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

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

The board of directors (the "**Board**") of China Yongda Automobiles Services Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (together, the "**Group**") for the six months ended June 30, 2014, together with comparative figures for the six months ended June 30, 2013.

## FINANCIAL HIGHLIGHTS OF THE GROUP

- Revenue was RMB14,901.6 million for the six months ended June 30, 2014, a 26.1% increase from RMB11,818.5 million for the six months ended June 30, 2013.
- Gross profit was RMB1,304.8 million for the six months ended June 30, 2014, a 33.4% increase from RMB978.0 million for the six months ended June 30, 2013.
- Gross profit margin was 8.76% for the six months ended June 30, 2014, a 0.49 percentage point increase from 8.27% for the six months ended June 30, 2013.
- Profit from operations was RMB628.4 million for the six months ended June 30, 2014, a 41.8% increase from RMB443.1 million for the six months ended June 30, 2013.
- Net profit was RMB338.1 million for the six months ended June 30, 2014, a 26.7% increase from RMB266.7 million for the six months ended June 30, 2013.
- Net profit attributable to the owners of the Company was RMB310.4 million for the six months ended June 30, 2014, a 34.8% increase from RMB230.3 million for the six months ended June 30, 2013.
- Earnings per share (basic and diluted) was RMB0.21 for the six months ended June 30, 2014.

## MARKET REVIEW

During the first half of 2014, China's automobile market continued to maintain a steady growth. According to China Association of Automobile Manufacturers, China's automobile sales volume was approximately 11,683,500 units for the first half of 2014, representing an increase of approximately 8.4% compared to the same period in 2013, among which, sales volume of passenger vehicles significantly increased to approximately 9,633,800 units as driven by the demand for multi-purpose passenger vehicles and sport utility passenger vehicles, representing an increase of approximately 11.2% compared to the same period in 2013.

Benefiting from the continuous launch of new passenger vehicle models, especially the domestically manufactured models and entry-level models, and the strong demand for customers for replacement and upgrading, the sales volume for luxury and ultra-luxury brand passenger vehicles in China has continued its fast growth in the first half of 2014, significantly higher than the average growth of the passenger vehicle market in China. During the first half of 2014, the sales volume of various mainstream luxury brands, namely BMW/MINI, Audi, Jaguar/Land Rover and Volvo, were approximately 225,000 units, 268,700 units, 62,400 units and 38,600 units, respectively, in China, representing a growth of approximately 23.1%, 17.8%, 47.9% and 34.3% respectively, compared to the same period in 2013.

Meanwhile, driven by the rise in passenger vehicle ownership and the aging of passenger vehicles in China, China's after-sales services market for passenger vehicles has demonstrated great potential for growth and continued its fast-growing pace in the first half of 2014. Moreover, the demand of customers for luxury and ultra-luxury brand passenger vehicles on high quality maintenance and repair and other related extended products and services and low price sensitivity have further boosted the growth of the after-sales services market for luxury and ultra-luxury brand passenger vehicles. According to Roland Berger, by 2018, the ownership of luxury and ultra-luxury brand passenger vehicles in China is expected to reach approximately 16.080 million units with a compound annual growth rate ("**CAGR**") of approximately 23%, among which, the percentage of passenger vehicles that are older than two years is expected to rise to approximately 74%. As a result, Roland Berger predicts that after-sales services market in the luxury and ultra-luxury brand passenger vehicle segment is expected to generate a revenue of about RMB343 billion with a CAGR of approximately 22% by 2018. It has also been estimated by Roland Berger that the transaction volume of pre-owned vehicles is expected to reach 9.68 million units with a CAGR of approximately 18% by 2018. Meanwhile, the penetration rate of automobile finance in China was only 18% in 2013, which was far below the level of the developed countries in Western. We believe that, driven by the continuing growth in passenger vehicle ownership and a gradually maturing market, the after-market services business for luxury and ultra-luxury brand passenger vehicles in China, including maintenance and repair services, extended products and services, insurance and automobile finance services, pre-owned vehicles and automobile rental and finance leasing services, will continue its fast growth.

## BUSINESS REVIEW

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved favourable growth in the first half of 2014. Our revenue and gross profit for the six months ended June 30, 2014, were RMB14.902 billion and RMB1.305 billion, respectively, representing an increase of 26.1% and 33.4%, respectively, compared to the same period in 2013. Gross profit margin increased from 8.27% for the first half of 2013 to 8.76% for the first half of 2014. Our profit from operations, net profit and net profit attributable to owners of the Company were RMB628 million, RMB338 million and RMB310 million, respectively, for the six months ended June 30, 2014, representing an increase of 41.8%, 26.7% and 34.8%, respectively, as compared to the same period in 2013. Set forth below is a summary of major developments of our business for the first half of 2014:

**Faster Growth in Passenger Vehicle Sales and Rapid Development of After-market Business**

- **Passenger Vehicle Sales:** The market for passenger vehicles in China has continued to grow steadily, while the retail price has generally remained stable in the first half of 2014. Based on the changes of market conditions and for the purpose of improving our profitability, the management of our Group continues to strive for fully utilizing the business policy from our manufacturers, optimizing management mode for our sales business and enhancing vehicle inventory management and model structure optimization, and reinforcing selling price control via the information management system, so as to achieve a balance amongst sustainable sales growth, satisfactory inventory level and reasonable profitability.

  Despite the challenging market environment, driven by the overall growth in passenger vehicles market and the additional sales from the Group's newly opened outlets and outlets through mergers and acquisitions, the Group's sales volume of passenger vehicles reached 45,974 units in the first half of 2014, representing a 23.4% increase compared to the same period in 2013, among which, the sales volume of luxury and ultra-luxury brand passenger vehicles reached 25,992 units in the first half of 2014, representing a 38.3% increase compared to the same period in 2013. Our sales revenue of passenger vehicles was RMB13.19 billion in the first half of 2014, representing a 25.0% increase compared to the same period in 2013, among which, the sales revenue of luxury and ultra-luxury brand passenger vehicles reached RMB10.76 billion, representing a 29.8% increase compared to the same period in 2013. The proportion of sales revenue from luxury and ultra-luxury brand passenger vehicles in the sales revenue from passenger vehicles further increased to 81.6% for the first half of 2014 from 78.5% for the same period in 2013. The Group's gross profit margin of passenger vehicle sales has increased to 4.01% in the first half of 2014 from 3.88% in the first half of 2013, benefiting from the increased proportion of sales revenue from luxury and ultra-luxury brand passenger vehicles which have higher profit margins.

- **After-sales Services:** Our repair and maintenance services continued its fast growth in the first half of 2014, particularly our luxury and ultra-luxury brands. This was mainly due to the fact that we continue to enhance the quality and customer satisfaction through our "one-stop shop" repair and maintenance services; strengthen marketing and promotion via our well-known "Yongda" brand; enhance our cooperation with insurance companies to boost the proportion of our accident car repair business; and effectively increase our efficiency of repair and maintenance services and lower our costs through the improvement of repair and maintenance process and management and the centralized procurement of spare parts.

Meanwhile, we continued to strengthen the provision of 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, agency for vehicle title registration, vehicle inspection services, road rescue services and club membership services. In the first half of 2014, our automobile extended products and services business has, to a certain extent, promoted the overall growth in revenue for our after-sales services. This was 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 by our acquired outlets are additional factors that boost the overall growth in revenue for our after-sales services.

Moreover, along with the continuous increase in both luxury and ultra-luxury brands passenger vehicle ownership, the after-sales customers in 4S stores are also increasing. Meanwhile, affected by the waiting time and price factors, the 4S stores may lose part of after-sales customers with longer vehicle age, all of whom wish to be offered with more convenient and diversified after-sales services. To meet customers' needs, we commenced operations of our first self-owned "Auto Repair (車易修)" brand luxury automobile maintenance and repair centre at the end of 2013 in Shanghai to effectively make these after-sales customers back to 4S stores, especially the customers around "Auto Repair (車易修)" outlet, thereby forming a complementary in differentiation with after-sales services of 4S stores. In the first half of 2014, through developing professional operating team and performance reward scheme, improving management process and standard, enhancing the expansion and marketing of surrounding markets of the outlets, and facilitating the business cooperation with insurance companies, our first "Auto Repair (車易修)" outlet achieved a good start for its business development and accumulated valuable experience for the operation of new "Auto Repair (車易修)" outlets in the future. Meanwhile, we are preparing five new "Auto Repair (車易修)" outlets and currently are making relevant preparation before the commencement of business, which is expected to be commenced in the second half of 2014.

In the first half of 2014, our after-sales services business, which mainly includes repair and maintenance services and automobile extended products and services, achieved a revenue of RMB1.571 billion, representing an increase of 38.3% compared to the same period in 2013, among which, revenue from after-sales services for luxury and ultra-luxury brands reached RMB1.194 billion, representing an increase of approximately 54.2% compared to the same period in 2013. In the first half of 2014, our gross profit margin of after-sales services was 46.60%, representing a slight increase compared to 46.38% of the same period in 2013.

- **Automobile Rental Services:** During the first half of 2014, revenue from our automobile rental services reached RMB131 million, representing an increase of 3.4% as compared to the same period in 2013. To expand our automobile rental services to provinces and cities other than Shanghai, we set up branch companies for automobile rental in 4 major cities during the first half of 2014.

- **Finance Leasing Service:** Following the official open of Yongda Finance Leasing Company Limited（永達融資租賃有限公司）in 2013, during the first half of 2014, we recruited management personnel with extensive expertise in banking and finance leasing and improved the organizational structure, operational flow, management system and risk control system for Yongda Finance Leasing Company Limited; relying on nationwide sales and services network of Yongda, we set up 18 branch companies under Yongda Finance Leasing Company Limited in the regions other than Shanghai, so as to expand our finance leasing business nationwide; we developed parallel selling pattern between channel distribution from 4S dealership as sales contact and direct sales from major customers; we further reinforced our cooperation with passenger vehicles manufacturers to become the authorized cooperation partner for luxury brand passenger vehicles such as BMW and Audi on interest-bearing finance leasing, and focused on developing and designing finance leasing products and successively launched new finance leasing products such as "insured repurchase", "balloon loan" and "value-added services loan"; and we relocated Yongda Finance Leasing Company Limited to the Shanghai Pilot Free Trade Zone to connect the domestic and foreign financing channels. In the first half of 2014, our finance leasing business achieved additional interest-bearing assets of RMB265 million, representing a rapid increase on a monthly basis. For example, we realized additional interest-bearing assets of approximately RMB70 million in June 2014.

- **Pre-owned Vehicle Business:** In the first half of 2014, we further increased our efforts to facilitate the development of pre-owned vehicle business, improved internal management structure and set up the dedicated pre-owned vehicle business division; through establishing an independent pre-owned vehicle centre authorized by BMW manufactures and our own Yongda brand pre-owned vehicle chain stores, achieved effective integration of resources and the operation pattern of scale and brand management; improved our information management system for pre-owned vehicle business, and strengthened effective regulation of business and effective integration of national businesses; strengthened training and reserve work for pre-owned vehicle professionals, and improved assessment mechanism; strengthened the control of new vehicles replacement in showrooms, and enhanced the trading proportion of pre-owned vehicle replacement; established Yongda luxury brand pre-owned vehicle certification business system, achieved effective bundling between pre-owned vehicles and finance, insurance, extended warranty, supplies, repair and maintenance and other services, and enhanced the added-value of the pre-owned vehicles retail business; meanwhile, actively implemented the connection of pre-owned vehicle business with strong marketing channels, such as BitAutocom and Tmall, to lay a solid foundation for achieving the restructuring and upgrading of business.

- **Other After-market Services:** In the first half of 2014, we further strengthened our cooperation with insurance companies, banks, financial companies from manufacturers, and reinforced management on penetration rate of finance products and renewal rate of insurance to maintain the rapid growth on commission income from insurance and finance product agency service.

  In the first half of 2014, our commission income from after-market services in respect of insurance, finance products and pre-owned vehicles reached approximately RMB101 million, representing an increase of 56.7% compared to the same period in 2013.

**Continuous and Active Expansion of Our Network**

In the first half of 2014, we continued to maintain and develop our strong and long-term strategic relationships with leading manufacturers of luxury and ultra-luxury brand passenger vehicles. We continued to focus on luxury and ultra-luxury brands, including BMW/MINI, Audi, Porsche, Jaguar/Land Rover, Bentley, Volvo, Cadillac, Lincoln, Infiniti, Lexus, Morgan (British retro luxury sports car brand). In addition, we selectively expanded the sales and services network of mid- to high-end brands, mainly including Buick, Volkswagen and Ford.

In the first half of 2014, we obtained authorization to open 9 new passenger vehicles sales and services outlets focusing mainly on luxury and ultra-luxury brands, including one BMW 4S dealership, two BMW authorized repair centres, one Porsche 4S dealership, one Volvo 4S dealership, one Lincoln 4S dealership, one Volkswagen 4S dealership, one Volkswagen 4S dealership in Shanghai and one Skoda 4S dealership, particularly the authorization for BMW 4S dealership in Shenzhen and Porsche 4S dealership in Suzhou, which have further enhanced our luxury and ultra-luxury brand portfolio and enabled us to explore new areas with high quality.

During the first half of 2014, we opened 11 new passenger vehicle sales and services outlets mainly for luxury and ultra-luxury brands, including two BMW 4S dealerships, one Audi 4S dealership, two Jaguar/Land Rover 4S dealerships, one Porsche 4S dealership, one Cadillac 4S dealership, one Shanghai-Volkswagen 4S dealership, one Morgan 4S dealership, one BMW pre-owned vehicle centre and one Cadillac city showroom, for example:

- in April 2014, we commenced operation of the national largest BMW pre-owned vehicle centre, Shanghai Baozen pre-owned vehicle centre;

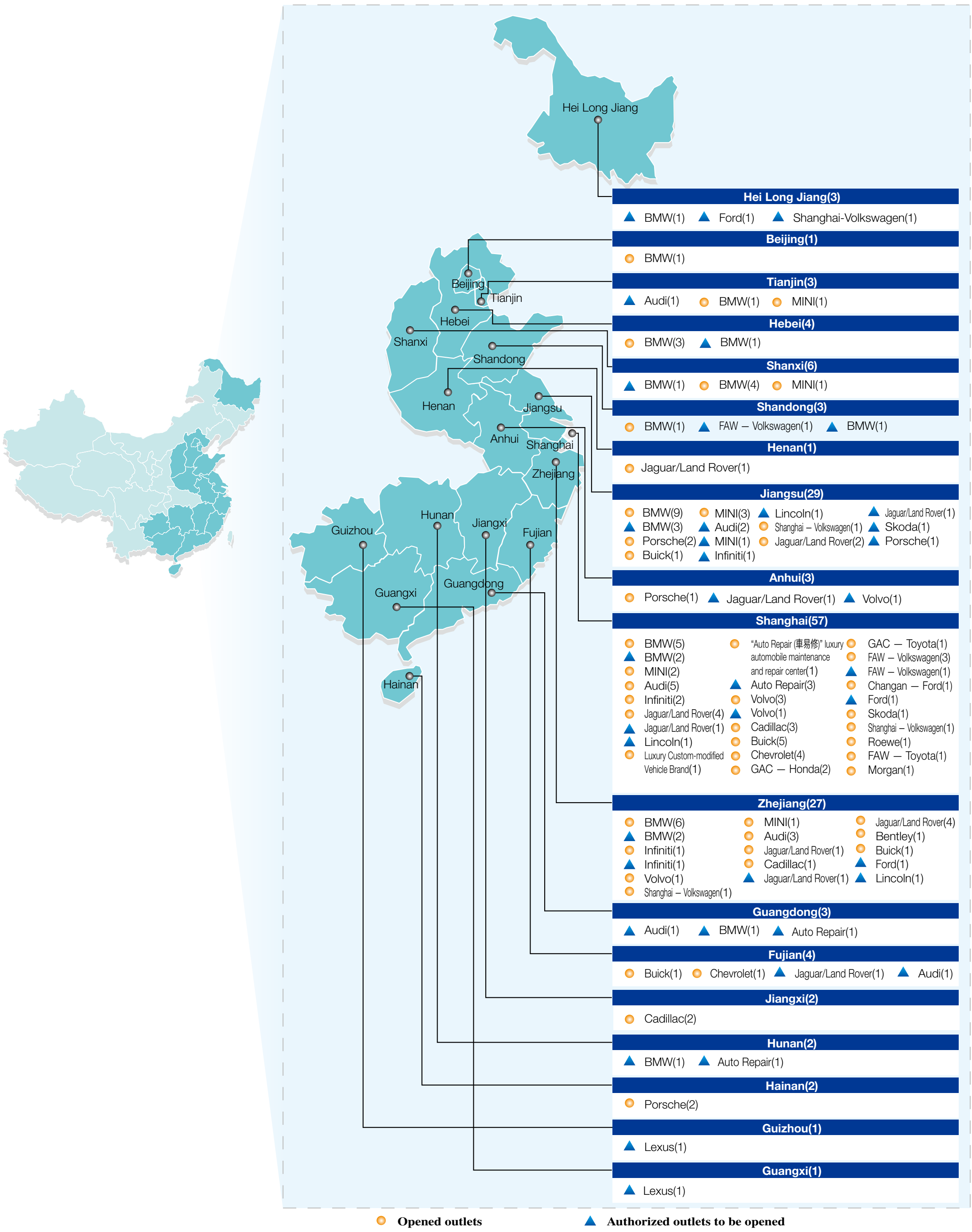
- in May 2014, we commenced operation of Porsche centre at the southern part of China, Yongda Sanya Porsche centre in Sanya, Hainan.

In the first half of 2014, we continued to actively implement the low-cost mergers and acquisitions strategy of our Group, captured the mergers and acquisitions opportunities in the market and successfully acquired nine 4S dealerships and city showroom for luxury brands, namely one BMW 4S dealership and one MINI city showroom in Tianjin; one Audi 4S dealership and two Volvo 4S dealerships in Shanghai, respectively; and one BMW 4S dealership in Jinan, Shandong; one BMW 4S dealership in Shijiazhuang, Hebei; one Lexus 4S dealership in Guiyang, Guizhou; one Lexus 4S dealership in Nanning, Guangxi, which are all under construction. Moreover, we also acquired additional equity interests of two Porsche 4S dealerships, including 19% and 11% of equity interests in one Porsche 4S dealership in Wuxi, Jiangsu and one Porsche 4S dealership in Nantong, Jiangsu, respectively, and after such acquisition, we owned 70% and 60% of equity interests in these two Porsche 4S dealerships, respectively. These acquisitions helped us to enter into new regional markets and acquire authorization for the new luxury passenger vehicles brands, which enabled us to achieve sustainable and rapid growth in the future. In addition, after such acquisitions, we have quickly completed the integration works in the aspects of team, management, process and cultures, thereby enabling these outlets to improve their post-acquisition operating results.

The table below sets forth the details of our outlets as of June 30, 2014:

| | **Opened outlets** | **Authorized outlets to be opened** | **Total** |
|---|---|---|---|
| Luxury and ultra-luxury brands 4S dealerships | 58 | 29 | 87 |
| Mid- to high-end brands 4S dealerships | 26 | 7 | 33 |
| Luxury brands city showrooms | 15 | 0 | 15 |
| Luxury brands authorized service centres | 5 | 4 | 9 |
| Luxury brands authorized certified pre-owned vehicle centres | 2 | 0 | 2 |
| Self-owned "Auto Repair (車易修)" luxury automobile maintenance and repair center | 1 | 5 | 6 |
| Total | 107 | 45 | 152 |

We continued to operate our extensive network with the Yangtze River Delta as the center and have expanded our network to other regions in China, such as Northern China, Northeast China, Central China and Southern China. As of June 30, 2014, we have opened and have been authorized to open a total of 152 outlets which are located across 3 municipalities and 48 cities in 15 provinces in China. The geographic coverage of our outlets is illustrated below:



**Continuously Improving Management and Marketing Capability**

Along with our rapid business expansion, we continued to standardize and optimize our management processes, and the operational model derived from these standardized management processes can be readily replicated to the outlets that we will establish and acquire in the future. In the first half of 2014, we particularly focused on enhancing our management by adopting the following key measures:

- further promoting consistency of objectives and actions amongst all employees through the continuous promotion of the future development strategies of "second venture";

- strengthening resources sharing and synergies among same-brand sales and services outlets through continuous enhancement of our brand division;

- strengthening resources sharing and synergies among sales and services outlets within a particular region through exploring regional management pattern;

- continuously leveraging on our information management system 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 our profitability;

- establishing the Corporate Operation Management Standards Handbook of Yongda through organizing and enhancing the original business procedure and system in order to improve the level of enterprise operation;

- reforming the original human resource management system and introducing advanced ranking management system;

- reforming the remuneration model for corporate general manager and its team, making the remuneration for its team as a whole be linked to corporate earnings, effectively raising their sense of ownership and enthusiasm for work;

- continuously speeding up the training of strategic talents to establish a reasonable talent pool as well as teams of key management personnel;

- exploring the establishment of a cash management system of the Group to enhance the efficiency of capital utilization and lower financing costs; and

- continuously enhancing our information management system to improve the consistency and transparency of our internal operation, and enhance our operation efficiency.

In addition, in respect of marketing, we continued to build our corporate brand "Yongda" during the first half of 2014 and made continuous efforts in marketing innovation and customer retention through the following main channels, including:

- adhering to our customer-oriented strategy and enhancing customer's satisfaction through a variety of customer caring activities;

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

- promoting sales and marketing through TV shopping channels and online shopping platform, and encouraging innovation in this regard; successfully developing and launching a unified "Yongda Automobile" WeChat service account based on the online "Yongda Automobile World" APP, further exploring the O2O new marketing mode;

- Continuously organising and launching online and offline marketing activities for sales and after-sales with various themes, for example:

  ➢ on the basis of its original new vehicles sales module of Yongda Automobile franchise store on Tmall, launching other business modules of pre-owned vehicles auction, boutique sales, repair and maintenance, especially the introduction of repair and maintenance voucher, which realized the combination of online payment and offline experience in 4S dealership and formed a closed-loop marketing model of O2O;

  ➢ strengthening cooperation with insurance companies, banks and other business partners, and carrying out precision marketing for its internal staff and credit card VIP users;

  ➢ regularly conducting service month activities and continuous seasonal promotions for auto parts, accessories and decorating supplies;

  ➢ organising various forms of bonus point events, as well as regular owners club activities;

  ➢ conducting word-of-mouth marketing campaigns through clients' friends-circle on WeChat.

We obtained a number of awards in recognition of the improvement of our management and marketing. For example, in the first half of 2014, we received numerous awards from many well-known passenger vehicles manufacturers, including but not limited to:

- General managers of our two BMW 4S dealerships received the personal awards of "Best Sales Manager" by BMW China in 2013;

- Three of our MINI 4S dealerships and city showroom ranked the top ten of MINI "Best Performance Dealership Award" in China in 2013;

- One of our Audi 4S dealerships in Shanghai was awarded "Best Sales Results Award" and "Special Contribution Award" by Audi China in 2013;

- One of our Jaguar/Land Rover 4S dealerships in Shanghai has been awarded five best annual awards, such as Jaguar & Land Rover China 2013–2014 "Land Rover Annual Best Dealership" Award and "Jaguar Annual Best Dealership" Award;

- One of our Jaguar/Land Rover 4S dealerships in Shanghai has been awarded Jaguar & Land Rover China 2013–2014 "Jaguar Annual Best Dealership" Award;

- One of our Jaguar/Land Rover 4S dealerships in Zhengzhou, Henan has been awarded Jaguar & Land Rover China 2013–2014 "Land Rover Annual Best Dealership" Award and "Jaguar Annual Best Sales Dealership" Award;

- One of our Volvo 4S dealerships in Shanghai has been awarded Volvo China 2013 "Best Dealership Award", "Best General Manager" Award and "Best Sales Manager" Award;

- Two of our Infiniti 4S dealerships in Shanghai have been awarded Infiniti China 2013 "Top Ten Dealerships Award", and a general manager in one of the Infiniti 4S dealerships has received a personal award of "Best General Manager";

- One of our Skoda 4S dealerships in Shanghai has been awarded Skoda Global 2013 "Best Global Dealership" Award.

## INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2014, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | For the six months ended June 30, | |
|---|---|---|---|
| | *NOTES* | **2014** | 2013 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **14,901,576** | 11,818,457 |
| Cost of sales and services | | **(13,596,802)** | (10,840,492) |
| Gross profit | | **1,304,774** | 977,965 |
| Other income and other gains and losses | *4* | **140,446** | 88,246 |
| Distribution and selling expenses | | **(539,548)** | (414,916) |
| Administrative expenses | | **(277,230)** | (208,240) |
| Finance costs | | **(192,100)** | (96,758) |
| Share of profits of joint ventures | | **5,305** | 3,583 |
| Share of profits of associates | | **1,006** | 960 |
| Profit before tax | *5* | **442,653** | 350,840 |
| Income tax expense | *6* | **(104,587)** | (84,100) |
| Profit and total comprehensive income for the period | | **338,066** | 266,740 |
| Profit and total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **310,420** | 230,263 |
| Non-controlling interests | | **27,646** | 36,477 |
| | | **338,066** | 266,740 |
| Earnings per share — basic and diluted | *8* | **RMB0.21** | RMB0.16 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | NOTES | **June 30, 2014** *RMB'000* **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,786,299** | 2,228,386 |
| Prepaid lease payments | | **517,315** | 374,502 |
| Goodwill | | **269,165** | 104,927 |
| Intangible assets | | **419,048** | 275,635 |
| Deposits paid for acquisition of property, plant and equipment | | **87,717** | 75,991 |
| Deposits paid for acquisition of land use rights | | **63,988** | 173,444 |
| Deposits paid for acquisition of a subsidiary | | **—** | 35,380 |
| Interests in joint ventures | | **79,876** | 66,571 |
| Interests in associates | | **17,698** | 26,947 |
| Finance lease receivables | *9* | **84,696** | 32,556 |
| Deferred tax assets | | **55,347** | 48,722 |
| | | **4,381,149** | 3,443,061 |
| **Current assets** | | | |
| Prepaid lease payments | | **13,415** | 9,515 |
| Inventories | *10* | **3,777,003** | 3,447,838 |
| Finance lease receivables | *9* | **162,827** | 55,681 |
| Trade and other receivables | *11* | **4,679,488** | 3,443,629 |
| Amounts due from related parties | | **32,381** | 33,176 |
| Cash in transit | | **99,580** | 81,628 |
| Pledged bank deposits | | **713,235** | 965,221 |
| Time deposits | | **100,000** | — |
| Bank balances and cash | | **1,193,441** | 1,418,408 |
| | | **10,771,370** | 9,455,096 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **4,074,307** | 3,667,080 |
| Amounts due to related parties | | **13,112** | 20,694 |
| Income tax liabilities | | **379,302** | 352,328 |
| Borrowings | | **5,419,823** | 3,887,420 |
| | | **9,886,544** | 7,927,522 |
| **Net current assets** | | **884,826** | 1,527,574 |
| **Total asset less current liabilities** | | **5,265,975** | 4,970,635 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | **June 30, 2014** *RMB'000* **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) |
|---|---|---|
| **Non-current liabilities** | | |
| Borrowings | **99,783** | 51,171 |
| Medium-term note | **1,151,787** | 1,149,892 |
| Other liabilities | **40,971** | 14,741 |
| Deferred tax liabilities | **92,289** | 63,375 |
| | **1,384,830** | 1,279,179 |
| **Net assets** | **3,881,145** | 3,691,456 |
| **Capital and reserves** | | |
| Share capital | **12,065** | 12,065 |
| Reserves | **3,556,991** | 3,412,000 |
| Equity attributable to owners of the Company | **3,569,056** | 3,424,065 |
| Non-controlling interests | **312,089** | 267,391 |
| **Total equity** | **3,881,145** | 3,691,456 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company'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, provision of automobile rental services and automobile finance leasing services in the PRC. The Company and its subsidiaries are collectively referred to as the "Group" thereafter.

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013.

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

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

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

| | |
|---|---|
| IFRS 9 | Financial Instruments[1] |
| IFRS 14 | Regulatory Deferral Accounts[2] |
| IFRS 15 | Revenue from Contracts with Customers[3] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[5] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[5] |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions[4] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010–2012 Cycle[6] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011–2013 Cycle[4] |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants[5] |
| Amendments to IAS 27 | Equity method in separate Financial Statements[5] |

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after July 1, 2014
5 Effective for annual periods beginning on or after January 1, 2016
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

The directors of the Company do not anticipate that the application of the above new or revised IFRSs will have any significant impact on the Group's financial results and financial position.

## 3. SEGMENT INFORMATION

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

**For the six months ended June 30, 2014**

| | **Passenger vehicle sales and services** *RMB'000* **(Unaudited)** | **Automobile rental services** *RMB'000* **(Unaudited)** | **Total** *RMB'000* **(Unaudited)** |
|---|---|---|---|
| Segment revenue | **14,770,356** | **131,220** | **14,901,576** |
| Segment profit | **1,270,247** | **34,527** | **1,304,774** |
| Other income and other gains and losses | | | **140,446** |
| Distribution and selling expenses | | | **(539,548)** |
| Administrative expenses | | | **(277,230)** |
| Finance costs | | | **(192,100)** |
| Share of profits of joint ventures | | | **5,305** |
| Share of profits of associates | | | **1,006** |
| Profit before tax | | | **442,653** |

For the six months ended June 30, 2013

| | Passenger vehicle sales and services *RMB'000* (Unaudited) | Automobile rental services *RMB'000* (Unaudited) | Total *RMB'000* (Unaudited) |
|---|---|---|---|
| Segment revenue | 11,691,502 | 126,955 | 11,818,457 |
| Segment profit | 935,976 | 41,989 | 977,965 |
| Other income and other gains and losses | | | 88,246 |
| Distribution and selling expenses | | | (414,916) |
| Administrative expenses | | | (208,240) |
| Finance costs | | | (96,758) |
| Share of profits of joint ventures | | | 3,583 |
| Share of profits of associates | | | 960 |
| Profit before tax | | | 350,840 |

Segment profit represents the profit earned by each segment without allocation of other income and the gains and losses, distribution and selling expenses, administrative expenses, finance costs, share of profits of joint ventures and share of profits of associates. There were no inter-segment revenues during the period under review. No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the board of directors.

**Revenue from major products and services**

| | For the six months ended June 30, | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Sale of passenger vehicles: | | |
| — Luxury and ultra-luxury brands *(note a)* | **10,759,900** | 8,290,828 |
| — Mid- to high-end brands *(note b)* | **2,430,133** | 2,265,069 |
| Sub-total | **13,190,033** | 10,555,897 |
| After-sales services | **1,570,725** | 1,135,605 |
| Automobile rental services | **131,220** | 126,955 |
| Finance leasing services | **9,598** | — |
| | **14,901,576** | 11,818,457 |

notes:

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

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

## 4. OTHER INCOME AND OTHER GAINS AND LOSSES

| | For the six months ended June 30, | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Other income comprises: | | |
| Service income *(note a)* | **101,261** | 64,633 |
| Advertisement support received from automobile manufacturers *(note b)* | **4,157** | 7,087 |
| Government grants *(note c)* | **12,513** | 8,619 |
| Interest income on bank deposits | **12,408** | 9,055 |
| Others | **746** | 1,643 |
| | **131,085** | 91,037 |
| Other gains and losses comprise: | | |
| Loss on disposal of property, plant and equipment | **(1,596)** | (1,871) |
| Gain on disposal of interest in an associate | **8,195** | — |
| Gain on subsequent adjustment to acquisition consideration | **2,269** | — |
| Loss on disposal of a subsidiary | **—** | (718) |
| Others | **493** | (202) |
| | **9,361** | (2,791) |
| Total | **140,446** | 88,246 |

notes:

a. Service income was primarily derived from certain auxiliary automobile sales related services such as distribution of automobile insurance products and automobile financial products.

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

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

## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | For the six months ended June 30, | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation of property, plant and equipment | **130,434** | 95,765 |
| Release of prepaid lease payments | **6,341** | 3,291 |

## 6. INCOME TAX EXPENSE

| | For the six months ended June 30, | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | **112,190** | 91,370 |
| Under(over) provision of PRC EIT in prior year | **8** | (161) |
| | **112,198** | 91,209 |
| Deferred tax | | |
| Current period | **(7,611)** | (7,109) |
| | **104,587** | 84,100 |

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

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

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

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

## 7. DIVIDENDS

During the current interim period, a final dividend of RMB0.12 per share in respect of the year ended December 31, 2013 was declared and paid out of share premium to the owners of the Company in Hong Kong dollars (the "HK$") based on the medium exchange rate between RMB and HK$ as announced by the People's Bank of China on May 16, 2014 (HK$1.00 to RMB0.79501). The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately RMB177,603,000.

During the six months ended June 30, 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 six months ended June 30, 2013 amounted to approximately RMB140,602,000.

## 8. EARNINGS PER SHARE

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

| | For the six months ended June 30, 2014 *RMB'000* (Unaudited) | 2013 *RMB'000* (Unaudited) |
|---|---|---|
| **Earnings** | | |
| Profit for the period attributable to owners of the Company | **310,420** | 230,263 |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Number of ordinary shares for the purpose of basic earnings per share | **1,480,022** | 1,480,022 |

Diluted earnings per share is the same as basic earnings per share as no potential ordinary shares were outstanding for the six months ended June 30, 2013 and June 30, 2014, respectively.

## 9. FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

| | **June 30, 2014** ***RMB'000*** **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) |
|---|---|---|
| Analysed as: | | |
| Current | **162,827** | 55,681 |
| Non-current | **84,696** | 32,556 |
| | **247,523** | 88,237 |

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **June 30, 2014** ***RMB'000*** **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) | **June 30, 2014** ***RMB'000*** **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) |
| Finance lease receivables comprise: | | | | |
| Within one year | **168,257** | 55,769 | **162,827** | 55,681 |
| In more than one year but not more than two years | **59,674** | 21,989 | **52,992** | 19,220 |
| In more than two years but not more than five years | **35,333** | 15,317 | **31,704** | 13,336 |
| | **263,264** | 93,075 | **247,523** | 88,237 |
| Less: unearned finance income | **(15,741)** | (4,838) | **—** | — |
| Present value of minimum lease payment receivables | **247,523** | 88,237 | **247,523** | 88,237 |

Effective interest rates of the above finance leases were around 12% (2013: 8%) per annum.

At June 30, 2014, the Group received deposits from customers under finance leases. Among the customers' deposits received, approximately RMB37,839,000 (2013: RMB11,609,000) and RMB30,558,000 (2013: RMB10,275,000) were recognized as other non-current liabilities and current liabilities, respectively.

## 10. INVENTORIES

| | **June 30, 2014** *RMB'000* **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) |
|---|---|---|
| Motor vehicles | **3,406,434** | 3,146,318 |
| Spare parts and accessories | **370,569** | 301,520 |
| | **3,777,003** | 3,447,838 |

## 11. TRADE AND OTHER RECEIVABLES

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

a. In general, deposits and advances are required for the 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; and

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.

| | **June 30, 2014** *RMB'000* **(Unaudited)** | December 31, 2013 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables | **283,279** | 275,305 |
| Other receivables comprise: | | |
| Prepayments and deposits to suppliers | **2,403,075** | 1,386,586 |
| Deposits to entities controlled by suppliers for borrowings | **110,400** | 70,625 |
| Prepayments and rental deposits on properties | **65,247** | 59,058 |
| Rebate receivables from suppliers | **1,347,717** | 1,356,531 |
| Insurance commission receivables | **18,455** | 22,080 |
| Staff advances | **9,059** | 7,640 |
| Value-Added-Tax recoverable | **277,346** | 192,312 |
| Advances to non-controlling shareholders *(note 1)* | **28,025** | 14,250 |
| Advances to independent third parties *(note 1)* | **25,100** | — |
| Deposits paid for acquisition of a subsidiary *(note 2)* | **1,400** | — |
| Others | **110,385** | 59,242 |
| | **4,396,209** | 3,168,324 |
| | **4,679,488** | 3,443,629 |
| **Non-current** | | |
| Deposits paid for acquisition of a 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 paid deposits of approximately RMB35,380,000 during the year ended December 31, 2013. The transaction was completed during this period. Included in the deposits paid represented (i) consideration of the transaction of RMB9,100,000 and (ii) settlement of advance from former shareholders of the acquirees immediately before acquisition of RMB24,880,000.

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

| | **June 30, 2014** | December 31, 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 0 to 90 days | **283,279** | 275,305 |

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.

## 12. TRADE AND OTHER PAYABLES

| | **June 30, 2014** | December 31, 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **188,216** | 139,649 |
| Bills payables | **2,386,787** | 2,288,444 |
| | **2,575,003** | 2,428,093 |
| **Other payables** | | |
| Other tax payables | **33,461** | 44,049 |
| Advances and deposits from customers | **846,702** | 724,914 |
| Payables for acquisition of property, plant and equipment | **64,711** | 92,641 |
| Rental payables | **48,868** | 35,560 |
| Salary and welfare payables | **16,171** | 35,699 |
| Accrued interest | **62,968** | 25,063 |
| Accrued audit fee | **2,200** | 3,800 |
| Other accrued expenses | **21,731** | 26,645 |
| Transaction costs payable for issue of medium-term note | **1,253** | 3,132 |
| Advance from non-controlling shareholders of subsidiaries *(note)* | **161,094** | 91,730 |
| Consideration payable on acquisition of subsidiaries | **103,711** | 44,338 |
| Advance from former shareholders of acquired subsidiaries *(note)* | **51,834** | — |
| Deposits received from customers under finance leases | **30,558** | 10,275 |
| Consideration payable for acquisition of non-controlling interests of a subsidiary | **—** | 60,000 |
| Others | **54,042** | 41,141 |
| | **1,499,304** | 1,238,987 |
| | **4,074,307** | 3,667,080 |

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

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

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

| | **June 30, 2014** *RMB'000* | December 31, 2013 *RMB'000* |
|---|---|---|
| 0 to 90 days | **2,575,003** | 2,428,093 |

**13. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On July 18, 2014, the Company issued a five-year convertible bond (the "Bonds") of an aggregate principal amount of RMB1,000,000,000 which bears interest of 1.50% per annum. The Bond was listed on the Stock Exchange on July 21, 2014. Details of terms of the Bonds are set out in the announcement of the Company dated June 25, 2014. The directors of the Company are in the process of assessing the impact of the issue to the financial statements of the Group.

# FINANCIAL REVIEW

## Revenue

Revenue was RMB14,901.6 million for the six months ended June 30, 2014, a 26.1% increase from RMB11,818.5 million for the six months ended June 30, 2013, which was 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 six months ended June 30,** | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | **2014** | | |
| | 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 | 8,290,828 | 18,800 | 441 | **10,759,900** | **25,992** | **414** |
| Mid- to high-end brands | 2,265,069 | 18,447 | 123 | **2,430,133** | **19,982** | **122** |
| Subtotal | 10,555,897 | 37,247 | 283 | **13,190,033** | **45,974** | **287** |
| After-sales services | 1,135,605 | — | — | **1,570,725** | **—** | **—** |
| Automobile rental services | 126,955 | — | — | **131,220** | **—** | **—** |
| Finance leasing service | — | — | — | **9,598** | **—** | **—** |
| Total | 11,818,457 | — | — | **14,901,576** | **—** | **—** |

Revenue from passenger vehicle sales was RMB13,190.0 million for the six months ended June 30, 2014, a 25.0% increase from RMB10,555.9 million for the six months ended June 30, 2013, which was primarily due to (i) continuous growth of the overall demand for passenger vehicles in China, particularly for luxury and ultra-luxury brand passenger vehicles; (ii) the continued increase in revenue of our outlets opened in prior years; and (iii) the growth of passenger vehicle sales volume resulting from our newly opened and acquired outlets in 2013 and in the first half of 2014. Despite the increased proportion of entry-level models and domestically manufactured models leading to a slight decrease in average selling prices of luxury and ultra-luxury brand passenger vehicles, the proportion of revenue from luxury and ultra-luxury brand passenger vehicle sales continued to increase, resulting in an approximately 1.2% increase in overall average selling price of our passenger vehicles in the first half of 2014 compared to the corresponding period of 2013.

Revenue from after-sales services was RMB1,570.7 million for the six months ended June 30, 2014, a 38.3% increase from RMB1,135.6 million for the six months ended June 30, 2013, primarily due to (i) our continuous enhancement of the quality and customer's satisfaction of "one-stop shop" repair and maintenance services; (ii) our strengthened marketing and promotion leveraging on the well-known "Yongda" brand; (iii) the reinforcement of cooperation with insurance companies to promote the proportion of accident car repair business; (iv) our innovative efforts and launch 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 revenue of after-sales services from newly opened and acquired outlets in 2013 and the first half of 2014.

Revenue from automobile rental services was RMB131.2 million for the six months ended June 30, 2014, a 3.4% increase from RMB127.0 million for the six months ended June 30, 2013.

Revenue from finance leasing services was RMB9.6 million for the six months ended June 30, 2014. Yongda Finance Leasing Company Limited officially opened up in May 2013, hence nil revenue was recorded for the six months ended June 30, 2013.

**Cost of Sales and Services**

Cost of sales and services was RMB13,596.8 million for the six months ended June 30, 2014, a 25.4% increase from RMB10,840.5 million for the six months ended June 30, 2013, which was generally in line with the growth of revenue.

Cost of sales and services for passenger vehicles was RMB12,661.1 million for the six months ended June 30, 2014, an increase of 24.8% from RMB10,146.6 million for the six months ended June 30, 2013, which was generally in line with the growth in revenue from passenger vehicle sales.

Cost of sales and services for after-sales services was RMB838.8 million for the six months ended June 30, 2014, an increase of 37.8% from RMB608.9 million for the six months ended June 30, 2013, which was generally in line with the growth in revenue from after-sales services.

Cost of sales and services for automobile rental services was RMB96.7 million for the six months ended June 30, 2014, a 13.8% increase from RMB85.0 million for the six months ended June 30, 2013, which increased at a relatively faster pace compared to the increase in revenue from our automobile rental services.

Cost of sales and services for finance leasing services was RMB0.1 million for the six months ended June 30, 2014, which was the finance cost arising from the borrowings of Yongda Finance Leasing Company Limited.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, gross profit was RMB1,304.8 million for the six months ended June 30, 2014, a 33.4% increase from RMB978.0 million for the six months ended June 30, 2013.

Gross profit from passenger vehicle sales was RMB528.9 million for the six months ended June 30, 2014, a 29.2% increase from RMB409.3 million for the six months ended June 30, 2013. Gross profit margin for passenger vehicle sales increased to 4.01% for the six months ended June 30, 2014 from 3.88% for the six months ended June 30, 2013, primarily benefiting from the continuous increased proportion of sales revenue from luxury and ultra-luxury brand passenger vehicles which have higher profit margins.

Gross profit from after-sales services was RMB731.9 million for the six months ended June 30, 2014, an increase of 39.0% from RMB526.7 million for the six months ended June 30, 2013. Gross profit margin for after-sales services was 46.60% for the six months ended June 30, 2014, which slightly increased from 46.38% for the six months ended June 30, 2013.

Gross profit from automobile rental services was RMB34.5 million for the six months ended June 30, 2014, a decrease of 17.8% compared to RMB42.0 million for the six months ended June 30, 2013. Affected by intense market competition, the increase in costs such as salary, depreciation and fuel oil, gross profit margin for automobile rental services decreased from 33.07% for the six months ended June 30, 2013 to 26.31% for the six months ended June 30, 2014.

Gross profit from finance leasing services for the six months ended June 30, 2014 was RMB9.5 million. As Yongda Finance Leasing Company Limited mainly used self-owned registered capital in the first half of 2014 and finance cost from borrowings was relatively low, gross profit margin for finance leasing services was 98.63% for the six months ended June 30, 2014.

**Other Income and Other Gains and Losses**

Other income and other gains and losses were RMB140.4 million for the six months ended June 30, 2014, a 59.2% increase compared to RMB88.2 million for the six months ended June 30, 2013. The increase was primarily due to the fact that our commission income from after-market services in respect of insurance, finance products and pre-owned vehicles amounted to RMB101 million in the first half of 2014, a 56.7% increase compared to the corresponding period of 2013.

**Distribution and Selling Expenses**

Distribution and selling expenses were RMB539.5 million for the six months ended June 30, 2014, a 30.0% increase from RMB414.9 million for the six months ended June 30, 2013, which was 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 slightly increased from 3.51% of the revenue for the six months ended June 30, 2013 to 3.62% for the six months ended June 30, 2014.

### Administrative Expenses

Administrative expenses were RMB277.2 million for the six months ended June 30, 2014, a 33.1% increase compared to RMB208.2 million for the six months ended June 30, 2013, which was primarily due to our newly opened outlets were still at initial development stage during the second half of 2013 to the first half of 2014. As a percentage of revenue, our administrative expenses slightly increased from 1.76% of the revenue for the six months ended June 30, 2013 to 1.86% for the six months ended June 30, 2014.

### Finance Costs

Finance costs were RMB192.1 million for the six months ended June 30, 2014, a 98.5% increase from RMB96.8 million for the six months ended June 30, 2013, which was primarily due to (i) the increased average finance balance as a result of the expansion in sales and services network and business scale of passenger vehicle sales; and (ii) the domestic financial market of China experienced a continuous tight monetary policy from the second half of 2013 and the increase in the effective interest rate of our financing in the first half of 2014 compared to the first half of 2013.

### Profit Before Tax

As a result of the foregoing, profit before tax was RMB442.7 million for the six months ended June 30, 2014, a 26.2% increase from RMB350.8 million for the six months ended June 30, 2013.

### Income Tax Expense

Income tax expense was RMB104.6 million for the six months ended June 30, 2014, a 24.4% increase compared to RMB84.1 million for the six months ended June 30, 2013. Our effective income tax rate was 23.6% for the six months ended June 30, 2014, slightly decreased as compared to 24.0% for the six months ended June 30, 2013.

### Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income was RMB338.1 million for the six months ended June 30, 2014, a 26.7% increase from RMB266.7 million for the six months ended June 30, 2013.

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

Profit and total comprehensive income attributable to the owners of the Company was RMB310.4 million for the six months ended June 30, 2014, a 34.8% increase from RMB230.3 million for the six months ended June 30, 2013.

# 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 capital expenditures and liquidity requirements are expected to be satisfied by using a combination of cash flows generated from our operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time.

For the six months ended June 30, 2014, our net cash used in operating activities was RMB278.7 million, which increased by RMB224.5 million compared to RMB54.2 million for the six months ended June 30, 2013. This was primarily due to a net increase of RMB159.3 million in the finance leasing receivables for the first half of 2014 and a rapid increase in inventory of our outlets newly opened during the second half of 2013 to the first half of 2014, which were still at initial development stage.

For the six months ended June 30, 2014, our net cash used in investing activities was RMB661.4 million, compared to net cash used in investing activities of RMB428.1 million for the six months ended June 30, 2013. This was primarily due to an increase in payment for acquisition of subsidiaries in the amount of RMB145.3 million and an increase in capital expenditures, including expenditures on purchases of property, plant and equipment, land use rights and intangible assets in the amount of RMB142.7 million.

For the six months ended June 30, 2014, our net cash from financing activities was RMB715.1 million, compared to net cash used in financing activities of RMB407.0 million for the six months ended June 30, 2013. This was primarily due to an increase in net borrowings of RMB1,397.7 million in the first half of 2014 compared to the corresponding period of 2013.

## Inventories

Our inventories mainly include passenger vehicles and, to a lesser extent, spare parts, accessories and other miscellaneous inventories. Our inventories were RMB3,777.0 million as of June 30, 2014, a 27.1% increase from RMB2,971.6 million as of June 30, 2013, 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 six months ended June 30,** | |
|---|---|---|
| | 2013 | **2014** |
| Average inventory turnover days(1) | 47.6 | **48.5** |

*Note:*

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

Average inventory turnover days was 48.5 days in the first half of 2014, a slight increase from 47.6 days in the corresponding period of 2013.

**Capital Expenditures and Investment**

Our capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, land use rights and intangible assets, as well as the acquisition of subsidiaries. For the six months ended June 30, 2014, our total capital expenditures of purchase of property, plant and equipment, land use rights and intangible assets amounted to RMB570.9 million and the expenditures on acquisition of subsidiaries amounted to RMB145.9 million.

**Borrowings and Bonds**

We obtained borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, and issued bonds to fund our working capital and network expansion. As of June 30, 2014, the outstanding amount of our borrowings and bonds amounted to RMB6,671.4 million, a 31.1% increase from RMB5,088.5 million as of December 31, 2013, primarily due to (i) increase in borrowings as a result of capital expenditures and mergers and acquisitions in the first half of 2014 and borrowings brought in by the acquired or merged outlets as well; and (ii) the expansion of sales scale resulting in the increase of working capital borrowings. The following table sets forth the maturity profile as of June 30, 2014:

| | **As of June 30, 2014** *(RMB in millions)* |
|---|---:|
| Within one year | **5,419.8** |
| One year to two years | **51.7** |
| Two to five years | **1,178.3** |
| More than five years | **21.6** |
| Total | **6,671.4** |

As of June 30, 2014, our gearing ratio (being net debt divided by the aggregate amount of total equity and net debt) was 70.3% (as of December 31, 2013: 64.6%). The net debt was total debt net of cash and cash equivalents, time deposits, pledged bank deposits and cash in transit.

As of June 30, 2014, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2014 consisted of (i) inventories of RMB714.9 million; (ii) property, plant and equipment of RMB45.0 million; (iii) land use rights of RMB58.6 million; and (iv) time deposits of RMB100.0 million.

In July 2014, we issued 1.5% USD settled convertible bonds due 2019 with an aggregate principal amount of RMB1 billion to raise funds for establishment and acquisition of 4S dealerships and expansion of working capital.

### Contingent Liabilities

As of June 30, 2014, we did not have any material contingent liabilities.

### Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in the interest rates on our borrowings. Certain of our borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China or 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 a part of bank borrowings denominated in US dollar, substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We believe our operations currently are not subject to any significant direct foreign exchange risk. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

### Use of Proceeds

The net proceeds from 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 PROSPECT AND STRATEGIES

As mentioned above, we believe that new vehicle sales of luxury and ultra-luxury brand passenger vehicles and after-market business in China, such as repair and maintenance services, extended products and services, insurance and automobile finance services, pre-owned vehicles, automobile rental and finance leasing services, will continue to achieve rapid growth in the future.

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 actively plan its automobile finance and continue to pay close attention to the sectors of Internet and new energy vehicles as well as the further development and utilization of lands for existing 4S dealerships, while strengthening the passenger vehicle sales and services. The Company will implement our core concept through the measures set out below.

**Network Expansion**

Through years of development, the Company has set up a sales and services network, based in Eastern China and reaching nationwide, focusing mainly on luxury and ultra-luxury brands. As for network expansion, the Company plan to expand its sales and services 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 repair and 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, Buick 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 Northeast China;

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

Acquisitions and mergers:

- 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 single 4S dealership 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 operation standards, setting performance indicators, formulating management system and integrating of corporate cultures, so as to integrate the companies acquired into 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;

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

- 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 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 in the future, mainly through the following measures:

- leverage on our enormous customer resources to conduct marketing based on the customer data base, so as to promote customers repurchase and consumption upgrade through low-cost marketing activities and achieve continued development of customer value;

- leverage on the Group's existing comprehensive competitive advantages of customer resources and business chains to actively develop group purchase within major users and expand its market share;

- promote business growth of our new vehicles and extended services, such as maintenance and repair, insurance and pre-owned vehicles, as well as expand the scale of our finance leasing assets by means of the finance leasing model of "lease and sale";

- drive the growth of new vehicle sales business through the rapid development of the nationwide outlets of the operating lease companies;

- enhance the control over the pre-owned vehicle replacement business in showrooms, scale up the successful replacement of pre-owned vehicles and promote the sales of new vehicles;

- make innovations in new vehicle sales mode, strengthen the secondary marketing of extended businesses, such as financing, insurance, supplies and modification, thus increasing the value added to the new vehicle sales;

- 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 deepen our cooperation with leading industry players such as BitAutocom, Autohome and Tmall, in order to enhance our overall sales competitiveness;

- 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;

- 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;

- strengthen the control over the satisfaction degree of customer services by means of site investigation, follow-up calls, and secret procurement so as to improve customer service experience; focus on the internal refined management and enhance sales control, so as to increase the sales efficiency.

**After-sales Services Business**

As the luxury passenger vehicle ownership in China has increased rapidly and as it will maintain the growth pace, there will be huge market demand for the after-sales market for luxury passenger vehicles. Meanwhile, as the aging of vehicles differs from each other, the overall market demand will result in demand differentiation. Therefore, we plan to achieve a new milestone for our after-sales services business by focusing on the key aspects below and seizing market opportunities:

- 4S dealerships: for the developed 4S dealerships, actively expand the repair maintenance capacity and to enhance efficiency in repair and maintenance work; for new and developing 4S dealerships, adopt various customer marketing activities in order to boost the rapid growth in the scale of their after-sales services business; continue to improve customer satisfaction and develop customers' consumption habits and loyalty by optimizing customer management mode, with a view to reducing the customer loss; enhance cooperation with insurance companies and innovate service model to increase the proportion of income from accidental cars as well as the gross profit margin;

- "Auto Repair (車易修)" a self-owned sub-brand: continue to promote the construction of the repair and maintenance centers for luxury vehicles under the "Auto Repair (車易修)" brand, so as to form a regional chain development pattern and a coverage effect of multi-brand maintenance; actively expand the direct overseas procurement channels for spare parts so as to provide diversified support to "Auto Repair (車易修)" at low cost and with warranty for spare parts; plan and establish regional and independent large sheet-spray centers under the "Auto Repair (車易修)" brand and community after-sales service outlets in response to the market changes and customers' demand, integrating the repair and maintenance centers under the "Auto Repair (車易修)" brand with the community service outlets so as to offer our customers with convenient and prompt services;

- extended products and services: make efforts in upgrading the extended products, such as automobile decoration products, automobile care services, automobile modification services, and in customer marketing; take advantage of the Group's entire industrial chain to promote revenue from services such as license registration, inspection and trading vehicles so as to promote its business revenue;

- automobile maintenance and care product business: on the basis of high-quality existing maintenance and care products, and according to the variation of market demand, actively develop new brands and new types of maintenance and care products, search for overseas manufacturers with a long history and leading products and carry out strategic cooperation with them so as to further promote the penetration rate in after-sales services, and in turn promote the revenue from the after-sales services as a whole;

- extended services: implement comprehensive extended warranty with the manufacturers for passenger vehicles purchased from manufacturers so as to increase the penetration of extended business in our customer base and effectively manage our customer resources;

- In view of the potential market changes arising from the downward adjustment of prices of spare parts, actively monitor the market changes and capture the opportunities arising from them, focus on refined management for after-sales services, make full effort to improve the customer satisfaction, build service brand, optimize procurement channels and spare parts inventory structure, and build core competitiveness.

**Pre-owned Vehicle Business**

We believe that the huge luxury passenger vehicle ownership 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 key efforts:

- establish a new e-commerce platform through the joint venture with BitAutocom and Youxinpai to implement a nationwide B2C/C2B retail business mode, and to create an O2O e-commerce business pattern by coordinating with offline service experience;

- accelerate the construction of high-end brand-authorized pre-owned 4S dealerships or showrooms, forming a business pattern with high-end positioning and chained operation;

- extend the construction of Yongda's self-owned pre-owned vehicle outlets and establish business pattern of brand chained operation;

- devote to transforming and upgrading pre-owned vehicle retail business, issuing Yongda authentication standard for pre-owned vehicles, implementing 168 professional inspection and quality standards under seven major categories, and expanding its brand influence;

- leverage on the coverage advantages of professional auction platform such as Youxinpai to effectively manage the transaction of the wholesales of vehicles, and achieve the standardized and scale operation of business;

- enhance the control over the pre-owned vehicle replacement business in showrooms, scale up the successful replacement of pre-owned vehicles and promote the scale of pre-owned vehicle business;

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

**Automobile Finance Business**

According to the Group's planning on the automobile finance business, the Company makes effort to explore the transformation of a simple distributor in the automobile finance sector to a comprehensive financial service provider. In the first half of 2014, we made great efforts to set up an overall structure of automobile finance business within the Group, and initially formed our own financial service system by way of combing through and integrating internal resources, processes and channels, and leveraged on the advantage of the Group's platform to make an attempt to conduct business practice. We paid close attention to the development trend of P2P and third party payment, and deeply experienced significant influence of the Internet on automobile and financial sectors. In the second half of 2014, we plan to expand our financial transformation with the focus on the measures set out below:

- make effort to build customized automobile payment platform, achieve the integration of user payment terminals and consumption data by means of pre-paid cards, award point clearance and settlement and leverage on channels and large data to conduct precision marketing so as to provide competitive credit services and other finance services. Currently, pre-paid card and membership system has been initially formed and substantial progress has also made on electronic accounts and award point management. We will continue to increase investments in technology and business development, and integrate and upgrade payment product system;

- speed up the application for relevant financial licenses. In addition to the prosperous development of third party payment business, we were also aware that at the beginning of 2014, some provinces issued licenses for online petty loans, which permits petty loan companies to lend credit loans by way of the Internet. We are speeding up the application for financial licenses such as online petty loans and third party payment, and mutually cooperate with finance leasing companies with increasing business so as to promote the scope of our finance services;

- attach importance to the management and recreation of business processes with the focus on users' demand, carefully and comprehensively comb through the financial channels and business processes such as banks, finance leasing companies, petty loans companies and guarantee companies, and develop business and risk control platform on such basis so as to achieve organic connection and interaction of resources sharing, internal decision, implementation and supervision, promote efficiency and ensure closer connection between financial sector and physical automobile sector.

## Automobile Internet

The rapid development of Internet technology and applications is changing the foundation of the traditional public consumption concept and habits, and it also affects operation concepts and business mode of all walks of life and attracts more and more attention and concern from the public. We believe if a company could not realize the combination of the industry and the Internet in future society, it would be eliminated. Therefore, we have been attaching importance to and will continue to promote the combination of the Internet and the automobile industry. We will explore the integration of business areas, such as new vehicle sales, after-sales services, pre-owned vehicles, automobile finance and automobile rental, and the Internet so as to achieve rapid transformation and upgrading of the traditional industries.

- new vehicle sales: we plan to intensify cooperation with industry-leading vertical websites such as BitAutocom, and use 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;

- after-sales services: we will plan and establish mobile repair and maintenance service platform, and achieve that the service staff of the 4S dealership, residential service centre or "mobile repair vehicle" in such area where clients reside offer on-site repair services through location services and instructions based on mobile clients. All service demand reservation, payment and feedback processes will be made through mobile terminals such as mobile phones;

- pre-owned vehicles: according to the development needs of our pre-owned vehicles business, we will make full use of our strengths and achieve resources sharing and alliance between gaints by a joint venture with BitAutocom and Youxinpai with the focus on building a leading pre-owned vehicle transaction service provider in China. We will carry out the business chain operation for the purpose of initiating a new vehicle sales mode with the integration of online automobile transaction paltform and physical exhibition, and build an O2O e-commerce platform representing the industry benchmark;

- automobile finance: we will be user-oriented and explore finance business positioning with the focus on payment and credit loans, promote projects such as pre-paid cards and client award point management, and actively build an "Internet+Automobile+Finance" business mode;

- 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 repair and maintenance services, rush repair, settlement of insurance claims, micropayments, etc., providing our customers with more convenient and personalized services;

- automobile rental: we will leverage on the existing automobile rental outlets and resource advantages to build a new and interactive rental mode via the Internet platform.

## 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 take the measures set out below:

- as a strategic partner of BMW, we have set up 5S dealerships in Shanghai that meet the latest standards set up 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. It is expected that we will be able to sell clean energy vehicles such as BMW pure electric vehicle i3 and plug-in hybrid electric vehicle i8 within the year. We will continue the upgrade and development of 5S dealership in first-tier cities with an aim to gain more sales and services licenses for electric vehicles in BWM outlets;

- we have promoted the strategic cooperation with Shanghai Roewe and become the sole dealership for its "E" series electric vehicles in Shanghai, thus accumulating experience for marketing and providing services for the new energy vehicles in China;

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

## Further Development and Utilization of Lands for 4S Dealerships

During the process of constructing 4S dealerships over years, we have 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 manufacturers of passenger vehicles and the local government of the area where 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 services 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 mode 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 relationship 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 rate, 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;

- integrated management of funds: we plan to establish a group-level fund management centre and reduce the finance costs through an operation of scale, strengthen the integrated management and allocation of working capital and enhance the utilization efficiency of the same.

**Team Construction and Incentives**

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 from 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 remuneration and performance appraisal of our staff, and have established a comprehensive system for job hierarchy, remuneration management and performance appraisal. We focus on innovation and reforms so as to make our performance appraisal more scientific and reasonable, to enhance our market competitiveness for remuneration and performance and to maximize the motivation to our staff.

We will always implement our corporate core values of "Credible, Innovative, Professional and Efficient" (誠信、創新、專業、高效), 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 adopted the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the reporting period and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

### Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the reporting period and up to the date of this announcement.

### Audit and Compliance Committee

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

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2014. The Audit and Compliance Committee considers that the interim financial results for the six months ended June 30, 2014 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2014.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2014 (for the six months ended June 30, 2013: nil) to the shareholders of the Company.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended June 30, 2014 will be dispatched to the shareholders of the Company and published on the above websites in due course.

# APPRECIATION

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

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

The PRC, August 29, 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.*