	—	—	—	—	1,650	1,650
Dividends paid to non-controlling interests	—	—	—	—	—	—	(596)	(596)
At June 30, 2012 (unaudited)	<u>2</u>	<u>524,998</u>	<u>87,669</u>	<u>333,647</u>	<u>933,195</u>	<u>1,879,511</u>	<u>223,430</u>	<u>2,102,941</u>

Notes:

- a. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by board of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used to (i) make up prior year losses, if any; and/or (ii) apply in capital conversion.
- b. Certain income and expenses relating to the Group's Core Business (as defined in Note 1) were recorded in the books of Shanghai Yongda Group Company Limited By Shares ("Yongda CLS"), the then holding company of the Core Business not forming part of the Group after the completion of the Reorganization (as defined in Note 1), and Shanghai Yongda Holding (Group) Limited ("Yongda Holding", Yongda CLS's immediate parent) because:
 - (i) the relevant business licence for car insurance from which insurance commission income was derived was held by Yongda CLS; and
 - (ii) certain expenses were incurred commonly for Core Business and non-Core Business under Yongda Holding.

These income and expenses were collected without reimbursing and settled without charging the Group. In order to present a complete picture of the Core Business, the income and expenses relevant to the Core Business were identified and allocated to the Group whilst the resulting increase and decrease in net assets of Yongda CLS and Yongda Holding were accounted for as distribution to and contribution from the Shareholders (as defined in Note 1), having regard to the Shareholders' control over Yongda CLS and Yongda Holding prior and subsequent to the Reorganization.

The relevant PRC subsidiaries of the Company engaged in car insurance had obtained relevant business licences subsequent to the Reorganization.

- c. Dividends recognized as distributions represent dividends payable to Yongda CLS before the Reorganization.
- d. Pursuant to the Reorganization,
 - (i) the Group acquired the equity interests in the entities engaged in the Core Business whilst the difference between the aggregate consideration paid by the Group and the aggregate registered capital of such entities was accounted for as deemed distribution to the equity holders and presented as special reserve;
 - (ii) the Group acquired the equity interests in jointly controlled entities and associates whilst the difference between the aggregate consideration paid by the Group and its aggregate share of the fair value of the net assets of such entities was accounted for as deemed contribution to the equity holders and presented as special reserve; and
 - (iii) certain investment holding companies were interspersed between the Shareholders and the Core Business and the net asset value of these investment holding companies was accounted for as special reserve.

Condensed Consolidated Statement of Cash Flows

	For the six months ended June 30,	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	437,387	348,891
Adjustments for:		
Finance costs	138,633	69,585
Interest income	(11,776)	(2,079)
Gain on disposal of property, plant and equipment	(3,377)	(4,929)
Dividends from available-for-sale investments	—	(93)
Depreciation of property, plant and equipment	68,482	65,140
Release of prepaid lease payments	2,503	1,521
Carve-out items of Core Business incurred by Yongda Holding and Yongda CLS	—	(22,823)
Share of losses of associates	24	—
Share of profits of jointly controlled entities	(3,896)	—
Operating cash flows before movements in working capital	627,980	455,213
Increase in inventories	(714,617)	(688,209)
Decrease (increase) in trade and other receivables	486,178	(20,414)
(Decrease) increase in trade and other payables	(488,938)	701,144
Increase in amounts due from related parties	(2,235)	(904)
Increase in amounts due to related parties	(2,332)	(664)
Cash (used in) from operations	(93,964)	446,166
Income taxes paid	(140,382)	(78,808)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(234,346)	367,358
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	175,858	15,912
Net decrease (increase) in pledged bank deposits	116,059	(560,147)
Collection of advance to independent third parties	44,300	—
Proceeds on disposal of available-for-sales investments	37,759	—
Interest received	11,776	2,079
Collection of advance to related parties	6,000	13,068
Dividends received from jointly controlled entities	4,467	—
Additions to and deposits paid for property, plant and equipment	(285,430)	(226,676)
Additions to prepaid land lease payments	(70,043)	—
Advance to related parties	(20,050)	(26,790)
Purchase of intangible assets	(6,325)	(435)
Payment for acquisition of associates	(5,309)	—
Purchase of available-for-sale investments	—	(822)
Receipt of proceeds on disposal of a subsidiary	—	2,400
Dividends received from available-for-sale investments	—	93
NET CASH FROM (USED IN) INVESTING ACTIVITIES	9,062	(781,318)

Condensed Consolidated Statement of Cash Flows (Continued)

	For the six months ended June 30,	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	3,792,494	2,342,291
Advance from related parties	495,827	1,565,961
Capital injection by non-controlling shareholders	32,000	20,700
Proceeds from disposal of partial interests in subsidiaries without loss of control	1,650	—
Repayment of bank borrowings	(2,712,425)	(2,208,011)
Repayment of advance from related parties	(1,318,982)	(1,121,361)
Interest paid	(145,279)	(67,725)
Deemed distribution to Shareholders for acquisition of the Core Business as part of the Reorganization	(21,534)	—
Dividends paid to non-controlling Shareholders	(596)	(8,675)
Capital injection by Yongda CLS	—	37,971
Repayment of advance from independent third parties	—	(1,078)
Dividends paid to Yongda CLS	—	(186,866)
NET CASH FROM FINANCING ACTIVITIES	123,155	373,207
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,129)	(40,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	1,080,178	480,769
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	978,049	440,016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated on November 7, 2011 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's registered office is located at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

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

The Company is an investment holding company. The Group is mainly engaged in the sale of automobiles and provision of after-sales services primarily through its 4S (sales, spare parts, service and survey) dealerships, distribution of automobile insurance products and automobile rental services in the PRC (the "Core Business").

Historically, the Core Business was legally and/or beneficially owned by a group of individuals including Mr. Cheung Tak On, Mr. Wan Zhanggen, Mr. Cai Yingjie, Mr. Gu Mingchang, Mr. Wang Zhigao and Mr. Qiao Suixiang (collectively the "Shareholders"), and investment holding vehicles set up by them.

Pursuant to a group reorganization (the "Reorganization") involving, inter alia, (i) the transfer of all equity interests in the entities engaged in the Core Business (except for certain entities engaged in Core Business which were disposed of in 2011 and individually and collectively had no material financial impact on the Group), which were then held by different investment holding vehicles owned by the Shareholders on a collective basis, to Shanghai Yongda Automobile Group Co., Ltd. ("Automobile Group"), which was also an investment holding company owned by the Shareholders; (ii) the transfer of non-controlling equity interests in the entities engaged in non-automobile related business held by Automobile Group to entities owned by the Shareholders but not forming part of the Group or third parties; (iii) the insertion of certain investment holding companies including the Company between the Core Business and the Shareholders in a way enabling the Shareholders to maintain their respective beneficial ownership interests in the Core Business in the same manner before and after the Reorganization, the Company became the holding company of the Group on December 19, 2011, details of which are set out in the section headed "Shareholding and Reorganization of our Group" under "Our History and Reorganization" of the prospectus dated June 29, 2012 (the "Prospectus") issued by the Company in connection with the listing of the entire issued share capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The shares of the Company were listed on the Stock Exchange on July 12, 2012 (the "Listing").

The Reorganization mainly involved business combinations under common control as the Core Business was under the collective control of the then investment holding vehicles set up and owned by the Shareholders. As a result, merger accounting has been applied and the Group resulting from the Reorganization has been regarded as a continuing entity throughout the period ended June 30, 2011. The interim financial information, accordingly, has been prepared as if the Company had always been the holding company of the Group. The condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended June 30, 2011 have been prepared as if the current group structure had been in existence throughout that period or since the respective dates of incorporation/establishment of the relevant entities now comprising the Group where this is a shorter period.

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 Standard Board ("IASB").

2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements should be read in conjunction with the 2011 annual financial statements of the Group underlying the preparation of the accountants' report in Appendix I to the Prospectus (the "2011 Annual Financial Statements"). The accounting policies used in the preparation of the condensed consolidated financial statements are same as those used in the 2011 Annual Financial Statements. In the current interim period, the Group adopted the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB which are mandatory for the annual periods beginning January 1, 2012.

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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

The Group has not early adopted the following new and revised standards, amendments and interpretations ("new and revised IFRSs") that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle ¹
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ³
IAS 19 (Revised 2011)	Employee Benefits ¹
IAS 27 (Revised 2011)	Separate Financial Statements ¹
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after January 1, 2013

² Effective for annual periods beginning on or after January 1, 2015

³ Effective for annual periods beginning on or after July 1, 2012

⁴ Effective for annual periods beginning on or after January 1, 2014

The directors of the Company anticipate that the application of these new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

For the six months ended June 30, 2012

	Passenger vehicle sales and services <i>RMB'000</i>	Automobile rental services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>10,059,701</u>	<u>105,175</u>	<u>10,164,876</u>
Segment profit	<u>899,612</u>	<u>41,644</u>	<u>941,256</u>
Other income and gains			132,377
Other expenses			(7,252)
Distribution and selling expenses			(337,702)
Administrative expenses			(156,531)
Finance cost			(138,633)
Share of profits of jointly controlled entities			3,896
Share of losses of associates			(24)
Profit before tax			<u>437,387</u>

For the six months ended June 30, 2011

	Passenger vehicle sales and services <i>RMB'000</i>	Automobile rental services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>9,313,785</u>	<u>84,591</u>	<u>9,398,376</u>
Segment profit	<u>709,105</u>	<u>32,593</u>	<u>741,698</u>
Other income and gains			59,040
Distribution and selling expenses			(226,603)
Administrative expenses			(155,659)
Finance costs			(69,585)
Profit before tax			<u>348,891</u>

Segment profit represents the profit earned by each segment without allocation of other income and gains, other expenses, distribution and selling expenses, administrative expenses, finance costs, share of profits of jointly controlled entities and share of losses of associates. There were no inter-segment revenues during the period under review. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the Group's chief operating decision maker.

Revenue from major products and services

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Sale of passenger vehicles:		
— Luxury and ultra-luxury brands (<i>note a</i>)	7,110,485	6,626,392
— Mid-to high-end brands (<i>note b</i>)	1,976,347	2,025,249
Sub-total	9,086,832	8,651,641
After-sales services	972,869	662,144
Automobile rental services	105,175	84,591
	<u>10,164,876</u>	<u>9,398,376</u>

notes:

- a. Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac and Volvo.
- b. Mid-to high-end brands include Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others.

4. OTHER INCOME AND GAINS/OTHER EXPENSES

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Other income comprises:		
Commission income (<i>note a</i>)	68,306	38,055
Advertisement support received from automobile manufacturers (<i>note b</i>)	19,348	8,023
Government grants (<i>note c</i>)	20,989	1,954
Interest income on bank deposits	11,776	2,079
Others	5,281	93
	<u>125,700</u>	<u>50,204</u>
Other gains comprise:		
Gain on disposal of property, plant and equipment	3,376	4,929
Others	3,301	3,907
	<u>6,677</u>	<u>8,836</u>
Other income and gains	<u>132,377</u>	<u>59,040</u>
Other expenses:		
Listing expenses	<u>(7,252)</u>	<u>—</u>

notes:

- a. Commission income was primarily derived from the distribution of automobile insurance products.
- b. Advertising support was received from automobile manufacturers in connection with their marketing campaigns.
- c. Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

5. FINANCE COSTS

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Interests on:		
— bank loans wholly repayable within five years	101,280	51,084
— borrowings from related parties (Note 17(III)(vi))	1,066	2,079
— other borrowings from entities controlled by suppliers	4,257	2,157
— reimbursement to suppliers (note a)	39,563	14,265
Less: interests capitalized (note b)	(7,533)	—
	<u>138,633</u>	<u>69,585</u>

notes:

- The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for purchase of new passenger vehicles.
- Borrowing costs capitalized during the period arose on the general borrowing pool and are calculated by applying a capitalization rate of 7.9% (2011: Nil) per annum to expenditure on qualifying assets.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Depreciation of property, plant and equipment	68,482	67,248
Release of prepaid lease payments	<u>2,503</u>	<u>1,646</u>

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income tax ("EIT")	101,837	93,728
(Over) under provision of PRC EIT in prior year	<u>(12)</u>	<u>64</u>
	101,825	93,792
Deferred tax		
Current period	<u>3,742</u>	<u>(4,136)</u>
	<u>105,567</u>	<u>89,656</u>

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 and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries, except for certain subsidiaries, which, pursuant to the relevant laws and regulations in the PRC, are entitled to a progressive income tax rates from 15% to 25% over a transitional period of 5 years ending December 31, 2012.

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

8. DIVIDENDS

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
Dividend paid to Yongda CLS (note)	<u>—</u>	<u>191,352</u>

note: The dividend was paid to Yongda CLS prior to the Reorganization. The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

No dividends were paid, declared or proposed during the current interim period. The directors have determined that no dividend will be paid in respect of the current interim period.

9. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>300,391</u>	<u>236,338</u>
	For the six months ended June 30,	
	2012	2011
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,280 million</u>	<u>1,501 million</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended June 30, 2011 and 2012 has been adjusted retrospectively for the following:

- i) the deemed bonus element relating to the issue of shares at a price less than their fair value to the Shareholders as if they had taken place on January 1, 2011, as follows:
 - a) on November 22, 2011, the Company issued 99,999 shares at par to the Shareholders pursuant to the Reorganization; and
 - b) on December 29, 2011, the Company further allotted and issued 88,000 shares at a price of HK\$418.69 share to the Shareholders.
- ii) issue of 1,279,800,000 new shares by way of capitalization as set out in Note 15(b).

Diluted earnings per share is not presented as no potential ordinary shares were outstanding during both periods.

10. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

Property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately RMB263,687,000 (2011: RMB249,299,000) for business expansion.

As at December 31, 2011, buildings with carrying amount of approximately RMB58,777,000 were registered in the name of Yongda CLS and a building without building ownership certificate and having a carrying value of approximately RMB20,373,000 was situated on land in the PRC held by Yongda CLS under medium-term lease. During the period, such buildings, together with land use rights (see below), were disposed of to Yongda CLS at an aggregate consideration of RMB134,711,000 and were subsequently leased back by the Group under operating leases.

During the period, the Group disposed of other property, plant and equipment with carrying amount of approximately RMB39,654,000 (2011: RMB10,983,000) to third parties at an aggregate consideration of RMB41,147,000.

In addition, during the period, the Group paid approximately RMB39,775,000 (2011: RMB4,570,000) as deposits for acquisition of property, plant and equipment for business expansion.

Prepaid lease payment

During the period, the Group acquired medium-term land use rights situated in the PRC of approximately RMB70,043,000 (2011: Nil) for business expansion.

As at December 31, 2011, parcels of land with carrying amount of approximately RMB55,560,000 were registered in the name of Yongda CLS. During the period, such parcels of land were disposed of to Yongda CLS and subsequently leased back by the Group under operating leases.

11. INVENTORIES

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Motor vehicles	2,636,149	1,944,924
Spare parts and accessories	166,784	143,392
	<u>2,802,933</u>	<u>2,088,316</u>

12. TRADE AND OTHER RECEIVABLES

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

- a. In general, deposits and advances are required for sales of automobiles while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 90 days is granted; and
- b. For automobile rental services, the Group typically allows a credit period of 30 to 60 days to its customers.

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Trade receivables	<u>230,424</u>	<u>119,400</u>
Other receivables comprise:		
Cash in transit (<i>note a</i>)	73,446	45,290
Payments and deposits to suppliers	851,887	1,649,994
Payments and rental deposits on properties	35,833	38,752
Rebate receivables from suppliers	663,014	533,467
Insurance commission receivables	28,190	249
Staff advances	6,001	7,645
Value-Added-Tax recoverable	145,301	95,476
Prepayment for listing related expenses	11,056	—
Consideration receivables on disposal of available-for-sale investments	—	36,759
Loans to independent third parties (<i>note b</i>)	—	44,300
Others	<u>31,200</u>	<u>72,257</u>
	<u>1,845,928</u>	<u>2,524,189</u>
	<u>2,076,352</u>	<u>2,643,589</u>

notes:

- a. Cash in transit represents sales settled by credit cards, which have yet to be credited to the Group by banks. The balance of cash in transit as at June 30, 2012 aged seven days (December 31, 2011: Seven days).
- b. The independent third parties were entities formerly controlled by the Shareholders before they were transferred to independent third parties as part of the Reorganization. The balance was interest-free, unsecured and repayable on demand. The balance was settled in January 2012.

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:

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
0 to 90 days	<u>230,424</u>	<u>119,400</u>

13. TRADE AND OTHER PAYABLES

	June 30, 2012 <i>RMB'000</i>	December 31, 2011 <i>RMB'000</i>
Trade payables	141,103	95,214
Bills payables	1,694,089	2,121,998
	<u>1,835,192</u>	<u>2,217,212</u>
Other payables		
Other tax payables	12,241	23,558
Advances and deposits from customers	471,141	549,680
Payables for acquisition of property, plant and equipment	14,678	8,749
Rental payables	8,905	6,989
Salary and welfare payables	24,601	36,002
Accrued interest	1,803	916
Accrued listing expenses	10,825	5,231
Other accrued expenses	11,544	14,274
Others	22,071	32,512
	<u>577,809</u>	<u>677,911</u>
	<u><u>2,413,001</u></u>	<u><u>2,895,123</u></u>

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

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

	June 30, 2012 <i>RMB'000</i>	December 31, 2011 <i>RMB'000</i>
0 to 90 days	<u><u>1,835,192</u></u>	<u><u>2,217,212</u></u>

14. BORROWINGS

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Bank loans	3,099,721	2,158,183
Other borrowings from entities controlled by suppliers	356,686	218,155
	<u>3,456,407</u>	<u>2,376,338</u>
Carrying amount repayable:		
Within one year	3,376,604	2,355,517
More than one year, but not exceeding two years	49,628	14,218
More than two years, but not exceeding five years	30,175	6,603
	<u>3,456,407</u>	<u>2,376,338</u>
Less: amounts due within one year shown under current liabilities	<u>(3,376,604)</u>	<u>(2,355,517)</u>
Amounts shown under non-current liabilities	<u>79,803</u>	<u>20,821</u>

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings ranged from 5.04% to 8.75% (2011: 5.81% to 8.75%).

15. SHARE CAPITAL

	Number of share '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorized:		
At January 1, 2012	38,000	380
Increase in authorized share capital (<i>note a</i>)	2,462,000	24,620
As at June 30, 2012	<u>2,500,000</u>	<u>25,000</u>

	Number of shares '000	Amount HK\$'000	Shown in financial statements as RMB'000
Issued and fully paid:			
At January 1, 2012 and June 30, 2012	<u>200</u>	<u>2</u>	<u>2</u>

- Pursuant to resolutions passed at a general meeting of the Company's shareholders on May 5, 2012, it was resolved, inter alia, the authorized share capital of the Company was increased to HK\$25,000,000 as divided into 2,500,000,000 shares at par value of HK\$0.01 each;
- Following the change in authorized share capital and upon the Listing, HK\$12,798,000 standing to the credit of the share premium account of the Company was capitalized for issue of 1,279,800,000 new shares at par on July 12, 2012 to the then shareholders of the Company in proportion to their shareholdings; and
- Subsequent to the end of the current interim period, the Company issued a total of 200,022,000 new ordinary shares of HK\$0.01 each at the price of HK\$6.60 per share by means of global offering on July 12, 2012.

The new shares allotted and issued rank pari passu in all respects with the then existing shares in issue.

16. CAPITAL COMMITMENTS

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>122,758</u>	<u>79,142</u>

17. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Associate held by the Group		
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	1,337	2,540
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile")	5,000	—
Shanghai Jinjiang Toyota Automobile Sales Co., Ltd.	50	—
Jointly controlled entity held by the Group		
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	713	—
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong")	—	3,000
Entity controlled by the Shareholders		
Yongda CLS	—	1,428
Yangzhou Yongda Automobile Sales Co., Ltd. ("Yangzhou Yongda") (note)	12,000	—
Shanghai Shenbao Yongda Automobile Sales Co., Ltd. ("Shanghai Shenbao")	4,153	—
	<u>23,253</u>	<u>6,968</u>
Analyzed as:		
Trade-related, aged within 1 year	6,203	3,968
Non trade-related	17,050	3,000
	<u>23,253</u>	<u>6,968</u>

note: In August 2012, the Group entered into an agreement to acquire Yangzhou Yongda, details of which are set out in Note 18(b).

The above balances are interest-free, unsecured and expected to be received within one year.

II. Amounts due to related parties

	June 30, 2012 RMB'000	December 31, 2011 RMB'000
Non-controlling shareholders (note a)	10,316	32,746
Jointly controlled entity held by the Group		
Shanghai Bashi Yongda	1,495	3,427
Entity controlled by the Shareholders		
Yongda CLS (note b)	16,053	844,021
	<u>27,864</u>	<u>880,194</u>
Analyzed as:		
Trade-related, aged within 1 year	1,495	3,827
Non trade-related	26,369	876,367
	<u>27,864</u>	<u>880,194</u>

The above balances are unsecured and repayable on demand. Except for RMB10,000,000 included in the amount due to Yongda CLS as at December 31, 2011 that carried an interest rates of 7.9% per annum, other balances are interest-free.

notes:

- a. The non-controlling shareholders have significant influence over the relevant subsidiaries of the Group and the balance included a dividend payable of RMB9,166,000 as at December 31, 2011 and June 30, 2012, respectively.
- b. Included in the balance as at December 31, 2011 were a dividend payable of RMB13,735,000, a professional fee payable of RMB2,318,000 which Yongda CLS paid on behalf of the Group, a consideration payable of RMB21,534,000 for the acquisition of the Core Business as part of the Reorganization and a consideration payable of RMB5,309,000 for the acquisition of associates.

Included in the balance as at June 30, 2012 were a dividend payable of RMB13,735,000 and a professional fee payable of RMB2,318,000 which Yongda CLS paid on behalf of the Group.

III. Related party transactions

	For the six months ended June 30, 2012 RMB'000	2011 RMB'000
i) Sales of motor vehicles		
^Shengzhou Yongda Bencheng Automobile Sales and Services Co.,Ltd ("Shengzhou Yongda Bencheng")	—	439
^Taixing Yongda Bencheng Automobile Sales and Services Co., Ltd. ("Taixing Yongda Bencheng")	—	779
^Jiaxing Jinyueda Automobile Sales and Services Co., Ltd. ("Jiaxing Jinyueda Automobile")	—	411
Shanghai Shenbao	9,443	18,703
#Shanghai Yongda Fengdu Automobile	—	607
#Shanghai Bashi Yongda	4,506	—
	<u>13,949</u>	<u>20,939</u>

Sales of motor vehicles via Shanghai Oriental Yongda

The Group, through Shanghai Oriental Yongda's television shopping channel, sold motor vehicles to customers amounting to RMB146,418,000 and RMB215,700,000 for the six months ended June 30, 2011 and 2012, respectively. A commission of approximately RMB1,511,000 and RMB2,240,000 was paid to Shanghai Oriental Yongda for the marketing and promotion activities it carried out for the Group for the six months ended June 30, 2011 and 2012, respectively.

		For the six months ended June 30,	
		2012	2011
		RMB'000	RMB'000
ii) Purchase of motor vehicles			
^Shengzhou Yongda Bencheng	—	7,019	
^Lin'an Yongda Automobile Sales and Services Co., Ltd. ("Lin'an Yongda Automobile")	—	3,070	
^Taixing Yongda Bencheng	—	240	
^Jiaxing Jinyueda Automobile	—	2,009	
#Shanghai Yongda Fengdu Automobile	2,028	2,544	
#Shanghai Bashi Yongda	7,715	1,314	
#Shanghai Yongda Changrong	1,407	1,010	
	11,150	17,206	
		For the six months ended June 30,	
		2012	2011
		RMB'000	RMB'000
iii) Sales of spare parts			
^Shengzhou Yongda Bencheng	—	15	
^Lin'an Yongda Automobile	—	21	
#Shanghai Bashi Yongda	—	8	
#Shanghai Yongda Changrong	841	3	
#Shanghai Yongda Fengdu Automobile	40	—	
Shanghai Shenbao	14	—	
	895	47	
iv) Purchase of spare parts			
#Shanghai Yongda Changrong	69	1	
#Shanghai Bashi Yongda	23	11	
	92	12	
v) Provision of after-sales services			
#Shanghai Yongda Fengdu Automobile	—	57	
#Shanghai Yongda Changrong	—	10	
	—	67	

		For the six months ended June 30,	
		2012	2011
		RMB'000	RMB'000
vi) Interest expenses			
Yongda CLS		—	2,079
A non-controlling shareholder with significant influence over the relevant subsidiary		1,066	—
		<u>1,066</u>	<u>2,079</u>
vii) Proceed from disposal of properties and prepaid lease payments to:			
Yongda CLS		<u>134,711</u>	<u>—</u>
viii) Proceed from disposal of available-for-sale investments to:			
Yongda CLS		<u>1,000</u>	<u>—</u>
ix) Carrying amount of loans guaranteed by:			
Yongda CLS (<i>note</i>)		—	1,155,086
Yongda Holding		—	119,296
		<u>—</u>	<u>1,274,382</u>

note: Included were loans amounting RMB44,000,000 as at June 30, 2011 jointly guaranteed by Yongda Holding.

		For the six months ended June 30,	
		2012	2011
		RMB'000	RMB'000
x) Carrying amount of loans secured by investment properties held by:			
Shanghai Yongda Property Development Co., Ltd., an entity controlled by the Shareholders (<i>note</i>)		<u>—</u>	<u>194,000</u>

note: The amount as at December 31, 2011 included loans of RMB85,000,000 secured by properties held by Shanghai Yongda Transportation Equipment Co., Ltd., an entity controlled by the Shareholders.

		For the six months ended June 30,	
		2012	2011
		RMB'000	RMB'000
xi) Compensation of key management personnel:			
Short-term benefits		940	838
Post-employment benefits		<u>107</u>	<u>78</u>
		<u>1,047</u>	<u>916</u>

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

The entities marked with ^ were no longer identified as related parties after the Shareholders disposed of these entities to independent third parties in September 2011 as part of the Reorganization.

The above related party transactions will discontinue after the Listing except for those marked with #.

The above guarantees and security arrangements were released subsequently and replaced by new guarantees provided by subsidiaries of the Group and pledge of certain assets of the Group.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a) Issue of new shares by way of capitalization and global offering as disclosed in Note 15(b) and (c), respectively;
- b) On August 28, 2012, the board of directors approved the acquisition of the entire equity interest in Yangzhou Yongda from Yongda CLS at a consideration of RMB10 million. Details of the assets acquired and the liabilities assumed arising from the acquisition of Yangzhou Yongda are not presented herein as the acquisition involved identifying assets and liabilities at their fair values, the process of which is in progress by the directors.

FINANCIAL REVIEW

Revenue

Revenue was RMB10,164.9 million for the six months ended June 30, 2012, which represented an increase of RMB766.5 million, or 8.2%, from RMB9,398.4 million for the six months ended June 30, 2011. This increase was primarily attributable to an increase in revenues from passenger vehicle sales and after-sales services.

Revenue from passenger vehicle sales increased by 5.0% from RMB8,651.7 million for the six months ended June 30, 2011 to RMB9,086.8 million for the six months ended June 30, 2012, which was primarily attributable to an increase in sales volume of passenger vehicles, particularly an increase in sales volume of luxury and ultra-luxury passenger vehicles, and partially offset by a slight decrease in the average selling prices for luxury and ultra-luxury passenger vehicles mainly resulting from the increased proportion of entry-level models and domestically manufactured models of luxury and ultra-luxury passenger vehicles. Revenue from sales of luxury and ultra-luxury passenger vehicles increased by 7.3% from RMB6,626.4 million for the six months ended June 30, 2011 to RMB7,110.5 million for the six months ended June 30, 2012, while revenue from mid-to high-end passenger vehicles slightly decreased by 2.4% from RMB2,025.3 million for the six months ended June 30, 2011 to RMB1,976.3 million for the six months ended June 30, 2012. Sales volume of luxury and ultra-luxury passenger vehicles increased by 13.2% from 13,533 units for the six months ended June 30, 2011 to 15,315 units for the six months ended June 30, 2012. Sales volume of mid- to high-end passenger vehicles increased by 3.4% from 14,950 units for the six months ended June 30, 2011 to 15,458 units for the six months ended June 30, 2012. The increase in our sales volume and revenue from passenger vehicle sales was primarily attributable to (i) the overall demand for passenger vehicles continuing to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) our dealerships opened in prior years quickly ramping up and generated an increasing amount of revenue; and (iii) an increase in our 4S dealerships.

Revenue from after-sales services increased by 46.9% from RMB662.1 million for the six months ended June 30, 2011 to RMB972.9 million for the six months ended June 30, 2012, primarily attributable to (i) the increased after-sale services business generated from our growing customer base, in particular, our customers for luxury and ultra-luxury passenger vehicles that are generally less price sensitive than those of mid-to high-end passenger vehicles; (ii) an increase of revenue from automobile services extended products as a result of our continued focus on developing our after-sales services; (iii) our enhanced service quality; and (iv) our strengthened cooperation with insurance companies bringing more referrals to us.

Revenue from automobile rental services increased by 24.3% from RMB84.6 million for the six months ended June 30, 2011 to RMB105.2 million for the six months ended June 30, 2012. The increase in revenue from automobile rental services was primarily attributable to an increase in demand for automobile rental services and our expanded fleet size.

Cost of Sales and Services

Cost of sales and services was RMB9,223.6 million for the six months ended June 30, 2012, which represented an increase of RMB566.9 million, or 6.5%, from RMB8,656.7 million for the six months ended June 30, 2011. This increase of cost of sales and services is generally in line with the increase of our revenue.

Cost of sales and services for passenger vehicle sales increased by 5.0% from RMB8,199.3 million for the six months ended June 30, 2011 to RMB8,610.9 million for the six months ended June 30, 2012. Cost of sales and services for luxury and ultra-luxury passenger vehicles increased by 7.6% from RMB6,242.8 million for the six months ended June 30, 2011 to RMB6,719.1 million for the six months ended June 30, 2012. The increase in cost of sales and services for luxury and ultra-luxury passenger vehicles was generally in line with the increase in revenue from sales of luxury and ultra-luxury passenger vehicles. Cost of sales and services for mid-to high-end passenger vehicles decreased by 3.3% from RMB1,956.5 million for the six months ended June 30, 2011 to RMB1,891.8 million for the six months ended June 30, 2012. The decrease in cost of sales and services for mid-to high-end passenger vehicles was generally in line with the decrease in revenue from sales of mid-to high-end passenger vehicles.

Cost of sales and services for after-sales services increased by 35.5% from RMB405.4 million for the six months ended June 30, 2011 to RMB549.2 million for the six months ended June 30, 2012. This increase was primarily attributable to the growth of after-sales services.

Cost of sales and services for automobile rental services increased by 22.1% from RMB52.0 million for the six months ended June 30, 2011 to RMB63.5 million for the six months ended June 30, 2012. This increase was primarily attributable to the growth of our automobile rental services.

Gross Profit

As a result of the foregoing, gross profit was RMB941.3 million for the six months ended June 30, 2012, which represented an increase of RMB199.6 million, or 26.9%, from RMB741.7 million for the six months ended June 30, 2011.

Gross profit from passenger vehicle sales increased by 5.2% from RMB452.4 million for the six months ended June 30, 2011 to RMB475.9 million for the six months ended June 30, 2012. Gross profit from sales of luxury and ultra-luxury passenger vehicles increased by 2.0% from RMB383.6 million for the six months ended June 30, 2011 to RMB391.3 million for the six months ended June 30, 2012. Gross profit from sales of mid-to high-end passenger vehicles increased by 22.8% from RMB68.8 million for the six months ended June 30, 2011 to RMB84.5 million for the six months ended June 30, 2012. Gross profit margin for passenger vehicle sales remained stable at 5.2% for the six months ended June 30, 2011 and 2012.

Gross profit from after-sales services increased by 65.1% from RMB256.7 million for the six months ended June 30, 2011 to RMB423.7 million for the six months ended June 30, 2012. Gross profit margin for after-sales services increased from 38.8% for the six months ended June 30, 2011 to 43.6% for the six months ended June 30, 2012, primarily attributable to (i) the increased proportion of after-sales services provided to luxury and ultra-luxury passenger vehicles which have a higher gross profit margin, (ii) an increase of revenue from automobile services extended products as a result of our continued focus on developing our after-sales services, which generally carry a higher gross profit margin compared to the sales of new passenger vehicles; and (iii) our satisfactory cost control.

Gross profit from automobile rental services increased by 27.9% from RMB32.6 million for the six months ended June 30, 2011 to RMB41.7 million for the six months ended June 30, 2012. Gross profit margin for automobile rental services increased from 38.5% for the six months ended June 30, 2011 to 39.6% for the six months ended June 30, 2012, primarily attributable to our satisfactory cost control.

Other Income and Gains, Net

Other income and gains were RMB132.4 million for the six months ended June 30, 2012, which represented an increase of RMB73.4 million, or 124.4%, from RMB59.0 million for the six months ended June 30, 2011. This increase was primarily attributable to an increase in (i) insurance commission income as we were able to facilitate more insurance products sales to our customers as a result of our increased passenger vehicle sales; (ii) government grants; and (iii) advertisement support received from automobile manufacturers resulting primarily from our expanded network.

Distribution and Selling Expenses

Distribution and selling expenses were RMB337.7 million for the six months ended June 30, 2012, which represented an increase of RMB111.1 million, or 49.0%, from RMB226.6 million for the six months ended June 30, 2011. This increase was primarily attributable to an increase in salaries and benefits for our sales team as a result of an increase in headcount for our network expansion. As a percentage of revenue, our distribution and selling expenses increased to 3.3% for the six months ended June 30, 2012 from 2.4% for the six months ended June 30, 2011.

Administrative Expenses

Administrative expenses remained relatively stable at RMB156.5 million for the six months ended June 30, 2012, compared to RMB155.7 million for the six months ended June 30, 2011. As a percentage of revenue, administrative expenses slightly decreased to 1.5% for the six months ended June 30, 2012 from 1.7% for the six months ended June 30, 2011.

Finance Costs

Finance costs were RMB138.6 million for the six months ended June 30, 2012, which represented an increase of RMB69.0 million, or 99.1%, from RMB69.6 million for the six months ended June 30, 2011. This increase was primarily attributable to (i) the higher average balance of our borrowings for the six months ended June 30, 2012 compared to the six months ended June 30, 2011; and (ii) the increased effective interest rate of our borrowings due to the general credit tightening policies in China.

Profit before Tax

As a result of the foregoing, profit before tax was RMB437.4 million for the six months ended June 30, 2012, which represented an increase of RMB88.5 million, or 25.4%, from RMB348.9 million for the six months ended June 30, 2011.

Income Tax Expenses

Income tax expenses were RMB105.6 million for the six months ended June 30, 2012, which represented an increase of RMB15.9 million, or 17.7%, from RMB89.7 million for the six months ended June 30, 2011. This increase was primarily attributable to the increase in profit before tax. Our effective income tax rate decreased to 24.1% for the six months ended June 30, 2012 from 25.7% for the six months ended June 30, 2011.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income was RMB331.8 million for the six months ended June 30, 2012, which represented an increase of RMB72.6 million, or 28.0%, from RMB259.2 million for the six months ended June 30, 2011.

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

Profit and total comprehensive income attributable to the owners of the Company was RMB300.4 million for the six months ended June 30, 2012, which represented an increase of RMB64.1 million, or 27.1%, from RMB236.3 million for the six months ended June 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are to pay for purchases of passenger vehicles, spare parts and automobile accessories, to fund our working capital and normal recurring expenses, to fund the capital expenditures in connection with the establishment of new dealerships and acquisition of additional dealerships and to repay our indebtedness. We maintain our liquidity through a combination of cash flows generated from our operating activities, capital injections, bank loans and other borrowings. In the future, we believe that our liquidity requirements will 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, including proceeds raised from our initial public offering on the Stock Exchange in July 2012.

For the six months ended June 30, 2012, our net cash used in operating activities was RMB234.3 million, net cash from investing activities was RMB9.1 million, and net cash from financing activities was RMB123.2 million, respectively.

Net Current Assets

As of June 30, 2012, we had net current assets of RMB607.3 million, compared to our net current assets of RMB309.0 million as of December 31, 2011, representing an increase of RMB298.3 million, or 96.6%. This increase was primarily attributable to (i) an increase in inventories; (ii) a decrease in the trade and other payables; and (iii) a decrease in amounts due to related parties, which was partially offset by a decrease in trade and other receivables and an increase in borrowings.

Inventories

Our inventories mainly include passenger vehicles procured for passenger vehicle sales and, to a lesser extent, spare parts, accessories and other miscellaneous inventories. Our inventories increased by 34.2% from RMB2,088.3 million as of December 31, 2011 to RMB2,802.9 million as of June 30, 2012, primarily attributable to (i) an increased proportion of luxury and ultra-luxury brands in our total sales, which had a higher cost per vehicle; and (ii) our increased business scale. The following table sets forth our average inventory turnover days for the periods indicated:

	For the six Months Ended	
	June 30,	
	2012	2011
Average inventory turnover days ⁽¹⁾	<u>48.5</u>	<u>31.0</u>

Note:

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

Our average inventory turnover days were 31.0 days and 48.5 days for the six months ended June 30, 2011 and 2012, respectively. We have higher inventory turnover days for the six months ended June 30, 2012 primarily due to (i) the commencement of operations of our new outlets in the second half of 2011 and the first half of 2012, which resulted in large purchases of passenger vehicles; and (ii) our adaptive business plans adjusted to the market environment to achieve an optimal level of inventory.

Loans and Borrowings

We obtain borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, and prior to our initial public offering in July 2012, incurred amounts due to related parties to finance our working capital and network expansion needs. We have repaid all outstanding amounts due to related parties relating to our working capital financing prior to our initial public offering. As of June 30, 2012, our bank loans, other borrowings and amounts due to related parties relating to our working capital financing were RMB3,459.9 million, an increase of RMB230.1 million, or 7.1% compared to RMB3,229.8 million as of December 31, 2011, primarily due to our increased capital needs in connection with the expansion of our business. The following table sets forth the maturity profile as of June 30, 2012.

	As of June 30, 2012 (RMB'000)
Within one year	3,380,072
One year to two years	49,628
Two years to five years	30,175
	<u>3,459,875</u>

Our net debt to equity ratio was 92.4% as of June 30, 2012. The net debt to equity ratio is the net debt, which includes the indebtedness net of cash and pledged bank deposits, divided by equity attributable to owner of the Company. After giving the effect of the net proceeds we have raised from our initial public offering in July 2012, our net debt to equity ratio would be approximately 23.1%.

As of June 30, 2012, certain of our bank loans were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2012 consisted of (i) inventories in the amount of RMB906.2 million; (ii) property, plant and equipment in the amount of RMB154.8 million; (iii) land use rights in the amount of RMB43.4 million; and (iv) pledged bank deposits in the amount of RMB6.0 million.

Capital Expenditures and Investment

Our capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, intangible assets and land use rights, and the acquisition of subsidiaries. For the six months ended June 30, 2012, our total capital expenditures were RMB361.8 million.

Contingent Liabilities

As of June 30, 2012, we did not have any material contingent liabilities or guarantees.

Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in interest rate on our debt. 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 rate could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our finance costs, profit and our financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. We do not currently use any derivative instruments to manage our interest rate risk.

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

Staff and Remuneration Policy

As of June 30, 2012, we had 6,511 full-time employees and other personnel as compared to 6,429 full-time employees and other personnel as of December 31, 2011.

We provide competitive compensation packages and benefits to attract talented people and contribute a part of our revenues to internal funds under our "Employee Care" program. We evaluate our employees' performance on a regular basis. The evaluation results are linked to compensation and promotion. To incentivize our after-sales and sales and marketing personnel, we provide them with bonuses based on various performance criteria, including whether their individual sales targets have been met and customer feedback on the quality of their service. We review our staff remuneration packages from time to time.

Future Prospectus and Strategies

We believe China's economy will continue to grow, and the luxury and ultra-luxury passenger vehicle's market and after-sales services' market will also develop rapidly. Driven by increasing market demands, we anticipate that there are enormous opportunities for growth of our passenger vehicle sales and after-sales services.

To proactively capturing market opportunities, we aim to continue strengthening our market position as a leading luxury and ultra-luxury passenger vehicle dealership group in China and to capture the opportunities in the world's largest and fast-growing passenger vehicle's market by pursuing the following strategies:

- We will further strengthen our focus on the luxury and ultra-luxury segments. We will continue to focus on network expansion and seek to pursue opportunities to introduce new brands into our brand portfolio in the luxury and ultra-luxury segments;

- We will continue to improve our profitability and operational efficiency. We aim to continue to improve profitability by optimizing our product and service mix. We seek to improve gross profit margins by increasing the sales volume of luxury and ultra-luxury passenger vehicles and their proportion to our total passenger vehicle sales. While customer base continues to grow, we will continue to innovate and launch various automobile services extended products and provide more high-margin services and other services, such as pre-owned vehicle business, automobile rental services and other automobile-related services to increase our revenue and improve our margins;
- We plan to continue to expand our network in East China and in other select fast-growing regions through organic growth and acquisitions. We plan to further expand our network in Shanghai and other markets in East China to strengthen our leading position in these markets. We also seek to selectively expand into other regions with strong growth potential. We will pursue these expansion plans through both organic growth and acquisitions of other dealerships;
- We will continue to leverage our “永達 (Yongda)” brand to further develop our after-sales services, pre-owned vehicle business, automobile rental services and other automobile-related services; and
- We will continue to focus on the recruitment, training and retention of our employees to support our rapid growth.

We are committed to strengthening our position as a leading passenger vehicle retailer and comprehensive service provider in China, focusing on luxury and ultra-luxury brands, and we aim to continue to make decisions and investments that we believe will create long-term value for our shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions 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 (the “**Listing Rules**”). Since the listing of the Company on July 12, 2012 up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the six months ended June 30, 2012 and up to the date of this announcement.

Audit and Compliance Committee

The audit and compliance committee of the Company (the “**Audit and Compliance Committee**”) has three members comprising two independent non-executive Directors, being Mr. Wang Zhiqiang (chairman) and Mr. Lu Wei, and one non-executive Director, being Mr. Wang Zhigao, with terms of reference in compliance with the Listing Rules.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Company for the six months ended June 30, 2012. The Audit and Compliance Committee considers that the interim financial results for the six months ended June 30, 2012 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended June 30, 2012 will be dispatched 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 28, 2012

As at the date of this announcement, the executive directors of the Company are Mr. Cheung Tak On and Mr. Cai Yingjie; the non-executive directors of the Company are Mr. Wang Zhigao and Mr. Wang Liquin; and the independent non-executive directors of the Company are Mr. Wang Zhiqiang, Mr. Lu Wei and Mr. Chen Xianglin.