China Yongda Automobiles Services Holdings Limited
(中國永達汽車服務控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03669)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended December 31, 2012 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2011.

GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB21,712.0 million in 2012, a 6.9% increase from RMB20,304.1 million in 2011.
- Gross profit was RMB1,770.6 million in 2012, a 10.6% increase from RMB1,600.5 million in 2011.
- Gross profit margin was 8.2% in 2012, a 0.3 percentage point increase from 7.9% in 2011.
- EBITDA (as defined below) was RMB1,108.0 million in 2012, a 5.9% increase from RMB1,046.0 million in 2011.
- Profit and total comprehensive income attributable to owners of the Company was RMB470.0 million in 2012, a 6.9% decrease from RMB504.8 million in 2011.
- Earnings per share was RMB0.34 in 2012.

MARKET REVIEW

China's automobile market has experienced stable growth in 2012. According to the China Association of Automobile Manufacturers ("**CAAM**"), automobile sales volume in China was approximately 19,306,000 units in 2012, approximately 4% increase from 2011, among which, sales volume of new passenger vehicles was approximately 15,495,000 units, approximately 7% increase from 2011. The market for luxury and ultra-luxury passenger vehicles has continued its rapid pace with a high growth rate among all market segments of new passenger vehicle sales in China. Mckinsey, a global management consulting firm, reported that sales volume of luxury and ultra-luxury new passenger vehicles in China reached approximately 1.25 million units in 2012, making China the second largest luxury and ultra-luxury vehicle market worldwide, second only to America. According to the CAAM, mainstream brands of BMW, Audi, Jaguar and Land Rover presented a stronger growth rate of sales by approximately 40%, 30% and 73%, respectively, maintaining their leading positions among the luxury and ultra-luxury brands.

China's after-sales services' market has continued its fast pace in 2012, mainly due to the rise in passenger vehicle ownership and the aging of passenger vehicles in China. According to Roland Berger, after-sales services for the luxury and ultra-luxury segments are expected to maintain a compound annual growth rate ("**CAGR**") of approximately 30% over the next five years; for example, the current car parc in China for BMW, one of the major brands in the portfolio of the Group, has reached approximately one million units after a decade of development, and is expected to grow rapidly up to two million units over the next three years. Meanwhile, car parc of passenger vehicles aged four to seven years is ramping up rapidly, and is expected to contribute to the revenue growth of after-sales services business.

The Group has already established an extensive network in Eastern China and plan to further strengthen its leading position. Eastern China is expected to continue to be a regional market offering the greatest growth potential for sales, maintenance and repair services of luxury and ultra-luxury vehicles, as well as the businesses of pre-owned vehicles, automobile extended products and services, insurance and financial products and automobiles rental business in China. According to Roland Berger, transaction volumes of pre-owned vehicles and automobile rental services in China are expected to reach a CAGR of approximately 25% and 20%, respectively, from 2011 to 2015. The Eastern China regional market is expected to continue growing at a faster pace compared to the national average growth rate. Meanwhile, the Group believes China's automobile industry will continue its fast growth driven by a number of factors, including the continuous increase in car parc and the gradually maturing market, which in turn may promote the fast growth of the businesses of automobile financing and leasing, innovative insurance business and automobile extended products and services, as well as further growth of maintenance and repair services, pre-owned vehicle business and automobile rental business.

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, the Group has achieved steady growth in 2012. The revenue and gross profit of the Group were RMB21,712.0 million and RMB1,770.6 million, respectively, representing an increase of 6.9% and 10.6%, respectively, from 2011. The EBITDA, i.e. the earnings of the Group before interest, taxes, depreciation and amortization, was RMB1,108.0 million, a 5.9% increase from 2011. Set forth below is a summary of the major developments of the business of the Group in 2012.

Stable Growth of New Passenger Vehicle Sales and Fast-growing After-sales Business

- **New Passenger Vehicle Sales.** Despite a challenging market environment, the sales volume of passenger vehicles of the Group reached 69,883 units in 2012, a 14.1% increase from 2011, and sales volume of luxury and ultra-luxury brands reached 34,039 units in 2012, a 16.9% increase from 2011. The weak consumer sentiment resulting from the growing economic instability has adversely affected market demand in 2012; however, a general recovery of economy is underway, particularly during the fourth quarter. The management has prudently monitored changing market conditions and developed adaptive plans in new passenger vehicle sales and new outlets development, which encouraged a sustainable and balanced growth of sales revenue and sales volume. The Group has strived to prioritize the profitability of its business and the management of inventory to a reasonable level by optimizing its sales structure and closely monitoring its inventory turnover.

- **Repair and Maintenance Services.** The repair and maintenance services of the Group have achieved fast growth in 2012. This is resulted from its fast-growing customer base, in particular, its customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demand for its after-sales services; its "one-stop shop" comprehensive automobile-related quality services and the recognition of its well-known "Yongda" brand to achieve a high degree of customer satisfaction which has increased customer retention rates and continuous consumption and attracted new customers through referrals; and its efforts to enhance its cooperation with insurance companies.

- **Automobile Extended Products and Services.** In addition to the repair and maintenance services of the Group, the Group is also committed to provide comprehensive automobile extended products and services through its "one-stop shop" services, which mainly include automobile decoration products, automobile care services, agency services of vehicle title registration and vehicle inspection services. The automobile extended products and services of the Group have achieved fast growth in 2012, mainly driven by its integrated sales with new passenger vehicle sales, provision of more incentives to its sales force and the introduction of products and suppliers catering for the needs of its customers. Revenues from sales of automobile decoration products and automobile care services were RMB202.1 million and RMB145.5 million, respectively, a 53.0% and 133.9% increase from 2011, respectively.

The after-sales service business of the Group, which mainly includes the above-mentioned repair and maintenance services and automobile extended products and services, has achieved a revenue of RMB2,048.6 million, a 35.1% increase from 2011.

- **Agency Services for Automobile Insurance and Financial Products.** Through strengthened cooperation with insurance companies and other financial institutions, the Group has achieved a service income of RMB155.8 million in 2012 from its agency services for automobile insurance and financial products, a 77.1% increase from 2011.

- **Pre-owned Vehicle Business.** The Group has actively promoted its pre-owned vehicle business in 2012 by increasing the proportion of brand certified pre-owned vehicles, upgrading information management system for pre-owned vehicles, as well as using a third-party auction system for pre-owned vehicles, which has greatly improved sales volumes and revenue of pre-owned vehicle business.

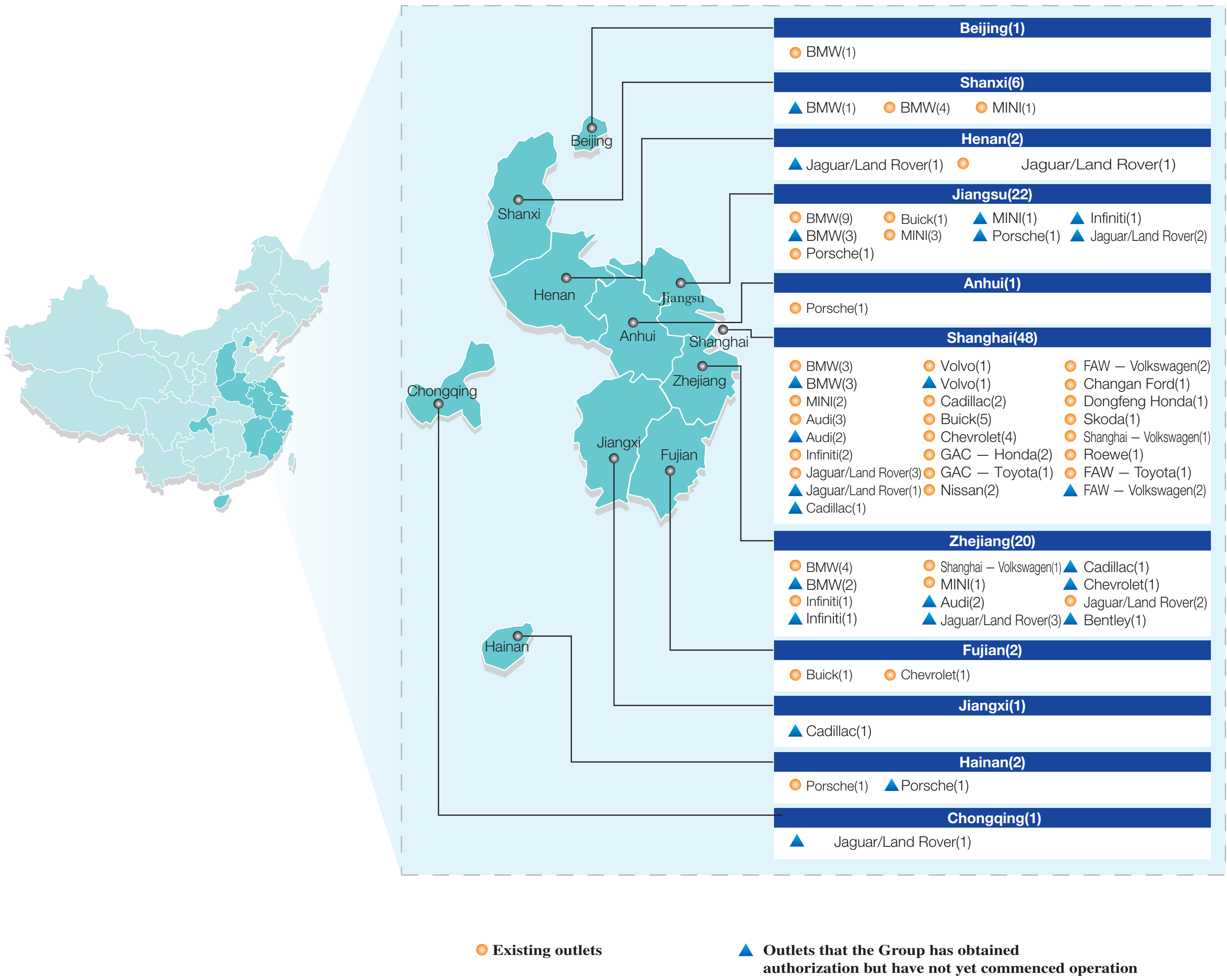
- **Automobile Rental Services.** In 2012, the Group proactively promoted its automobile rental services by excavating new and long-term customers and expanding its fleet size. As a result, its automobile rental services has achieved a revenue of RMB223.1 million, a 23.5% increase from 2011.

Continuous Expansion of the Network of the Group

The Group has continued to build its strong and long-term relationships with leading manufacturers of luxury and ultra-luxury passenger vehicles. In 2012, the Group continued to focus on luxury and ultra-luxury brands, including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac, Volvo, and Bentley, a UK premium luxury brand that was newly added. In 2012, the Group has obtained authorization to open 21 new outlets from a number of luxury and ultra-luxury brands, including Porsche, BMW, Audi, Jaguar, Land Rover and Bentley, which has further enhanced its luxury and ultra-luxury brands portfolio. Moreover, the Group has operated 4S dealerships for a select portfolio of mid- to high-end brands, including Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others. The table below sets forth the number of the outlets of the Group as of December 31, 2012:

	Existing Outlets	New Outlets that the Group has Obtained Authorization to Open	Total
Luxury and ultra-luxury brands 4S dealerships	25	27	52
Mid- to high-end brands 4S dealerships	26	3	29
Manufacturer-authorized service centers	5	—	5
Showrooms	15	3	18
Manufacturer authorized certified pre-owned vehicle center	1	1	2
Total	72	34	106

The Group has continued to operate an extensive network with a strong presence in Eastern China, particularly in Shanghai, and has expanded into other regions in China. As of December 31, 2012, the existing outlets of the Group were located across 31 cities in 11 provinces in China and 94 out of 106 existing outlets were located in Eastern China and a vast majority of its new outlets are also planned to be strategically located in this region. In 2012, the Group established a number of new outlets for luxury and ultra-luxury brands, including Porsche, MINI, Jaguar, Land Rover and Cadillac, among which its Porsche outlet in Wuxi City, Jiangsu Province is the Asia's largest 4S Porsche center. In the first quarter of 2013, the Group has established one Porsche outlet, two BMW outlets, one Audi outlet and one Jaguar/Land Rover outlet. The Group has selectively expanded its network beyond Eastern China to enter strategic markets in other regions, such as Beijing, Shanxi, Hainan, Henan and Chongqing. As of December 31, 2012, the geographic coverage of its outlets which the Group has authorized by manufacturers to open and operate is illustrated below:



Continuous Upgrading of Management and Marketing Capability

While the Group has expanded its business through continued organic growth, it has continued standardizing and optimizing its management and operations, and these standardized management processes have resulted in an operational model that can be readily replicated to its future outlets and in new regions. In 2012, the Group has particularly focused on its management by objectives in gross profit margin and inventory turnover days, as well as the integration of a group-wide information technology system that helps institutionalize its best practices, monitor the overall consistency and transparency of its internal operations and enhance its operational efficiency. The Group has also engaged third-party consulting firms to identify areas of business processes requiring improvement. As an illustration of the quality operation of the Group, three of its dealerships have been selected by BMW in its Top 10 list of "2012 BMW Best Performance Dealer Awards" in China in 2012.

The Group has continued to build its corporate brand "永達(Yongda)" and made continuous efforts in marketing innovation and customer retention through a variety of channels, including its customer-oriented strategy, such as encouraging customers' continuous consumption and consumption upgrade, multi-media "96818" customer service platform, marketing through TV shopping channels and online shopping platform, as well as its partnership with banks and insurance companies. A high degree of awareness of its brand has become an important factor to enhance customer loyalty and differentiates the Group from its peers.

ANNUAL RESULTS

Consolidated Statement of Comprehensive Income

The following table sets forth the consolidated statement of comprehensive income of the Group for the years indicated:

	NOTES	**2012** *RMB'000*	2011 *RMB'000*
Revenue	*3*	**21,711,998**	20,304,119
Cost of sales and services		**(19,941,400)**	(18,703,633)
Gross profit		**1,770,598**	1,600,486
Other income and gains	*4*	**275,920**	143,043
Other expenses	*4*	**(9,167)**	(9,278)
Distribution and selling expenses		**(742,477)**	(467,189)
Administrative expenses		**(370,164)**	(350,747)
Finance costs		**(257,357)**	(176,138)
Share of profits of jointly controlled entities		**12,539**	1,318
Share of profits (losses) of associates		**1,425**	(626)
Profit before tax	*5*	**681,317**	740,869
Income tax expense	*6*	**(165,850)**	(177,703)
Profit and total comprehensive income for the year		**515,467**	563,166
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**470,016**	504,782
Non-controlling interests		**45,451**	58,384
		515,467	563,166
Earnings per share — basic and diluted	*7*	**RMB0.34**	RMB0.35

Consolidated Statement of Financial Position

The following table sets forth the consolidated statement of financial position of the Group as at the dates indicated:

	NOTES	**2012** **RMB'000**	2011 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,503,363**	1,088,779
Prepaid lease payments		**282,856**	246,050
Intangible assets		**26,709**	14,561
Deposits for acquisition of property, plant and equipment		**83,421**	4,570
Deposits for acquisition of land use right		**27,307**	—
Interests in jointly controlled entities		**39,928**	31,856
Interests in associates		**28,387**	27,692
Available-for-sale investments		**—**	1,000
Deferred tax assets		**39,827**	35,410
		2,031,798	1,449,918
Current assets			
Prepaid lease payments		**6,509**	5,089
Inventories	*8*	**2,678,189**	2,088,316
Trade and other receivables	*9*	**2,524,678**	2,643,589
Amounts due from related parties		**4,739**	6,968
Pledged bank deposits		**854,469**	884,658
Bank balance and cash		**1,895,266**	1,080,178
		7,963,850	6,708,798
Current liabilities			
Trade and other payables	*10*	**2,790,104**	2,895,123
Amounts due to related parties		**26,474**	880,194
Income tax liabilities		**238,246**	268,994
Borrowings		**3,465,172**	2,355,517
		6,519,996	6,399,828
Net current assets		**1,443,854**	308,970
Total asset less current liabilities		**3,475,652**	1,758,888
Non-current liabilities			
Borrowings		**157,053**	20,821
Net assets		**3,318,599**	1,738,067

	2012	2011
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**12,065**	2
Reserves	**3,050,518**	1,579,118
Equity attributable to owners of the Company	**3,062,583**	1,579,120
Non-controlling interests	**256,016**	158,947
Total equity	**3,318,599**	1,738,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information and Basis of Presentation of Consolidated Financial Statements

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

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services 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"). The Company and its subsidiaries are collectively referred to as the "Group" thereafter.

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" as detailed below) to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the Shareholders have transferred substantially all of their equity interests in the entities engaged in the Core Business to the Group through the Reorganization. However, the control of certain entities engaged in the Core Business were not transferred to the Group for the purpose of the Listing (hereinafter referred to as the "Excluded Entities") as in the opinion of the Shareholders, the Excluded Entities had, both individually and collectively, no material financial impact on the Group during the year ended December 31, 2011. Instead, they were disposed of to independent third parties in 2011 (the "Disposals"). During a substantial part of 2011, Yongda CLS had controlling equity interests in the Excluded Entities, while Shanghai Yongda Automobile Group Co., Ltd. ("Automobile Group"), which was also an investment holding company owned by the Shareholders, had non-controlling equity interests in the Excluded Entities. Although Yongda CLS' legal titles to the equity interests in the Excluded Entities were formally transferred to Automobile Group prior to the Disposals, such transfers were only made to effect the Disposals such that the Group's control over the Excluded Entities was transitory. As a result, the Group has not applied merger accounting to the Excluded Entities during 2011. Instead, the Group's non-controlling equity interests in the Excluded Entities prior to the Disposals have been accounted for as available-for-sale investments.

In preparation for the Listing, the Group underwent the Reorganization involving (i) the transfer of all equity interests in the entities engaged in the Core Business (except for the Excluded Entities), which were then held by different investment holding vehicles owned by the Shareholders on a collective basis, to Automobile Group; (ii) the transfer of non-controlling equity interests in the entities engaged in the non-automobile related business (the "Non-core Business") held by Automobile Group to entities owned by the Shareholders which do not form part of the Group or third parties; and (iii) the insertion of certain investment holding companies including the Company between the Core Business and the Shareholders. Upon the completion of the Reorganization on December 19, 2011, the Company became the holding company of its subsidiaries. The Reorganization has been arranged in a way that enables the Shareholders to maintain their respective beneficial ownership interests in the Core Business in the same manner before and after the Reorganization. Also, on January 29, 2012, the Shareholders entered into a contractual arrangement among themselves to reiterate their historical and continuous collective control over the Core Business through the Company.

The shares of the Company were listed on the Stock Exchange on July 12, 2012.

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 consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the year ended December 31, 2011 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout that year or since the respective dates of incorporation/establishment of the relevant entities now comprising the Group where this is a shorter period.

As mentioned above, during the year ended December 31, 2011, the Group had non-controlling equity interests in certain entities engaged in the Non-core Business which were under the control of the Shareholders. As these entities were controlled by entities not forming part of the Group and were not transferred to or under the control of the Group, they have been excluded from merger accounting and accounted for as available-for-sale investments during 2011 under IAS 39 *Financial Instruments: Recognition and Measurement*.

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

2.1 Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

2.2 Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied the following revised IFRSs issued by the IASB.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures — Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The application of the amendment to IFRS 7 has no impact on the Group as the Group had no financial assets transferred.

The application of the amendments to IAS 12 in the current year has had no material impact on the Group's financial performance and positions either for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following 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[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
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]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC-Int 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, 2014.
3 Effective for annual periods beginning on or after January 1, 2015.
4 Effective for annual periods beginning on or after July 1, 2012.

3. Revenue and Segment Information

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

The Group's reportable segments are as follows:

- Passenger vehicle sales and services — (i) sale of passenger vehicles; (ii) provision of after-sales services, including primarily repair and maintenance services; and (iii) provision of other automobile-related services, such as vehicle inspection services, title transfer and registration services and pre-owned vehicle agency services; and

- Automobile rental services.

Segment revenues and results

	Passenger vehicle sales and services *RMB'000*	Automobile rental services *RMB'000*	Total *RMB'000*
For the year ended December 31, 2012			
Segment revenue	**21,488,854**	**223,144**	**21,711,998**
Segment profit	**1,689,154**	**81,444**	**1,770,598**
Other income and gains			**275,920**
Other expenses			**(9,167)**
Distribution and selling expenses			**(742,477)**
Administrative expenses			**(370,164)**
Finance cost			**(257,357)**
Share of profits of jointly controlled entities			**12,539**
Share of profits of associates			**1,425**
Profit before tax			**681,317**

	Passenger vehicle sales and services *RMB'000*	Automobile rental services *RMB'000*	Total *RMB'000*
For the year ended December 31, 2011			
Segment revenue	20,123,395	180,724	20,304,119
Segment profit	1,534,754	65,732	1,600,486
Other income and gains			143,043
Other expenses			(9,278)
Distribution and selling expenses			(467,189)
Administrative expenses			(350,747)
Finance costs			(176,138)
Share of profits of jointly controlled entities			1,318
Share of losses of associates			(626)
Profit before tax			740,869

The accounting policies of the operating segments are similar to those of the Group as described in note 3. 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 profits (losses) of associates. This is the measure reported to the board of the directors for the purposes of resource allocation and performance assessment. There were no inter-segment revenues during both years. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the board of the directors.

Geographical information

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

Information about major customers

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

Revenue from major products and services

	2012	2011
	RMB'000	*RMB'000*
Sale of passenger vehicles:		
— Luxury and ultra-luxury brands *(note a)*	**15,008,842**	14,305,698
— Mid- to high-end brands *(note b)*	**4,431,383**	4,300,942
Sub-total	**19,440,225**	18,606,640
After-sales services	**2,048,629**	1,516,755
Automobile rental services	**223,144**	180,724
	21,711,998	20,304,119

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

	2012	2011
	RMB'000	*RMB'000*
Other income comprises:		
Service income *(note a)*	**155,776**	87,962
Advertisement support received from automobile manufacturers *(note b)*	**28,557**	20,249
Government grants *(note c)*	**45,802**	12,266
Interest income on bank deposits	**31,894**	5,408
Dividend income from available-for-sale investments	**—**	425
	262,029	126,310
Other gains comprise:		
Gain on disposal of property, plant and equipment	**4,303**	9,446
Others	**9,588**	7,287
	13,891	16,733
Other income and gains	**275,920**	143,043
Other expenses:		
Listing expenses	**(9,167)**	(9,278)

notes:

a. Service income was primarily derived from certain auxiliary automobile sales related services such as 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. Profit Before Tax

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

	2012	2011
	RMB'000	*RMB'000*
Staff costs, including Directors' remuneration:		
Salaries, wages and other benefits	**475,819**	331,160
Retirement benefits scheme contributions	**40,602**	28,686
Total staff costs	**516,421**	359,846
Auditors' remuneration	**7,366**	1,041
Cost of inventories recognized as an expense	**19,853,275**	18,600,177
Depreciation of property, plant and equipment	**162,717**	127,468
Operating lease rentals	**96,283**	63,554
Release of prepaid lease payments	**3,216**	3,516
Share of tax of associates and jointly controlled entities	**(5,505)**	(1,904)

6. Income Tax Expense

	2012	2011
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income tax ("EIT")	**170,280**	193,984
(Over) under provision of PRC EIT in prior year	**(13)**	54
	170,267	194,038
Deferred tax		
Current period	**(4,417)**	(16,335)
	165,850	177,703

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

	2012 *RMB'000*	2011 *RMB'000*
Profit before tax	**681,317**	740,869
Tax at the PRC EIT rate of 25%	**170,329**	185,217
Tax effect of expenses not deductible for tax purpose	**2,749**	6,149
Tax effect of income not taxable for tax purpose	**—**	(106)
Tax effect of Carve-out Items	**—**	(10,533)
Tax effect of share of results of associates and jointly controlled entities	**(3,491)**	(173)
Tax effect of losses of offshore entities not subject to tax	**—**	2,319
(Over) under provision of PRC EIT in prior years	**(13)**	54
Income tax concessions	**(3,724)**	(5,224)
Income tax expense for the year	**165,850**	177,703

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%. 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 ended December 31, 2012.

7. Earnings Per Share

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

	2012 *RMB'000*	2011 *RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**470,016**	504,782
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,374,363	1,431,216

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended December 31, 2011 has been adjusted retrospectively for the

i) deemed bonus element relating to the issue of shares to the Shareholders in November 2011 and December 2011; and

ii) issue of 1,279,800,000 new shares by way of capitalization, as if they had taken place on January 1, 2011.

The over-allotment option of the Company did not have a dilutive effect to the Company's earnings per share during the year ended December 31, 2012 because the exercise price of such option was higher than the average market prices of the Company's share during the period when the option was exercisable. Dilute earnings per share is the same as basic earnings per share as no potential ordinary shares were outstanding for the year ended December 31, 2011.

8. Inventories

	2012	2011
	RMB'000	*RMB'000*
Motor vehicles	**2,483,741**	1,944,924
Spare parts and accessories	**194,448**	143,392
	2,678,189	2,088,316

9. 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.

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**155,541**	119,400
Other receivables comprise:		
Cash in transit *(note a)*	**52,295**	45,290
Payments and deposits to suppliers	**1,128,699**	1,649,994
Payments and rental deposits on properties	**37,233**	38,752
Rebate receivables from suppliers	**945,094**	533,467
Insurance commission receivables	**11,928**	249
Staff advances	**4,547**	7,645
Value-Added-Tax recoverable	**143,779**	95,476
Consideration receivables on disposal of available-for-sale investments	**—**	36,759
Loans to independent third parties (note b)	**—**	44,300
Others	**45,562**	72,257
	2,369,137	2,524,189
	2,524,678	2,643,589

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 December 31, 2012 aged seven days (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 as at December 31, 2011 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:

	2012	2011
	RMB'000	*RMB'000*
0 to 90 days	**155,541**	119,400

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.

10. Trade and Other Payables

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**102,311**	95,214
Bills payables	**1,846,648**	2,121,998
	1,948,959	2,217,212
Other payables		
Other tax payables	**25,236**	23,558
Advances and deposits from customers	**667,874**	549,680
Payable for acquisition of property, plant and equipment	**48,182**	8,749
Rental payables	**13,944**	6,989
Salary and welfare payables	**38,957**	36,002
Accrued interest	**1,866**	916
Accrued listing expenses	**7,663**	5,231
Accrued audit fee	**3,500**	—
Other accrued expenses	**2,666**	19,505
Others	**31,257**	32,512
	841,145	677,911
	2,790,104	2,895,123

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:

	2012	2011
	RMB'000	*RMB'000*
0 to 90 days	**1,948,959**	2,217,212

12. Dividends

	2012	2011
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.095 (2011: Nil) per share	**140,602**	—

The amount of the proposed final dividend for 2012 was based on 1,480,022,000 shares in issue and is subject to approval by the shareholders of the Company in the upcoming general meeting.

FINANCIAL REVIEW

Revenue

Revenue was RMB21,712.0 million in 2012, a 6.9% increase from RMB20,304.1 million in 2011, primarily due to the growth from sales and after-sales services in relation to luxury and ultra-luxury passenger vehicles. The table below sets forth a breakdown of the revenue and relevant information of the Group for the years indicated:

	For the Year Ended December 31,					
	2011			**2012**		
	Amount	Sales Volume	Average Selling Price	**Amount**	**Sales Volume**	**Average Selling Price**
	(RMB in thousands)	*(Units)*	*(RMB in thousands)*	***(RMB in thousands)***	***(Units)***	***(RMB in thousands)***
Passenger vehicle sales						
Luxury and ultra-luxury brands	14,305,698	29,121	491	**15,008,842**	**34,039**	**441**
Mid- to high-end brands	4,300,942	32,108	134	**4,431,383**	**35,844**	**124**
Subtotal	18,606,640	61,229	304	**19,440,225**	**69,883**	**278**
After-sales services	1,516,755	—	—	**2,048,629**	**—**	**—**
Automobile rental services	180,724	—	—	**223,144**	**—**	**—**
Total	20,304,119	—	—	**21,711,998**	**—**	**—**

Revenue from passenger vehicle sales was RMB19,440.2 million in 2012, a 4.5% increase from RMB18,606.6 million in 2011, primarily due to an increase in sales volume of passenger vehicles resulting from (i) the overall demand for passenger vehicles continuing to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) the dealerships opened in prior years quickly ramping up and generated an increasing amount of revenue; and (iii) an increase in the number of the 4S dealerships. The growth of revenue from passenger vehicle sales was partly offset by a decrease in average selling price, primarily due to the increased proportion of entry-level models and domestically manufactured models of luxury and ultra-luxury passenger vehicles.

Revenue from after-sales services was RMB2,048.6 million in 2012, a 35.1% increase from RMB1,516.8 million in 2011, primarily due to (i) fast growing customer base of the Group, in particular, the customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demands for after-sales services; (ii) the "one-stop shop" comprehensive automobile-related quality services to achieve a high degree of customer satisfaction, which has increased customer retention rates and continuous consumption and attracted new customers through referrals; (iii) more referrals brought by insurance companies as a result of strengthened cooperation; (iv) efforts to innovate and launch various automobile extended products and services; and (v) enhanced service efficiency.

Revenue from automobile rental services was RMB223.1 million in 2012, a 23.5% increase from RMB180.7 million in 2011, primarily due to an increase in market demand for automobile rental services and expanded fleet size.

Cost of Sales and Services

Cost of sales and services was RMB19,941.4 million in 2012, a 6.6% increase from RMB18,703.6 million in 2011, which was generally in line with the growth of revenue.

Cost of sales and services for passenger vehicle sales was RMB18,662.9 million in 2012, an increase of 5.7% from RMB17,651.8 million in 2011, which was generally in line with the growth of passenger vehicle sales.

Cost of sales and services for after-sales services was RMB1,136.8 million in 2012, a 21.4% increase from RMB936.8 million in 2011. The cost of sales and services for after-sales services increased at a slower pace compared to the increase in revenue of after-sales services.

Cost of sales and services for automobile rental services was RMB141.7 million in 2012, a 23.2% increase from RMB114.9 million in 2011, which was generally in line with the growth of automobile rental services.

Gross Profit

As a result of the foregoing, gross profit was RMB1,770.6 million in 2012, a 10.6% increase from RMB1,600.5 million in 2011.

Gross profit from passenger vehicle sales was RMB777.4 million in 2012, a 18.6% decrease from RMB954.8 million in 2011. Gross profit margin for passenger vehicle sales decreased from 5.1% in 2011 to 4.0% in 2012, primarily due to the intensified competition in the passenger vehicle sales market and an imbalance between excess supply and slowdown in sales during the slowing economy.

Gross profit from after-sales services was RMB911.8 million in 2012, an increase of 57.2% from RMB579.9 million in 2011. Gross profit margin for after-sales services increased from 38.2% in 2011 to 44.5% in 2012, primarily due 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 extended products and services as a result of the continued focus on developing the after-sales services of the Group, which generally carry a higher gross profit margin compared to the sales of new passenger vehicles; (iii) an increase of revenue from referrals by insurance companies relating to accidental car repair; and (iv) the satisfactory cost control of the Group.

Gross profit from automobile rental services was RMB81.4 million in 2012, an increase of 23.9% from RMB65.7 million in 2011, primarily due to an increase in market demand for automobile rental services and the expanded fleet size. Gross profit margin for automobile rental services remained stable, which was 36.5% in 2012 and 36.4% in 2011.

Other Income and Gains, Net

Other income and gains were RMB275.9 million in 2012, a 92.9% increase from RMB143.0 million in 2011, primarily due to (i) an increase of income from distribution of automobile insurance and financial products through the outlets as a result of the strengthened corporation with financial institutions and growth of passenger vehicle sales; (ii) an increase in government grants; and (iii) an increase in interest income.

Distribution and Selling Expenses

Distribution and selling expenses were RMB742.5 million in 2012, a 58.9% increase from RMB467.2 million in 2011, primarily due to (i) an increase in salaries and benefits for the sales team as a result of an increase in headcount for network expansion, in particular, the expansion of luxury and ultra-luxury outlets; (ii) an increase in marketing expenses due to intensified market competition; and (iii) an increase in rental expenses and depreciation for outlet premises as a result of network expansion. As a percentage of revenue, distribution and selling expenses increased to 3.4% in 2012 from 2.3% in 2011.

Administrative Expenses

Administrative expenses remained relatively stable at RMB370.2 million in 2012, compared to RMB350.7 million in 2011. As a percentage of revenue, administrative expenses remained at 1.7% in 2011 and 2012.

Finance Costs

Finance costs were RMB257.4 million in 2012, a 46.1% increase from RMB176.1 million in 2011, primarily due to (i) the higher average balance of borrowings in 2012 compared to 2011; and (ii) the increased effective interest rate of borrowings due to the general credit tightening financial environment in China, particularly in the first half of 2012.

Profit before Tax

As a result of the foregoing, profit before tax was RMB681.3 million in 2012, an 8.0% decrease from RMB740.9 million in 2011.

Income Tax Expenses

Income tax expenses remained relatively stable, which were RMB165.9 million in 2012, compared to RMB177.7 million. The effective income tax rate was 24.3% in 2012 compared to 24.0% in 2011.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income was RMB515.5 million in 2012, an 8.5% decrease from RMB563.2 million in 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 RMB470.0 million in 2012, a 6.9% decrease from RMB504.8 million in 2011.

Liquidity and Capital Resources

Cash Flow

The primary uses of cash are payment for purchases of passenger vehicles, spare parts and automobile accessories, funding of working capital and normal recurring expenses of the Group, funding of the capital expenditures in connection with the establishment of new dealerships, acquisition of additional dealerships and repayment of indebtedness. The Group maintains its liquidity through a combination of cash flows generated from operating activities, capital injections, bank loans and other borrowings. In the future, the Group believes that its liquidity requirements are expected to be satisfied by using a combination of cash flows generated from operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time, including proceeds raised from its initial public offering in July 2012.

In 2012, the net cash from operating activities was RMB157.1 million, a 74.6% decrease from RMB618.5 million in 2011, primarily due to a higher level of repayment of bills payables in 2012.

In 2012, the net cash used in investing activities was RMB526.1 million, a 58.7% decrease from RMB1,273.4 million in 2011, primarily due to a reduction of net increase in pledged bank deposits of RMB586.7 million from 2011 to 2012.

In 2012, the net cash from financing activities remained relatively stable at RMB1,184.1 million and RMB1,254.4 million in 2011.

Net Current Assets

As of December 31, 2012, the Group had net current assets of RMB1,443.9 million, a 3.7 times' increase from RMB309.0 million as of December 31, 2011, primarily due to an increase in cash and cash equivalents related to the proceeds from its initial public offering in July 2012.

Inventories

The inventories mainly include passenger vehicles procured for passenger vehicle sales and, to a lesser extent, spare parts, accessories and other miscellaneous inventories. The inventories were RMB2,678.2 million as of December 31, 2012, a 28.2% increase from RMB2,088.3 million as of December 31, 2011, primarily due to (i) increased business scale; and (ii) increased purchases of passenger vehicles in the end of 2012 to expect sales boom in the run-up to the Chinese New Year holiday, which was in the third week of February 2013, a much longer period compared to the previous year with the Chinese New Year holiday in the fourth week of January 2012. The following table sets forth the average inventory turnover days for the years indicated:

	For the Year Ended December 31,	
	2011	**2012**
Average inventory turnover days[1]	31.3	**43.6**

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 365 days for a year.

The average inventory turnover days were 31.3 days and 43.6 days in 2011 and 2012, respectively. The Group has higher inventory turnover days in 2012 primarily due to (i) the commencement of operations of the Group's new outlets in 2012, which resulted in more purchases of passenger vehicles; and (ii) a slowdown in sales of passenger vehicles during the first half of 2012. Nonetheless, the Group has implemented its adaptive business plans adjusted to the market environment to achieve an optimal level of inventory, which resulted in lower inventory turnover days of 43.6 days in 2012 compared to 48.4 days for the first half of 2012.

Loans and Borrowings

The Group obtains borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, and prior to the initial public offering in July 2012, incurred amounts due to related parties to finance its working capital and network expansion needs. The Group has repaid all outstanding amounts due to related parties relating to its working capital financing prior to the initial public offering. As of December 31, 2012, bank loans and other borrowings were RMB3,622.2 million, a 52.4% increase from RMB2,376.3 million as of December 31, 2011, primarily due to the capital needs for the expansion of business and the repayment of amounts due to related parties. The following table sets forth the maturity profile as of December 31, 2012:

	As of December 31, 2012
	(RMB in thousands)
Within one year	**3,465,172**
One year to two years	**97,536**
Two years to five years	**59,517**
Total	**3,622,225**

The net debt to total equity ratio was 26.3% as of December 31, 2012. The net debt to total equity ratio is the net debt, which includes the indebtedness net of cash and pledged bank deposits, divided by total equity.

As of December 31, 2012, certain of bank loans were secured by mortgages or pledges over assets. The assets subject to these mortgages or pledges as of December 31, 2012 consisted of (i) inventories of RMB976.5 million; (ii) property, plant and equipment of RMB132.7 million; (iii) land use rights of RMB8.0 million; and (iv) pledged bank deposits of RMB10.0 million.

Capital Expenditures and Investment

The capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, intangible assets and land use rights, and the acquisition of a subsidiary. In 2012, the total capital expenditures were RMB879.7 million.

Contingent Liabilities

As of December 31, 2012, the Group did not have any material contingent liabilities or guarantees.

Interest Rate Risk and Foreign Exchange Risk

The Group is exposed to interest rate risk resulting from fluctuations in the interest rate on debt. Certain of 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 the cost of borrowing. If this occurs, it could adversely affect the finance costs, profit and financial condition of the Group. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. The Group does not currently use any derivative financial instruments to hedge its exposure to interest rate risk.

Substantially all of the revenue, cost of revenue and expenses of the Group are denominated in Renminbi. The Group also uses Renminbi as its reporting currency. The Group does not believe its operations are currently subject to any significant direct foreign exchange risk. The Group does not currently use any derivative financial instruments to hedge its exposure to foreign exchange risk.

Use of Proceeds

The net proceeds from the Company's initial public offering 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."

FUTURE PROSPECTS AND STRATEGIES

China is expected to become the largest luxury and ultra-luxury passenger vehicles market in the world in 2016, according to McKinsey, a global management consulting firm. During the last decade, luxury and ultra-luxury passenger vehicles market in China has achieved a CAGR of approximately 36%. In 2012, the sales volume of luxury and ultra-luxury new passenger vehicles in China reached approximately 1.25 million units, making China the second largest market of luxury and ultra-luxury vehicles in the world, second only to America. According to McKinsey, it is expected that China's luxury and ultra-luxury passenger vehicles market may maintain a CAGR of 12% up to 2020, while the CAGR for the passenger vehicles market is expected to be approximately 8% only during the same period, and the annual sales volume of luxury and ultra-luxury passenger vehicles in China is expected to reach 3.0 million units, generally in line with the Western Europe market, while the annual sales volume of luxury and ultra-luxury passenger vehicles in America market is expected to be approximately 2.3 million units. According to McKinsey, the annual sale volume of automobiles in China is expected to reach 2,250,000 units by no later than 2016, taking over the place of America and ranking first in the global luxury and ultra-luxury passenger vehicles markets. Meanwhile, maintenance and repair services, automobile extended products and services, pre-owned vehicles, insurance, automobiles rental and automobile financing and leasing businesses are also expected to increase rapidly, continuously increasing the profitability of the automobile industry.

To proactively capture market opportunities, the Group aims to continue strengthening its market position as a leading luxury and ultra-luxury passenger vehicles dealership group in China and seize the opportunities in the world's largest and fast-growing passenger vehicle's market by pursuing the following strategies in 2013 and the future.

Network Expansion

- The Group plans to further strengthen its focus on the luxury and ultra-luxury passenger vehicles segments. The Group plans to continue to strengthen and enhance its established strong and long-term strategic and cooperative relationships with leading automobile manufacturers of luxury and ultra-luxury brands, focus on network expansion and introduce new brands into its brand portfolio in luxury and ultra-luxury passenger vehicles segments;

- The Group plans to continue to strengthen its leading position in the Eastern China regional market (including Shanghai);

- The Group plans to consider particular market conditions in different regions and tiers when it selectively develops its centralized automobile parks, stand-alone automobile 4S dealership, automobile city showrooms, pre-owned vehicle centers, maintenance and repair service centers and city and town quick repair stores, so as to enrich the types of its outlets and tailor to the needs of different markets and customers; and

- The Group plans to focus on its network expansion mainly through its organic growth and supplemented by acquisition opportunities in appropriate size that the Group will proactively and selectively identify in order to expand its network to its strategic regions or new regions. The Group plans to focus on the luxury and ultra-luxury brands in any potential acquisitions and mergers.

Business Expansion

- **New Passenger Vehicles Sales**. The Group plans to further improve gross profit margin in new passenger vehicle sales by implementing an information system that provides dynamic management of sales price and turnovers of inventories. The Group plans to integrate its advantage of economies of scale and take advantage of synergies from industrial, regional, brands, business, customers and channel linkages. It also plans to implement customers loyalty programs to encourage their continuous consumption and consumption upgrade;

- **Maintenance and Repair Services**. The Group plans to implement a differentiated and delicate management to its subsidiaries at different development stages. It plans to further tap growth potential of its mature stores and rapidly improve the business capability of new stores, to expand accidental car business, to promote production efficiency by the establishment of a refinishing center; to increase gross profit margin through strategic cooperation with insurance companies, to continue service innovation in order to develop maintenance related business, such as warranty extension, assembly repair and quick repair, as well as to strengthen training of key technical personnel;

- **Extended Products and Services.** The Group plans to take advantage of its economies of scale to further control procurement costs of extended products, to improve product upgrades such as vehicle care products, engine oil and sales and marketing, to develop vehicle refitting OEM business, automobile coating and detailing services when market demands arise, and to enhance revenue streams from services for license registration, inspection, and trading by integrating its industrial chain;

- **Pre-owned Vehicles.** The Group plans to accelerate the development of manufacturer-authorized pre-owned 4S dealerships to achieve a leading industrial position by scale; to upgrade the replacement business through the development of its existing customers base; to further increase revenues from pre-owned vehicle business by strengthening business from manufacturer certified brands and also promoting business from brands certified by the Group; and enhance value-added pre-owned vehicle business by enhancing cross-selling efforts among pre-owned vehicles, warranty extension, decoration, insurance and financial products;

- **Insurance Business.** The Group plans to enhance its strategic cooperation with major insurance companies to promote the growth of accidental car business and gross profit margin; to take advantage of such cooperation to develop extended insurance business that is not covered by manufacturers; to maintain maintenance service resources in an effective manner in order to improve revenues from insurance business; and to take advantage of its economies of scale by integrating insurance business in Eastern China and other areas that its outlets are concentrated in;

- **Automobile Rental.** The Group plans to expand its automobile rental outlets at a relatively lower cost by taking advantage of its passenger vehicle sales and service outlets; the Group plans to study the possibility of establishing a temporary rental unit to develop a dual business model with both long-term and short-term rental business, and increase the turnover rate and rental rate of temporary rental business; to actively promote service innovation and also launch an online booking new business; and the Group plans to provide featured automobile rental services such as VIP arrivals in order to provide personalized services for high-end customers; and

- **Financing and Leasing Services.** The Group plans to enhance its profitability of passenger vehicle sales by exploring a new business model of financing and leasing services, first among high-end brand companies in Shanghai in 2013, then gradually promoting such business nation-wide in 2014. The Group has engaged experts from America to help with product design and planning in order to cater for the needs of customers. The Group plans to promote such business by positioning finance managers and introducing the relevant monitoring system at its 4S dealership stores. The Group believes the financing and leasing business will provide it with business growth in relation to maintenance and repair, automobile extended products and services, and insurance, as well as resources for pre-owned vehicles.

Management Enhancement

The Group plans to:

- continue to optimize the use of internal and external resources and leverage on its synergies to enhance the operational efficiency;

- strengthen the control of costs and expenses in order to improve profitability;

- accelerate the cultivation of strategic talents, and set up the reasonable reserve and echelon of key managerial personnel in order to support its rapid growth;

- continue to make efforts to provide a system with competitive incentives and remunerations, comprehensive training programs and various career development opportunities for employees; and

- take advantage of its information system, continue to promote standardization, streamlining processes and institutionalization of its operation and management so as to improve operational efficiency.

The Group is committed to strengthening its position as a leading passenger vehicle retailer and comprehensive service provider in China, focusing on luxury and ultra-luxury brands, and aims to continue to make decisions and investments that it believes will create long-term value for its shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Since its listing on the Stock Exchange on July 12, 2012, the Company has complied with the code provisions in the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code since the listing of the Company on July 12, 2012 up to the date of this announcement.

Purchase, Sale or Redemption of Listed Securities

Neither the Company, or any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2012.

Audit and Compliance Committee

The Company has established an audit and compliance committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. The Audit and Compliance Committee consists of two independent non-executive directors, being Mr. Wang Zhiqiang and Mr. Lu Wei, and one non-executive director, being Mr. Wang Zhigao. The chairman of the Audit and Compliance Committee is Wang Zhiqiang, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2012 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Final Dividend

The Board resolved to propose to the shareholders of the Company in the forthcoming annual general meeting on May 28, 2013 (Tuesday) for the distribution of a final dividend of RMB0.095 per share for the year ended December 31, 2012 payable to the shareholders of the Company whose names are listed in the register of the Company on June 3, 2012 (Monday), in an aggregate of approximately RMB140.6 million. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 24, 2013 (Friday) to May 28, 2013 (Tuesday), both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on May 28, 2013 (Tuesday). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 23, 2013 (Thursday).

The register of members of the Company will also be closed from June 3, 2013 (Monday) to June 5, 2013 (Wednesday), both days inclusive, in order to determine the entitlement of the shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 31, 2013 (Friday).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

APPRECIATION

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

By Order of the Board of Directors
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

Hong Kong, March 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 Liqun; and the independent non-executive directors of the Company are Mr. Wang Zhiqiang, Mr. Lu Wei and Mr. Chen Xianglin.