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, 2013

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the year ended December 31, 2013, together with comparative figures for the year ended December 31, 2012.

GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB26,096.5 million in 2013, a 20.2% increase from RMB21,712.0 million in 2012.
- Gross profit was RMB2,266.6 million in 2013, a 28.0% increase from RMB1,770.6 million in 2012.
- Gross profit margin was 8.7% in 2013, a 0.5 percentage point increase from 8.2% in 2012.
- Net profit was RMB642.0 million in 2013, a 24.6% increase from RMB515.5 million in 2012.
- Net profit attributable to owners of the Company was RMB588.3 million in 2013, a 25.2% increase from RMB470.0 million in 2012.
- Earnings per share was RMB0.40 in 2013.

MARKET REVIEW

China's automobile market has grown faster in 2013 in terms of sales volume as compared to 2012. According to China Association of Automobile Manufacturers, China's automobile sales volume was approximately 21,984,100 units for 2013, representing an increase of approximately 13.9% compared to 2012, which has made China the first country in the world to achieve an annual automobile sales volume of over 20,000,000 units and the country with the top annual automobile sales volume worldwide for five consecutive years. Sales volume of passenger vehicles in China for 2013 was approximately 17,928,900 units, representing an increase of approximately 15.7% compared to 2012.

Benefiting from the launch of new passenger vehicle models and customers' demand for consumption upgrade, the market for luxury and ultra-luxury passenger vehicles in China has continued its fast growth in 2013, at a pace faster than the average growing pace of the passenger vehicle market of China. In 2013, the sales volume of various mainstream luxury and ultra-luxury brands, namely BMW/MINI, Audi, Jaguar/Land Rover and Porsche, were approximately 391,000 units, 489,000 units, 95,000 units and 37,000 units, respectively, in China, representing a growth of approximately 19.7%, 21.2%, 30.0% and 19.9%, respectively, compared to 2012.

Meanwhile, China's after-sales services market has demonstrated great growth potential and continued its fast-growing pace in 2013, in particular, in the luxury and ultra-luxury segment, primarily driven by the continuous rise in passenger vehicle ownership and the aging of passenger vehicles in China. Moreover, Chinese consumers are increasingly attaching importance to automobile maintenance and repair and other related extended products and services, leading towards the expansion and development of the after-sales services market. According to Roland Berger, until 2018, the number of luxury and ultra-luxury brand vehicles in China is expected to reach 16.08 million units with a compound annual growth rate ("**CAGR**") of approximately 23%, among which, the percentage of passenger vehicles that is older than two years is expected to rise to approximately 74%. As a result, Roland Berger predicts that after-sales services in the luxury and ultra-luxury segment is expected to generate about RMB343 billion revenue with a CAGR of approximately 22% in 2018. It has also been estimated by Roland Berger that transaction volume of pre-owned vehicles is expected to reach 9.68 million units with a CAGR of approximately 18% in 2018. We believe that, driven by the continuing growth in car parc and a gradually maturing market, the after-market services business for luxury and ultra-luxury brand passenger vehicles, including maintenance and repair services, extended products and services, insurance business and credit products and services, pre-owned vehicles and automobile rental and finance leasing services, will continue their fast growth.

BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we have achieved relatively fast growth in 2013. Our revenue and gross profit for 2013 were RMB26,097 million and RMB2,267 million, respectively, representing an increase of 20.2% and 28.0%, respectively, compared to 2012. Our consolidated gross profit margin has increased to 8.7% in 2013 from 8.2% in 2012. Our net profit and net profit attributable to owners of the Company for 2013 were RMB642 million and RMB588 million, respectively, representing an increase of 24.6% and 25.2%, respectively, compared to 2012. Set forth below is a summary of the major developments of our business for 2013.

Accelerated Growth in Passenger Vehicle Sales and Fast-growing After-market Business

- *Passenger Vehicle Sales.* The market for passenger vehicles has been recovering since the fourth quarter of 2012 and has accelerated its growth in 2013. The retail price has generally remained stable with an upward trend. Our management has prudently monitored the changing market conditions and has striven to prioritize the profitability of our business, to optimize and enhance model structure, enhance inventory control and price control via the information management system. We have also accelerated the pace for the development of new outlets and mergers and acquisitions to an appropriate level so as to achieve a balance between sustainable sales growth, satisfactory inventory level and profitability.

  Despite the challenging market environment, sales volume of passenger vehicles reached 81,882 units in 2013, representing a 17.2% increase compared to 2012, among which, the sales volume of luxury and ultra-luxury brand passenger vehicles reached 42,324 units in 2013, representing a 24.3% increase compared to 2012. In 2013, the Group's sales revenue of passenger vehicles was RMB23,243 million, representing a 19.6% increase compared to 2012, among which the sales revenue of luxury and ultra-luxury brand passenger vehicles amounted to RMB18,392 million, representing a 22.5% increase compared to 2012. The Group's gross profit margin of passenger vehicle sales has increased to 4.2% in 2013 from 4.0% in 2012, benefiting from the fact that retail price has remained stable with an upward trend since the fourth quarter of 2012 and there is a continuous increase in proportion of sales revenue from the sales of passenger vehicle brands which have higher profit margins.

- *After-sales Services.* Our repair and maintenance services have continued fast growth in 2013, particularly in the luxury and ultra-luxury segment. This is a result of our fast-growing customer base, particularly our customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demand for after-sales services. Our comprehensive "one-stop shop" automobile-related quality services and the recognition of our well-known "Yongda" brand have achieved a high degree of customer satisfaction and have helped increase customer retention rates, continuous consumption of customers and number of new customers through referrals. We maintained our efforts in enhancing cooperation with insurance companies which boosted our accident car repair business. We have also enhanced the internal management of our after-sales services and implemented centralized procurement of spare parts and appliances, which have effectively increased our service efficiency and lowered our costs.

  Meanwhile, we have been committed to providing comprehensive, diversified and value-added automobile extended products and services through our "one-stop shop" service, which mainly includes automobile decoration, automobile spare parts, automobile modifications, automobile care and maintenance services, automobile extended warranty services, agency services for vehicle title registration, vehicle inspection services, road rescue services and club membership services. In 2013, our automobile extended products and services business has, to a certain extent promoted the growth of after-sales services, mainly driven by our continuous improvement of the sales process, competitive evaluation and incentive system and the introduction of suppliers and products that meet customers' needs.

In addition, the rapid increase in revenue from after-sales services of our newly opened outlets and the contribution of our acquired outlets are additional factors that boost the overall growth in revenue for our after-sales services.

Along with the continuous increase in both luxury passenger vehicle ownership and the proportion of luxury passenger vehicles which aged over two years, consumers wish to have diversified selection for after-sales services. To meet customers' needs, we created our own "Auto Repair (車易修)" brand in 2013 and have planned to establish our luxury automobile maintenance and repair service network under this brand, in order to provide more convenient, professional, competitive and diversified selection of after-sales services for luxury automobile consumers in addition to our existing 4S dealerships. Our first "Auto Repair (車易修)" luxury automobile maintenance and repair center has commenced operations on Hutai Road in Shanghai in 2013.

In 2013, our after-sales services business, which mainly includes repair and maintenance services and automobile extended products and services, achieved a revenue of RMB2,587 million, representing a 26.3% increase compared to 2012, among which, revenue from after-sales services for luxury and ultra-luxury brands reached RMB1,809 million, a 35.3% increase compared to 2012.

Gross profit margin of our after-sales services business has continued its growth to 46.8% in 2013, representing a 2.3 percentage points increase compared to 2012, primarily due to (i) the increase in the proportion of after-sales services business for luxury and ultra-luxury passenger vehicles brands which have higher gross profit margins; (ii) our continuous efforts in the promotion of comprehensive, diversified and value-added automobile extended products and services; (iii) our enhanced cooperation with insurance companies which increased revenue from accident car repair business referrals by insurance companies; (iv) our continuous enhancement of cost control and centralized procurement, as well as the introduction of new suppliers who can meet our strict quality control requirements at lower cost; and (v) our enhanced after-sales efficiency brought by the improved internal management of after-sales services.

- *Automobile Rental Service.* In 2013, through exploring new customers and expanding our fleet size, our automobile rental service has recorded a revenue of RMB266 million, representing a 19.3% increase compared to 2012. Although we face a higher labor cost and a temporary adverse impact on the tax reform by the PRC government to change business tax to value-added tax in 2012, our gross profit margin for automobile rental service was 33.5% for 2013 as compared to 36.5% for 2012, which has generally remained stable.

- *Other After-market Services.* During 2013, we strengthened our cooperation with insurance companies, banks and other financial institutions and achieved a continued rapid increase in revenue from our agency services for automobile insurance and financial products. In addition, we actively promoted the pre-owned vehicle business in 2013 through the strengthening of the information management system for pre-owned vehicles, increasing the sales proportion of certified pre-owned vehicles, using a third-party auction system for pre-owned vehicles, and the establishment of pre-owned vehicle center, which have greatly improved sales volumes and profit of pre-owned vehicle business. In 2013, the commissions related to after-market services reached RMB181 million, representing an increase of 16.1% from RMB156 million for 2012.

Continuous Expansion of Our Network

In 2013, we have continued to build our strong and long-term strategic relationships with leading manufacturers of luxury and ultra-luxury passenger vehicles. We continued to focus on luxury and ultra-luxury brands, including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Volvo, Cadillac and Infiniti and in 2013, we obtained an authorization from Lincoln, an American luxury brand, a luxury custom-modified vehicle brand and Morgan, a British vintage brand for luxury racing cars. In addition, we have selectively expanded the sales network of mid- to high-end brands, mainly including Buick, Volkswagen and Ford.

What is also worth mentioning is that, in 2013, we entered into a strategic cooperation framework agreement with Audi, making us one of its first five strategic dealerships in China. Audi has always kept strict rules on the location and the quantity of its dealership outlets. Driven by the fast development of China's automobile market and enhanced competition, Audi has adjusted its network development strategy by identifying competitive automobile sales companies as its strategic partners to become the main force of its network development. In accordance with the strategic cooperation framework agreement and subject to certain conditions, Audi agrees to grant us several pre-authorized projects per annum and will prioritize the requests of the Audi dealerships controlled by us. We are entitled Audi's top priority in respect of its network development. Meanwhile, we are given priority to sell the new models of Audi's vehicles, as well as expansion of our cooperation with Audi in certain other areas. We believe Audi is expected to have great potential to develop its business in China. Benefiting from our strategic partnership with Audi, we will no longer be restricted by dealerships development constraints previously imposed by Audi and will seize the opportunity of rapid development of Audi in China. We plan to significantly increase market share in the sales of Audi vehicles in China to achieve leapfrog development, which is expected to help optimize our luxury and ultra-luxury products portfolio and enhance our future business development.

In addition, the Group entered into a strategic cooperative intention agreement with Volvo in 2013 and became Volvo's strategic partner in China. This not only signifies that we will attain more support and development opportunities from Volvo, but also represents our Group's critical and constructive steps on the development of Volvo's network. Our Group will cooperate with Volvo comprehensively and extensively in the future, which is expected to create opportunities for us to achieve substantial development in the network development, sales of new passenger vehicles, after-sales services and market expansion of Volvo.

In 2013, we obtained authorization to open 24 new outlets from a number of luxury and ultra-luxury brands, including three BMW 4S dealerships, five Audi 4S dealerships, five Jaguar/Land Rover 4S dealerships, two Lincoln 4S dealerships, one luxury custom-modified vehicle brand 4S dealership, two BMW service centers, one Cadillac city showroom and one Morgan city showroom, which has further enhanced our luxury and ultra-luxury brand portfolio.

During 2013, including our first self-owned "Auto Repair (車易修)" luxury automobile maintenance and repair center, we have opened 19 new passenger vehicle sales and services outlets mainly for luxury and ultra-luxury brands, including three BMW 4S dealerships, one BMW city showroom, three Audi 4S dealerships, five Jaguar/Land Rover 4S dealerships, one Porsche 4S dealership, one Bentley 4S dealership, one Cadillac 4S dealership, one Cadillac city showroom, and one luxury custom-modified vehicle brand 4S dealership. Among which, several are the largest 4S dealerships or city showrooms worldwide or in their respective regions, for example:

- in August 2013, we commenced operation of the global largest BMW flagship showroom, Baozen Huaihai store in Shanghai;

- in June 2013, we commenced operation of the largest Jaguar/Land Rover 4S dealership in the Central China region in Zhengzhou, Henan province; and

- in May 2013, we commenced operation of the global largest Audi flagship 4S dealership in Shanghai, which has a gross floor area of approximately 46,000 square meters.

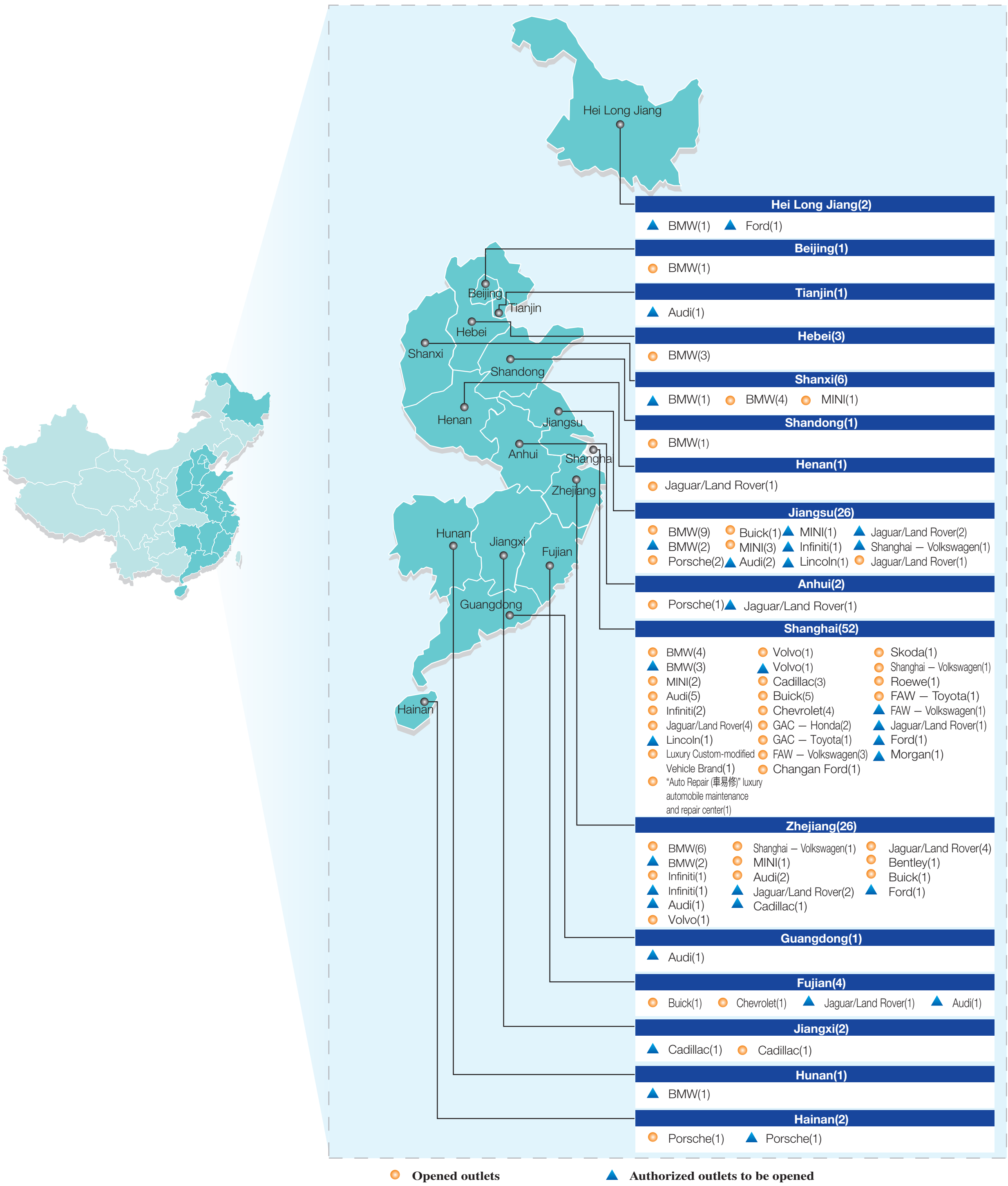
Furthermore, our first self-owned luxury automobile maintenance and repair center under the "Auto Repair (車易修)" brand has commenced operation in Shanghai in December 2013.

In 2013, we actively implemented the mergers and acquisitions strategy of our Group, captured the mergers and acquisitions opportunities in the market and made substantial progress in such area. We successfully acquired seven 4S dealerships and one authorized service center for luxury brands at relatively low costs, namely one Audi 4S dealership in Lishui, Zhejiang province, one BMW 4S dealership in Shijiazhuang, Hebei province; one BMW 4S dealership in Linyi City, Shandong province, one BMW 4S dealership in Jiaxing, Zhejiang province; one BMW 4S dealership in Zhangjiakou, Hebei province; one Volvo 4S dealership in Shaoxing, Zhejiang province, one Buick 4S dealership in Jiaxing, Zhejiang province and one BMW authorized service center in Handan, Hebei province, respectively. Moreover, we also acquired 49% of equity interests in each of the two Jaguar/Land Rover 4S dealerships in Shanghai (we originally owned 51% of equity interests in each of these two Jaguar/Land Rover 4S dealerships). After the acquisition, we own 100% of equity interests of these two Jaguar/Land Rover 4S dealerships. The above-mentioned acquisitions help us to enter into new regions of the markets, to achieve rapid growth on an ongoing basis in the future, and to gain valuable experience and lay down a solid foundation for our future mergers and acquisitions at low cost. In addition, after the acquisitions, we have basically completed the integration works in the areas such as team, management, process and cultures of these outlets at a fast pace, thereby enabling these outlets to improve their operating results post-acquisition.

The table below sets forth the details of our outlets as of December 31, 2013:

	Opened outlets	**Authorized outlets to be opened**	**Total**
Luxury and ultra-luxury brands 4S dealerships	**45**	**29**	**74**
Mid- to high-end brands 4S dealerships	**25**	**5**	**30**
Luxury brands city showrooms	**16**	**1**	**17**
Luxury brands authorized service centers	**5**	**2**	**7**
Luxury brands authorized certified pre-owned vehicle center	**1**	**1**	**2**
Self-owned "Auto Repair (車易修)" luxury automobile maintenance and repair center	**1**	**—**	**1**
Total	**93**	**38**	**131**

We continued to operate our extensive network mainly based on the Yangtze River Delta and have expanded our network to other regions, such as Northern China, Eastern Northern China, Central China and Southern China. As of December 31, 2013, we have opened and have been authorized by manufacturers to open in total 131 outlets which are located across 3 municipalities and 41 cities in 13 provinces in China. The geographic coverage of our outlets is illustrated below:



Striving for Innovation and the Embarkation into the Finance Leasing Sector

In 2013, our indirect wholly-owned subsidiary, Shanghai Yongda Finance Leasing Company Limited (上海永達融資租賃有限公司) commenced its operation after obtaining the approval from the Ministry of Commerce of the PRC, which laid a milestone of our efforts in providing financing products and services to our customers. In 2013, through business integration and consolidation within a relatively short period of time, our finance leasing business has achieved extensive development in Shanghai region and initially established reputation in the industry. Through training and guidance conducted at outlets, promotion of standardized products, strict risk control and the building of professional teams, we were able to better meet our customers' needs and achieved a relatively fast business development. The penetration ratio resulting from the synergies of the automobile sales industry and financial industry in the form of automobile finance leasing is over 40% in mature markets such as Europe and America. In China, automobile finance leasing is still at its preliminary stage and has great potential for future development and profitability. Automobile finance leasing covers a comprehensive industry chain of passenger vehicle sales services. We expect to gain revenue and increase profit from the automobile finance leasing business in the areas of new passenger vehicles sales and interest earnings. We also expect revenue gain and profits from the automobile finance leasing business in the areas of maintenance and repair services, automobile extended products and services, insurance and pre-owned vehicle businesses.

Continuous Upgrading of Our Management and Marketing Capability

While we have expanded our business through continuous organic growth, we have continued standardizing and optimizing our management processes, and these standardized management processes have resulted in an operational model that can be readily replicated to the outlets that we establish and acquire in the future. In 2013, we particularly focused on enhancing our management by adopting the following key measures:

- determining and streamlining the future development strategies and promoting consistency of thoughts and actions amongst the workforce through the promotion of "second venture";
- strengthening resources sharing and synergies among same-brand sales and outlet services through our brand enhancement department;
- leveraging our information system to examine and monitor the sale prices of passenger vehicle in order to enhance the price management of passenger vehicle sales;
- continuously strengthening the target management of gross profit margin and inventory turnover days;
- continuously enhancing the management of expenses and budgeting to enhance profitability;
- establishing of specialized division(s) and system to speed up the training of strategic talents in order to build up sufficient numbers of management personnel and team;
- motivating management and staff to achieve the Company's goals through optimizing the performance appraisal and remuneration management models;
- continuously enhancing our information management system to improve the consistency and transparency of our internal operation, and enhance our operation efficiency; and

- continuous engagement of third-party consulting firms to identify areas of our business processes which require improvement.

In addition, in respect of marketing, we have continued to build our corporate brand “Yongda” during 2013 and made continuous efforts in innovative marketing and enhancing customer retention through a variety of channels, including:

- adhering to our customer-oriented strategy, enhancing customer’s satisfaction and encouraging customers’ continuous consumption and consumption upgrade;

- strengthening the centralized customer service and management platform of our multi-media “96818”;

- promoting marketing and sales through TV shopping channels and online shopping platform, and encouraging innovation in sales media; and

- successfully developing and launching the “Yongda Automobiles World” online application and initially realizing a new sale and marketing model of “O2O”.

We have obtained a number of awards which recognize our improved level of management and marketing. For example, in 2013 we have received numerous awards from many well-known passenger vehicles manufacturers relating to our performance in 2012 and 2013, including but not limited to:

- managers of two of our BMW 4S dealerships have been awarded “Best Sales Manager” by BMW in China in 2013;

- one of our Audi 4S dealerships in Shanghai was awarded three national dealership awards by Audi in 2012, namely “Best Sales Director”, “Best Marketing Director” and “Best Dealership of the Year”, as well as two national dealership awards in 2013, namely the “Special Contribution Award” and “Best Sales Results Award”;

- one of our Jaguar/Land Rover 4S dealerships in Shanghai is the only 4S dealership that has been awarded five best annual awards in different categories nationwide by Jaguar/Land Rover for the year 2012/2013;

- two of our Infiniti 4S dealerships in Shanghai have been awarded Infiniti’s national “Top Ten Dealerships Award” in 2013, and a general manager in one of the Infiniti 4S dealerships has been awarded “Best General Manager” award;

- one of our Bentley 4S dealerships in Shaoxing, Zhejiang was awarded Bentley’s national “Best Retail Sales Results of New Dealership” award in 2013;

- one of our Cadillac 4S dealerships in Shanghai has been awarded Cadillac’s national “Best Sales Five Stars Award” of 2013;

- One of our FAW-Volkswagan 4S dealerships in Shanghai has been awarded the 2013 FAW-Volkswagan “Outstanding Dealship” award; and

- several of our Buick 4S dealerships have been awarded five-star authorized sales and after-sales service centers by Buick in 2013.

In May 2013, we were awarded the "Shanghai Top Ten Brands" title, for our professional services, corporate strength and outstanding corporate image. We are the only company in the automobile sales and services industry of Shanghai that won this award. A high degree of awareness of our brand has become an important factor to enhance customer loyalty and differentiates us from our 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	**2013** **RMB'000**	2012 RMB'000
Revenue	*3*	**26,096,526**	21,711,998
Cost of sales and services		**(23,829,909)**	(19,941,400)
Gross profit		**2,266,617**	1,770,598
Other income and other gains and losses	*4*	**251,800**	275,920
Other expenses	*4*	**—**	(9,167)
Distribution and selling expenses		**(952,875)**	(742,477)
Administrative expenses		**(484,512)**	(370,164)
Finance costs		**(238,671)**	(257,357)
Share of profits of joint ventures		**9,567**	12,539
Share of profits of associates		**651**	1,425
Profit before tax	*5*	**852,577**	681,317
Income tax expense	*6*	**(210,540)**	(165,850)
Profit and total comprehensive income for the year		**642,037**	515,467
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**588,310**	470,016
Non-controlling interests		**53,727**	45,451
		642,037	515,467
Earnings per share — basic and diluted	*7*	**RMB0.40**	RMB0.34

Consolidated Statement of Financial Position
At December 31, 2013

	NOTES	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Property, plant and equipment		**2,228,386**	1,503,363
Prepaid lease payments		**374,502**	282,856
Goodwill		**104,927**	—
Intangible assets		**275,635**	26,709
Deposits paid for acquisition of property, plant and equipment		**75,991**	83,421
Deposits paid for acquisition of land use rights		**173,444**	27,307
Deposits paid for acquisition of a subsidiary	9	**35,380**	—
Interests in joint ventures		**66,571**	39,928
Interests in associates		**26,947**	28,387
Finance lease receivables		**32,556**	—
Deferred tax assets		**48,722**	39,827
		3,443,061	2,031,798
Current assets			
Prepaid lease payments		**9,515**	6,509
Inventories	8	**3,447,838**	2,678,189
Finance lease receivables		**55,681**	—
Trade and other receivables	9	**3,443,629**	2,472,383
Amounts due from related parties		**33,176**	4,739
Cash in transit		**81,628**	52,295
Pledged bank deposits		**965,221**	854,469
Bank balances and cash		**1,418,408**	1,895,266
		9,455,096	7,963,850
Current liabilities			
Trade and other payables	10	**3,667,080**	2,790,104
Amounts due to related parties		**20,694**	26,474
Income tax liabilities		**352,328**	238,246
Borrowings		**3,887,420**	3,465,172
		7,927,522	6,519,996
Net current assets		**1,527,574**	1,443,854
Total asset less current liabilities		**4,970,635**	3,475,652

	NOTE	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Borrowings		**51,171**	157,053
Medium-term note	*11*	**1,149,892**	—
Other liabilities		**14,741**	—
Deferred tax liabilities		**63,375**	—
		1,279,179	157,053
Net assets		**3,691,456**	3,318,599
Capital and reserves			
Share capital		**12,065**	12,065
Reserves		**3,412,000**	3,050,518
Equity attributable to owners of the Company		**3,424,065**	3,062,583
Non-controlling interests		**267,391**	256,016
Total equity		**3,691,456**	3,318,599

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, automobile rental services and provision of automobile finance leasing service in the PRC. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

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

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IAS 36	Recoverable Amount Disclosure for Non-Financial Assets
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1*, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, IFRS(SIC)-Int13 Jointly Controlled Entities — Non-Monetary Contributions by Ventures, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

Upon the adoption of IFRS 11, the Group assessed how the joint arrangements should be classified and accounted for. The Group concluded that these arrangements, previously accounted for as jointly controlled entities, should be classified as joint ventures and continue to be accounted for using equity method. The application of IFRS 11 does not result in any impact to the Group's financial results/disclosure of the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group early adopted this Standard. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash generating unit was determined based on its fair value less costs of disposal.

The Group has prepared the disclosure in relation to cash generating units to which goodwill or other intangible assets with definite useful lives had been allocated where there has been no impairment or reversal of the related cash generating units. Other than this, the directors of the Group do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Group's consolidated financial statements.

The Group has not early applied the following new and revised standards that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IASs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRS 14	Regulatory Deferred Accounts[5]
IFRIC-21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below.
[3] Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[5] Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

The directors anticipate that application of these new and revised standards does not have material impact to the consolidated financial statements.

3. Revenue and Segment Information

Information reported to the executive directors, being the Group's chief operating decision maker who reviews the segment revenues and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, the executive directors review the financial information of each outlet, hence each outlet constitutes a separate operating 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; (iii) provision of other automobile-related services, such as vehicle inspection services, title transfer and registration services, pre-owned vehicle agency services and provision of automobile finance leasing service; 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, 2013			
Segment revenue	**25,830,359**	**266,167**	**26,096,526**
Segment profit	**2,177,373**	**89,244**	**2,266,617**
Other income and other gains and losses			**251,800**
Distribution and selling expenses			**(952,875)**
Administrative expenses			**(484,512)**
Finance costs			**(238,671)**
Share of profits of joint ventures			**9,567**
Share of profits of associates			**631**
Profit before tax			**852,577**

	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 other gains and losses			275,920
Other expenses			(9,167)
Distribution and selling expenses			(742,477)
Administrative expenses			(370,164)
Finance costs			(257,357)
Share of profits of joint ventures			12,539
Share of profits of associates			1,425
Profit before tax			681,317

The accounting policies of the operating segments are similar to those of the Group. Segment profit represents the profit earned by each segment without allocation of other income and other gains and losses, other expenses, distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits of associates. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment. 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 years.

Revenue from major products and services

	2013 ***RMB'000***	2012 *RMB'000*
Sale of passenger vehicles:		
— Luxury and ultra-luxury brands *(note a)*	**18,391,643**	15,008,842
— Mid- to high-end brands *(note b)*	**4,851,421**	4,431,383
Subtotal	**23,243,064**	19,440,225
After-sales services	**2,587,295**	2,048,629
Automobile rental services	**266,167**	223,144
	26,096,526	21,711,998

Notes:

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

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

4. Other Income and Other Gains and Losses/Other Expenses

	2013	2012
	RMB'000	*RMB'000*
Other income comprises:		
Commission income *(note a)*	**180,936**	155,776
Advertising support received from automobile manufacturers *(note b)*	**12,523**	28,557
Government grants *(note c)*	**23,147**	45,802
Interest income on bank deposits	**17,482**	31,894
	234,088	262,029
Other gains and losses comprise:		
Gain on bargain purchase	**20,195**	—
(Loss) gain on disposal of property, plant and equipment	**(7,406)**	4,303
Loss on disposal of a subsidiary	**(718)**	—
Others	**5,641**	9,588
	17,712	13,891
Subtotal	**251,800**	275,920

Other expenses represented professional fees incurred for the listing of shares of the Company on the Stock Exchange (the "Listing") of approximately RMB9,167,000 during the year ended December 31, 2012.

Notes:

a. Commission 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:

	2013	2012
	RMB'000	*RMB'000*
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	**515,580**	475,819
Retirement benefits scheme contributions	**70,606**	40,602
Total staff costs	**586,186**	516,421
Auditors' remuneration	**7,820**	7,366
Cost of inventories recognized as an expense	**23,712,326**	19,853,275
Depreciation of property, plant and equipment	**198,469**	162,717
Operating lease rentals	**123,666**	96,283
Release of prepaid lease payments	**9,395**	3,216

6. Income Tax Expense

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income tax ("EIT")	**215,578**	170,280
Overprovision of PRC EIT in prior years	**(160)**	(13)
	215,418	170,267
Deferred tax		
Current year	**(4,878)**	(4,417)
	210,540	165,850

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

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**852,577**	681,317
Tax at the PRC EIT rate of 25%	**213,144**	170,329
Tax effect of expenses not deductible for tax purpose	**3,584**	2,749
Tax effect of income not taxable for tax purpose	**(5,049)**	—
Tax effect of share of results of associates and joint ventures	**(2,555)**	(3,491)
Tax effect of losses of offshore entities not recognized	**1,576**	—
Tax effect of income from offshore entities not taxable	**—**	(3,724)
Overprovision of PRC EIT in prior years	**(160)**	(13)
Income tax expense for the year	**210,540**	165,850

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 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.

7. Earnings Per Share

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**588,310**	470,016
	'000	*'000*
Number of shares		
Number of ordinary shares (2012: Weighted average number of ordinary shares) for the purpose of basic earnings per share	1,480,022	1,374,363

8. Inventories

	2013	2012
	RMB'000	*RMB'000*
Motor vehicles	**3,146,318**	2,483,741
Spare parts and accessories	**301,520**	194,448
	3,447,838	2,678,189

Certain of the Group's inventories with a carrying amount of approximately RMB790,186,000 and RMB976,525,000 as at December 31, 2013 and 2012, respectively, were pledged as security for the Group's short-term bank loans and other borrowings.

Certain of the Group's inventories with a carrying amount of approximately RMB1,352,665,000 and RMB1,025,578,000 as at December 31, 2013 and 2012, respectively, were pledged as security for the Group's bills payable.

9. Trade and Other Receivables

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

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

b. For automobile rental services, the Group typically allows a credit period of 30 to 60 days to its customers;

c. For customers under finance leases, the Group receives deposits from customers in accordance with terms of lease agreements and grants credit period not exceeding 30 days.

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**275,305**	155,541
Other receivables comprise:		
Payments and deposits to suppliers	**1,457,211**	1,128,699
Payments and rental deposits on properties	**59,058**	37,233
Rebate receivables from suppliers	**1,356,531**	945,094
Insurance commission receivables	**22,080**	11,928
Staff advances	**7,640**	4,547
Value-Added Tax recoverable	**192,312**	143,779
Advances to non-controlling shareholders *(note 1)*	**14,250**	—
Others	**59,242**	45,562
	3,168,324	2,316,842
	3,443,629	2,472,383
Non-current		
Deposits paid for acquisition of an subsidiary *(note 2)*	**35,380**	—

Notes:

(1) The balances are unsecured, interest-free and repayable on demand.

(2) In November 2013, the Group entered into a sale and purchase agreement with independent third parties to acquire the entire equity interests in an entity which mainly holds land leases. The Group intended to acquire such assets through acquisition of equity interests in this entity and paid deposits of approximately RMB35,380,000 during the year ended December 31, 2013. Up to the report date, the transaction has not yet been completed.

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

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**275,305**	155,541

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

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**139,649**	102,311
Bills payables	**2,288,444**	1,846,648
	2,428,093	1,948,959
Other payables		
Other tax payables	**44,049**	25,236
Advances and deposits from customers	**724,914**	667,874
Payable for acquisition of property, plant and equipment	**92,641**	48,182
Rental payables	**35,560**	13,944
Salary and welfare payables	**35,699**	38,957
Accrued interest	**25,063**	1,866
Accrued listing expenses	**—**	7,663
Accrued audit fee	**3,800**	3,500
Other accrued expenses	**26,645**	2,666
Transaction costs payable for issue of medium-term note	**3,132**	—
Consideration payables for acquisition of subsidiaries *(note)*	**44,338**	—
Consideration payable for acquisition of non-controlling interests of a subsidiary *(note)*	**60,000**	—
Advance from non-controlling shareholders *(note)*	**91,730**	—
Deposits received from customers under finance leases	**10,275**	—
Others	**41,141**	31,257
	1,238,987	841,145
	3,667,080	2,790,104

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

Prepayments and deposits are in general required to be paid to suppliers before making purchases. The Group's trade payables mainly relate to purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for 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 invoice date at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**2,428,093**	1,948,959

11. Medium-Term Note

On September 22, 2013, Shanghai Yongda Investment Holdings Group Co., Ltd., a wholly-owned subsidiary of the Company, issued a medium-term note of an aggregate registered amount of RMB1.16 billion with a term of three years from the date of issuance.

The medium-term note is unsecured and carries interest at a rate of 6.4% per annum. The interest is payable annually. The medium-term note was issued to domestic institutional investors in the PRC which are independent third parties.

At December 31, 2013, unpaid unamortized transaction costs of approximately RMB3,132,000 and RMB3,132,000 are recognized as non-current liabilities and current liabilities, respectively. The Group paid transaction costs of approximately RMB5,108,000 during the year ended December 31, 2013.

Movement of the medium-term note during the year ended December 31, 2013 was as follows:

	RMB'000
Issue on September 22, 2013	1,160,000
Less: capitalized transaction cost in relation to issuance	(11,372)
Add: interest expense	1,264
At December 31, 2013	1,149,892

As at December 31, 2013, unpaid interest expenses of approximately RMB19,991,000 was accrued in other payables.

12. Dividends

During the year ended December 31, 2013, a final dividend of RMB0.095 per share in respect of the year ended December 31, 2012 was declared and paid to the owners of the Company in Hong Kong dollars (the "HK$") based on the medium exchange rate between RMB and HK$ as announced by the People's Bank of China on May 28, 2013 (HK$1.00 to RMB0.79627). The aggregate amount of the final dividend declared and paid in the year ended December 31, 2013 amounted to RMB140,602,000.

A final dividend of RMB0.12 per share in respect of the year ended December 31, 2013 has been proposed by the directors and is subject to approval by the shareholders in the upcoming annual general meeting.

FINANCIAL REVIEW

Revenue

Revenue was RMB26,096.5 million in 2013, a 20.2% increase from RMB21,712.0 million in 2012, 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 our revenue and relevant information for the periods indicated:

	For the Year Ended December 31,					
	2012			**2013**		
	Amount *(RMB in thousands)*	Sales Volume *(Units)*	Average Selling Price *(RMB in thousands)*	**Amount** ***(RMB in thousands)***	**Sales Volume** ***(Units)***	**Average Selling Price** ***(RMB in thousands)***
Passenger Vehicle Sales						
Luxury and ultra-luxury brands	15,008,842	34,039	441	**18,391,643**	**42,324**	**435**
Mid- to high-end brands	4,431,383	35,844	124	**4,851,421**	**39,558**	**123**
Subtotal	19,440,225	69,883	278	**23,243,064**	**81,882**	**284**
After-sales services	2,048,629	—	—	**2,587,295**	**—**	**—**
Automobile rental services	223,144	—	—	**266,167**	**—**	**—**
Total	21,711,998	—	—	**26,096,526**	**—**	**—**

Revenue from passenger vehicle sales was RMB23,243.1 million in 2013, a 19.6% increase from RMB19,440.2 million in 2012, primarily due to (i) the overall demand for passenger vehicles continuing to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) the continued increase in revenue of our dealerships opened in prior years; and (iii) the growth of passenger vehicle sales resulting from the increase in the number of our newly opened outlets and acquired outlets in 2013. Despite the increased proportion of entry-level models and domestically manufactured models leading to a slight decrease in average selling prices of ultra-luxury and luxury brands and mid- to high-end brands passenger vehicles, the proportion of revenue from ultra-luxury and luxury brands passenger vehicle sales continued to increase, resulting in an approximately 2.0% increase in overall average selling price of our passenger vehicle in 2013 compared to 2012.

Revenue from after-sales services was RMB2,587.3 million in 2013, a 26.3% increase from RMB2,048.6 million in 2012, primarily due to (i) our growing customer base, particularly our customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demands for our after-sales services; (ii) our "one-stop shop" comprehensive automobile-related quality services which achieved a high degree of customer recogniton and in turn increased customer retention rates and continuous consumption, as well as attracted new customers through referrals; (iii) more referrals by insurance companies as a result of our strengthened cooperation; (iv) our innovative efforts and launching of various comprehensive, diversified and value-added automobile extended products and services; (v) our continuing effort in enhancing service efficiency; and (vi) the increase in the number of newly opened and acquired outlets in 2013.

Revenue from automobile rental services was RMB266.2 million in 2013, a 19.3% increase from RMB223.1 million in 2012, primarily due to our efforts in developing new customers and our expanded fleet size.

Cost of Sales and Services

Cost of sales and services was RMB23,829.9 million in 2013, a 19.5% increase from RMB19,941.4 million in 2012, which was generally in line with the growth of revenue.

Cost of sales and services for passenger vehicle sales was RMB22,276.1 million in 2013, an increase of 19.4% from RMB18,662.9 million in 2012, which was generally in line with the growth of passenger vehicle sales.

Cost of sales and services for after-sales services was RMB1,376.9 million in 2013, a 21.1% increase from RMB1,136.8 million in 2012. The cost of sales and services for after-sales services increased at a slower pace compared to the increase of revenue from after-sales services.

Cost of sales and services for automobile rental service was RMB176.9 million in 2013, a 24.9% increase from RMB141.7 million in 2012, which increased at a slightly faster pace compared to the increase of revenue from our automobile rental services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB2,266.6 million in 2013, a 28.0% increase from RMB1,770.6 million in 2012.

Gross profit from passenger vehicle sales was RMB966.9 million in 2013, a 24.4% increase from RMB777.4 million in 2012. Gross profit margin for passenger vehicle sales increased to 4.2% in 2013 from 4.0% in 2012, primarily because the passenger vehicle market has remained stable with an upward trend since the fourth quarter of 2012; and an increased proportion of sales revenue from the sales of passenger vehicle brands which have higher profit margins.

Gross profit from after-sales services was RMB1,210.4 million in 2013, an increase of 32.8% from RMB911.8 million in 2012. Gross profit margin for after-sales services increased to 46.8% in 2013 from 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 higher gross profit margin; (ii) our continuing focus on providing comprehensive, diversified and value-added automobile extended products and services; (iii) an increase of revenue from accident car repair business referrals by insurance companies; and (iv) our continuing efforts in cost control and centralized purchases, as well as the introduction of new suppliers who can meet our strict quality control requirements at lower cost.

Gross profit from automobile rental services was RMB89.2 million in 2013, an increase of 9.6% compared to RMB81.4 million in 2012. Gross profit margin for automobile rental services was 33.5% in 2013, a decrease compared to 36.5% in 2012, primarily due to higher labor cost and the temporary adverse impact of the tax reform by the PRC government to change business tax to value-added tax in 2012.

Other Income and Other Gains and Losses

Other income and other gains and losses were RMB251.8 million in 2013, a 8.7% decrease compared to RMB275.9 million in 2012, primarily due to the decrease in government grants in the amount of RMB22.7 million and interest income in the amount of RMB14.4 million.

Distribution and Selling Expenses

Distribution and selling expenses were RMB952.9 million in 2013, a 28.3% increase from RMB742.5 million in 2012, primarily due to the expansion of our sales and services network and sales scale. As a percentage of the revenue, our distribution and selling expenses amounted to 3.7% of the revenue in 2013 compared to 3.4% in 2012 primarily because the outlets newly opened in 2013 were still at the initial development stage.

Administrative Expenses

Administrative expenses were RMB484.5 million in 2013, a 30.9% increase compared to RMB370.2 million in 2012, primarily due to the expansion of our sales and services network and sales scale. As a percentage of revenue, our administrative expenses increased to 1.9% of the revenue in 2013 compared to 1.7% in 2012, primarily because the outlets newly opened in 2013 were still at the initial development stage.

Finance Costs

Finance costs were RMB238.7 million in 2013, a 7.3% decrease from RMB257.4 million in 2012, primarily due to a decrease in the effective interest rate of our borrowings in 2013 compared to 2012.

Profit before Tax

As a result of the foregoing, profit before tax was RMB852.6 million in 2013, a 25.1% increase from RMB681.3 million in 2012.

Income Tax Expenses

Income tax expenses were RMB210.5 million in 2013, a 26.9% increase compared to RMB165.9 million in 2012. Our effective income tax rate remained stable at 24.7% in 2013 compared to 24.3% in 2012.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income was RMB642.0 million in 2013, a 24.6% increase from RMB515.5 million in 2012.

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

As a result of the foregoing, profit and total comprehensive income attributable to the owners of the Company was RMB588.3 million in 2013, a 25.2% increase from RMB470.0 million in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

In 2013, our net cash from operating activities was RMB69.7 million, a 55.6% decrease from RMB157.1 million in 2012, primarily due to an increase in the finance leasing receivables in the amount of RMB88.2 million in 2013.

In 2013, our net cash used in investing activities was RMB1,517.7 million, compared to net cash from investing activities of RMB526.1 million in 2012, primarily due to an increase in payment for acquisition of subsidiaries in the amount of RMB479.8 million and an increase in capital expenditures, including expenditures on purchases in properties, plants and equipment, land use rights and intangible assets in the amount of RMB157.8 million.

In 2013, our net cash from financing activities was RMB971.2 million, compared to net cash from financing activities of RMB1,184.1 million in 2012, primarily due to an increase in our dividend payment of RMB195.4 million to the shareholders of the Company and the non-controlling interests in certain subsidiaries of the Company in 2013.

Inventories

Our inventories mainly include passenger vehicles and, to a lesser extent, spare parts, accessories and other miscellaneous inventories. Our inventories were RMB3,447.8 million as of December 31, 2013, a 28.7% increase from RMB2,678.2 million as of December 31, 2012, primarily due to the expansion in our sales and services network and sales scale. The following table sets forth our average inventory turnover days for the periods indicated:

	For the Year Ended December 31	
	2012	**2013**
Average inventory turnover days[(1)]	43.6	**46.9**

(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 year and multiplied by 365 days.

Average inventory turnover days in 2013 was 46.9 days, an increase from 43.6 days in 2012, which was primarily because our outlets newly opened in 2013 were still at initial development stage and the newly acquired outlets were not included when calculating the sales income for the year.

Loans and Borrowings

We obtained borrowings consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies and bonds issuance to fund our working capital and network expansion. As of December 31, 2013, the outstanding principal amount of our borrowings and bonds amounted to RMB5,088.5 million, a 40.5% increase from RMB3,622.2 million as of December 31, 2012, primarily due to the successful issuance of RMB1,160 million medium-term notes in China in September 2013, with an interest rate of 6.4% and a term of three years. The following table sets forth the maturity profile of our borrowings and outstanding medium-term notes as of December 31, 2013:

	As of December 31, 2013 ***(RMB in thousands)***
Within one year	**3,887,420**
One year to two years	**44,949**
Two to five years	**1,156,114**
Total	**5,088,483**

Our net debt to total equity ratio was 73.3% as of December 31, 2013. 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, 2013, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2013 consisted of (i) inventories of RMB790.2 million; (ii) property, plant and equipment of RMB132.6 million; (iii) land use rights of RMB7.7 million; and (iv) pledged bank deposits of RMB23.7 million.

Capital Expenditures and Investment

Our capital expenditures comprised primarily expenditures on the purchase of properties, plants and equipment, land use rights and intangible assets, as well as the acquisition of subsidiaries. In 2013, our total capital expenditures consisted of purchase of properties, plants and equipment, land use rights and intangible assets in the amount of RMB1,027.7 million and the expenditures on acquisition of subsidiaries in the amount of RMB489.5 million.

Contingent Liabilities

As of December 31, 2013, 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 the interest rates on our debts. Certain of our borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China or the London Interbank Offered Rate. Increases in interest rates 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 financial instruments to hedge our exposure to interest rate risk.

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

Use of Proceeds

The net proceeds from our 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

According to the information from McKinsey, a global management consulting firm, China's luxury and ultra-luxury passenger vehicles market may maintain a CAGR of 12% up to 2020, and the annual sales volume of passenger vehicles in China is expected to reach 2.25 million units by 2016 at the earliest, ranking it first in the global luxury and ultra-luxury passenger vehicles markets. Meanwhile, the after-market services business, including maintenance and repair, pre-owned vehicles, insurance, credit and finance leasing, is also expected to increase rapidly.

To proactively capture market opportunities, the Company's core concept for 2014 and afterwards is designed to develop the Company into a leading retailer of luxury and ultra-luxury passenger vehicles and auto life services provider offering premium customer experience in China. Therefore, the Company will plan its financial services and continue to pay close attention to the sectors of Internet and new energy vehicles as well as the redevelopment and utilization of 4S dealerships, while strengthening the passenger vehicle sales services. The Company will implement our core concept through the measures set out below.

Passenger Vehicle Sales Services Business

- ***Network Expansion***

  Through years of development, the Company has set up a sales service network, based in Eastern China and reaching nationwide, focusing mainly on luxury and ultra-luxury brands. As for network expansion, the Company will expand its sales service network for authorizations by manufacturers by means of self-owned outlets and mergers and acquisitions. At the same time, the Company will plan the network deployment for its self-owned luxury automobile maintenance and repair centers by capitalizing on "Auto Repair (車易修)", the brand created by the Company, thus providing automobile customers with comprehensive maintenance services beyond the warranty period and diversifying customers base and preventing customer loss.

Self-owned network:

- brand portfolio: continue solidifying our leading position, both in the scale of network and in market share of BMW brand, and further promote the development of main-stream luxury and ultra-luxury brands, including Audi, Jaguar, Land Rover, Porsche and Volvo. Meanwhile, we plan to develop mid-to-high-end brands which have relatively higher profitability, such as Volkswagen, General Motors and Ford;

- regional layout: continue strengthening our leading position in the Eastern China regional market and expanding our presence in regional markets, such as Central and Western China, Northern China, Southern China and Northeastern China; and

- business conditions: focus on authorized repair centers and pre-owned vehicle centers in mature markets, particularly Eastern China, to offer diversified sales services and develop centralized automobile parks in phases that will mainly consist of single 4S dealership in order to achieve regional penetration and future resource synergy in cities with growth potential in Central and Western China.

Mergers and acquisitions:

- brands: focus on mature 4S dealerships of luxury and ultra-luxury brands;

- regions: focus on new markets or markets with greater potential;

- targets of acquisitions: consider 4S dealerships and small-to-medium dealership groups, while seeking cooperation with other large dealership groups;

- consolidation: upon the completion of mergers and acquisitions, we will pursue a policy of consolidation and integration in a systematic way in several aspects, such as introducing operational standards, setting performance indicators, formulating management system and integrating of corporate cultures, so as to put the companies acquired under our management system in a shorter time.

The network of "Auto Repair (車易修)", a self-owned sub-brand:

- target customers: target customers of relatively old luxury automobiles that have longer vehicle age and are beyond warranty periods;

- development model: establish a standardized and replicable chain development model and coverage effect;

- locations: focus on mature markets in Eastern China which would not overlap with the coverage of our existing 4S dealerships; and

- models: establish large sheet-spray centers, small and medium sized repair and maintenance service stations and establish a presence in small community service centers of commercial residential areas, taking into account the local conditions.

- ***New Passenger Vehicle Sales Business***

  Given that the saturation of the new vehicle market is tending higher, that the competition is intensifying and that it is increasingly difficult to enhance the gross profit of new vehicle sales, we plan to further improve the new vehicle sales business mainly through the following measures:

  - further strengthen marketing by means of new media such as Internet and television; create a quick and convenient full-range consumer experience using mobile terminals, including mobile phone applications; and strengthen our cooperation with leading industry players such as Autohome and Tmall, in order to enhance our overall sales competitiveness;

  - leverage our Group's enormous customer resources to conduct marketing based on the customer database so as to promote upgrade in repurchase and spending by customers through low-cost marketing activities; and increase the relevancy of customer management by introducing VIP programs to ensure the continued development of customer value;

  - make innovations in new vehicle sales models, restructure and optimize departmental functions, so as to intensify the secondary marketing of extended businesses, such as insurance and financial products, thus increasing the value added to the new vehicle sales;

  - seek synergy between finance leasing and new passenger vehicle sales in order to achieve a high coverage of our business nationwide, promote business growth of our new passenger vehicle sales and extended services, such as maintenance and repair, insurance and agency services for pre-owned automobiles, as well as expand the scale of our finance leasing assets;

  - improve gross profit margin in new passenger vehicle sales by implementing an information system that provides dynamic management of new vehicle sales price and turnover of inventory; and

  - further exert the professional management of the Company's brand in order to realize flexible allocation of car models amongst different regions, the centralized management of our resources and efficient integration, and also to optimize the inventory structure.

- ***After-sales Services Business***

  As the luxury passenger vehicle ownership in China has increased rapidly and as it will maintain the growth pace, and as most of the luxury passenger vehicles begin to go beyond their warranty periods, there will be huge market potential for the after-sales market for luxury passenger vehicles. Therefore, we plan to achieve a new milestone for our after-sales services business by focusing on the key aspects as set out below and seizing market opportunities:

- 4S dealerships: for the developed 4S dealerships, actively expand the maintenance capacity and to enhance efficiency in maintenance and repair work; for new and developing 4S dealerships, adopt various customer marketing activities in order to boost the rapid growth in the scale of after-sales business; improve customer management to increase the customer retention rate; enhance cooperation with insurance companies to increase the proportion of income from accidental cars and to increase gross profit margin;

- "Auto Repair (車易修)", a self-owned sub-brand: make great efforts to facilitate the construction of luxury automobile maintenance and repair centers under the "Auto Repair (車易修)" brand, so as to form a regional chain development pattern and a coverage effect of comprehensive maintenance brands; meanwhile, provide diversified support to "Auto Repair (車易修)" brand and business at low cost through active expansion of direct overseas procurement channels for spare parts. Establish regional and independent large sheet-spray centers under the "Auto Repair (車易修)" brand with reference to the successful experience in the mature North American market. In addition, proactively tap into the operations of community service outlets, thus connecting the maintenance and repair centers under the "Auto Repair (車易修)" brand with the community service outlets, providing customers with quick and quality services;

- extended products and services: make efforts in upgrading the extended products, such as automobile decoration products, automobile care services, automobile care and maintenance services, and in customer marketing; take advantage of the Group's economies of scale to further control procurement costs of extended products and to enhance revenue streams from services such as license registration, inspection, and trading by integrating our industrial chain; and

- extended services: implement comprehensive extended products and services with the manufacturers for automobiles purchased from manufacturers so as to increase the penetration of extended business in our customer base and effectively manage our customer resources.

- ***Pre-owned Vehicles Business***

We believe that the huge passenger vehicle ownership of luxury vehicles in China and its rapid growth will greatly boost the growth of the transaction volume of pre-owned vehicles. In view of this, we plan to accelerate the growth of our pre-owned vehicle business through the following efforts:

- develop e-commerce for pre-owned vehicles and establish a new e-commerce platform; to implement a B2C/B2B business model for retail and wholesale, and to create an O2O e-commerce business pattern by coordinating with offline service experience;

- accelerate the development of brand-authorized pre-owned 4S dealerships and Yongda comprehensive pre-owned vehicle center outlets in order to reach an initial form of chain operation; and

- enhance the value-added pre-owned vehicle business by actively enhancing cross-selling efforts among pre-owned vehicles, warranty extension, decoration, insurance and financial products.

- ***Expansion of New Energy Vehicle Business***

  With global energy sources and environmental problems becoming a common concern, we note that new energy vehicles have drawn more attention and gained rapid growth, which is well-proven by the development of Tesla in the Silicon Valley of the United States, BMW i3 of Germany, Prius under Japan's Toyota, etc. A promising outlook for the new energy vehicle sector in China can also be reasonably anticipated. Therefore, we plan to seize the opportunities arising from this development by taking the measures set out below.

  - as a strategic partner of BMW, the Company has set up 5S dealerships in Shanghai that meet the latest standards by manufacturers, and have been one of the first authorized providers by BMW to sell and provide after-sales services for its electric vehicles in China. The Company is expected to be able to sell clean energy vehicles such as BMW pure electric vehicle i3 and plug-in hybrid electric vehicle i8 within the year. The Company will continue the upgrade and development of 5S dealership in first-tier cities with an aim to gain more sales and service licenses for the sales of electric vehicles in BWM outlets;

  - promote the strategic cooperation with Shanghai Roewe and deepen the cooperation in terms of sales and after-sales services of the electric vehicles of the "E" series, thus accumulating experience for marketing and providing services for the new energy vehicles;

  - proactively participate in the marketing of the electric vehicles under ZINORO, a self-owned brand of Brilliance BMW. Capitalize on the Company's established service network for automobile leasing and finance leasing, and to adopt "hire-purchase (以租代購)" and "financial hire purchase (融資租購)" models, which are internationally acceptable for new energy vehicles, thus attracting more customers; and

  - meanwhile, the Company will explore the domestic market in terms of infrastructures and after-sales services network, through cooperation with leading electric vehicle manufacturers both in China and overseas.

Financial Business

"2014 Chinese Automobile Financial Report (《2014中國汽車金融報告》)", issued by Deloitte Touche Tohmatsu at the beginning of 2014, begins with "Automobile financial services, being an important link of the automotive industry value chain, embraces high value and vitality and posts tremendous potential in China". Therefore, the Company aims to place much emphasis on layout of its financial business. Firstly, the Company has industry strength and channel advantages in automobile sales and services. Secondly, the Company has been given the possibility and opportunity to tap into the financial business as the result of the gradually relaxed financial policies. In 2014, the Company plans to explore the conversion of a simple distributor in the automobile financial sector to a financial service provider from the following aspects:

- ***Promote synergy of cross-selling in the industry chain***

  The Company's policies on financial business are designed with the priority to fulfill the materialization of the Group's overall strategy. In 2013, we have set up a self-owned finance leasing company and have accomplished the preliminary layout for our leasing business in cooperation with an automobile leasing company in operation for 14 years. In the developed countries of the US and Europe, the percentage of automobile purchases through financing and automobile leasing generally range from 50% to 80%, as compared with less than 20% in China. The difference in the penetrations of financing and leasing endows us with tremendous space for development.

- ***Form a special membership management system via various financial instruments***

  Based on well-established conventional 4S dealerships across the country and on our customer base, we plan to construct a special financial Internet platform. Firstly, we plan to provide customers with payment-based financial experience through membership management methods, such as the issuance of pre-paid cards, application of electronic accounts and award point management. Secondly, we plan to provide customers with consumption credit-based financial experience through such means as online petty loans and online leasing on our membership platform, thus eventually achieving the complete integration of our membership management system.

- ***Further expansion of our financial business to build a comprehensive financial service system***

  The Company will closely monitor the changes in financial policies, and plan to apply for financial licenses for insurance, small loans and asset management when conditions permit, so as to expand the scope of our financial business. In addition, we will prudently expand the scope of financial business by carrying out financial businesses with our partners. We expect that the comprehensive financial service system will add to our profit structure and the overall profitability.

Internet

We note that the Internet serves as an important driver for passenger vehicle sales services. We will facilitate the online and offline integration of conventional automobile sales services with the Internet, mainly through the following measures:

- new vehicle sales: we plan to carry out strategic cooperation with third party professional auto websites such as Tmall, Autohome, Xcar and BitAutocom, while using the physical experience functions of offline 4S dealerships to achieve the complementary advantages of resources. We plan to create more opportunities for online and offline interactions via the O2O e-commerce platform, thus increasing the offline conversion rate of the new vehicle sales and the dealership contract rate;

- pre-owned vehicle business: in order to respond to the actual needs for the development of our pre-owned vehicles business, we will consolidate and unleash the capability of all our 4S dealerships and pre-owned vehicle centers, and develop an independent, comprehensive and nationwide O2O e-commerce platform for pre-owned vehicle sales. This e-commerce platform gathers functions such as online valuation, release and trading, and integrates the mobile apps for pre-owned vehicle trading;

- WeChat 4S dealerships: we plan to set up our WeChat 4S dealership, which combines all offline physical outlet services with the online virtual 4S service items, including online enquiries regarding new vehicle models, test driving appointments, after-sales consulting, reservation of maintenance and repair services, rush repair, settlement of insurance claims, micropayments, etc., providing our customers with convenient and personalized services; and

- mobile reservation for maintenance and repair services: we plan to construct a mobile communications platform for maintenance and repair services. Following the locations and directions given by mobile users, our service staff at the local 4S dealerships community service centers or our "moving maintenance vehicles" will provide onsite services. All procedures relating to service reservation, payment and information feedback are expected to be realized through mobile terminals such as mobile phones.

Further Development and Utilization of Lands for 4S Dealerships

During the process of constructing 4S dealerships over years, the Company has legally acquired various parcels of land for commercial use. Since we mainly invest in 4S dealerships for luxury and ultra-luxury brands, the lands acquired by us are usually large in size and situated in convenient locations with good transportation and other infrastructure. With rapid urbanization nationwide, the lands we previously acquired for the establishment of 4S dealerships have become or are expected to become a part of the city centre. With growing business activities, the value of the lands has increased significantly.

We consider that we should take advantage of market opportunities to relocate our 4S dealerships to new rural-urban areas recognized by the local government of the area where the manufacturers of passenger vehicles and our 4S dealerships are located, in order to fully conduct the commercial development of our previously acquired lands, through which we expect to receive higher land premium. We plan to utilize such premium to expand our network and develop various innovative businesses in order to maximize the value for shareholders of the Company.

Management Enhancement

Over the years, the Company has accumulated and formed a relatively complete and effective operational management process and system of passenger vehicles sales and services. However, in the face of challenges from the rapid expansion of our sales and service network and the increased pace of our mergers and acquisitions, in the future we plan to enhance our operational management level in the following aspects:

- professional brand management: strengthen the professional management model of our key brands and achieve a maximal resource-utilizing and -sharing mechanism amongst 4S dealerships of the same brand;

- regional synergy management: strengthen the effective coordination and integration of customer resources, marketing and public relation amongst our 4S dealerships for various brands within the same city/region by setting up city/regional representative offices;

- on-site management enhancement: select our key business officers to form an on-site supervisory team to provide on-site business and management guidance for our newly-opened outlets in order to help them rapidly improve business scale and management level;

- operational standardization management: integrate and improve various existing management systems within the Group and prepare the Corporate Operation Quality Standards Handbook. In addition, we will strengthen the supervision of implementation status in order to ensure that business management of 4S dealerships under the Group comply with our management requirements;
- customer base management: improve the retention measures for basic customers and strictly control customer churn, implement systematic and multi-level customer relationship management schemes to enhance customer satisfaction, and proceed with in-depth development of customer value by strengthening data analysis and marketing within our centralized customer information management system; and
- integrated management of funds: we plan to establish a group-level fund management centre and reduce the financing cost through an operation of scale, strengthen the integrated management and allocation of working capital and enhance the utilization efficiency of the same.

Talents Cultivation

We clearly recognize that talents are the core competitiveness for the Company, whereas a company may have no promising future without a competent management team. In this regard, we have engaged a well-known human resource management and consulting firm — Towers Watson Consultancy to assist us in well organizing our past work in human resource management and in comprehensively planning our new human resource management system, so as to boost our work in human resource management to a new level.

In order to cater to the demand of our fast-growing network, we will enhance our efforts in internal selection and external recruitment, and orderly train and nurture the general managers of 4S dealerships and talent teams for relevant management positions. In line with internal selection and external recruitment, we have formulated strict workflows and organized a strong and effective executive division to ensure continuous and efficient promotion of such selection and recruitment work. Looking forward, we plan to actively recruit appropriate and competent staff through university graduates and reserve outstanding management officers for future development of the Company.

Training is crucial to future development of our Company. We have put long-term efforts into shaping the Company as a learning-based organization, and we teach our staff the meaning of "learning creates the future". We plan to prioritize our culture-building and training to create consistent values amongst our staff. We plan to enhance the systemic training in both theory and practice based on the necessary expertise for different positions held by our staff to help them better adapt to the technical requirements of their positions.

We attach importance to the performance appraisal of our staff, so we have established a comprehensive performance appraisal system. We focus on innovation and reforms so as to make our performance appraisal more scientific and reasonable and to maximize the motivation to our staff.

We will always implement our corporate core values of "Credible, Innovative, Professional and Efficient", and be committed to strengthening our position as a leading passenger vehicles retailer and automobile service provider with best customer experience in China focusing on luxury and ultra-luxury brands. We aim to create greater value for our shareholders, employees and the society and become the most reputable automobile service brand in China.

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**") during the year ended December 31, 2013.

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 during the year ended December 31, 2013.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2013.

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 Mr. 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, 2013 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The auditors of the Company, Deloitte Touche Tohmatsu, has agreed that the figures in respect of the Group's annual results for the year ended December 31, 2013 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year.

Final Dividend

The Board resolved to propose to the shareholders of the Company in the forthcoming annual general meeting on May 16, 2014 (Friday) for the distribution of a final dividend of RMB0.12 per share for the year ended December 31, 2013 payable to the shareholders of the Company whose names are listed in the register of the Company on May 22, 2014 (Thursday), in an aggregate of approximately RMB177.6 million. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company.

RECORD DATE OF ANNUAL GENERAL MEETING

Shareholders whose names appear on the register of members of the Company at the close of business on May 15, 2014 (Thursday) (the "**Record Date**") will be entitled to attend the forthcoming annual general meeting to be held on May 16, 2014 (Friday) (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will also be closed from May 22, 2014 (Thursday) to May 26, 2014 (Monday), 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 21, 2014 (Wednesday).

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 24, 2014

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.