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

2014
Interim Report


PORSCHE


BMW之悦。与坚持梦想者同行。
全新BMW 5系Li。梦想之路，大美之悦。


JAGUAR
LAND ROVER
RANGE ROVER

CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
INTERIM REPORT 2014

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. CHEUNG Tak On *(Chairman)*
Mr. CAI Yingjie *(Vice-chairman and General Manager)*

Non-executive Directors
Mr. WANG Zhigao *(Vice-chairman)*
Mr. WANG Liqun

Independent Non-executive Directors
Mr. WANG Zhiqiang
Mr. LU Wei
Mr. CHEN Xianglin

CORPORATE HEADQUARTERS

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

REGISTERED OFFICE

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George Town
Grand Cayman KY1-9005
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
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Grand Cayman KY1-9005
Cayman Islands

LEGAL ADVISERS TO HONG KONG LAW

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road, Hong Kong

COMPANY SECRETARY

Ms. MOK Ming Wai *(FCIS, FCS)*

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. MOK Ming Wai

AUDIT AND COMPLIANCE COMMITTEE

Mr. WANG Zhiqiang *(Chairman)*
Mr. WANG Zhigao
Mr. LU Wei

REMUNERATION COMMITTEE

Mr. WANG Zhiqiang *(Chairman)*
Mr. WANG Zhigao
Mr. LU Wei

NOMINATION COMMITTEE

Mr. CHEUNG Tak On *(Chairman)*
Mr. CHEN Xianglin
Mr. LU Wei

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

03669

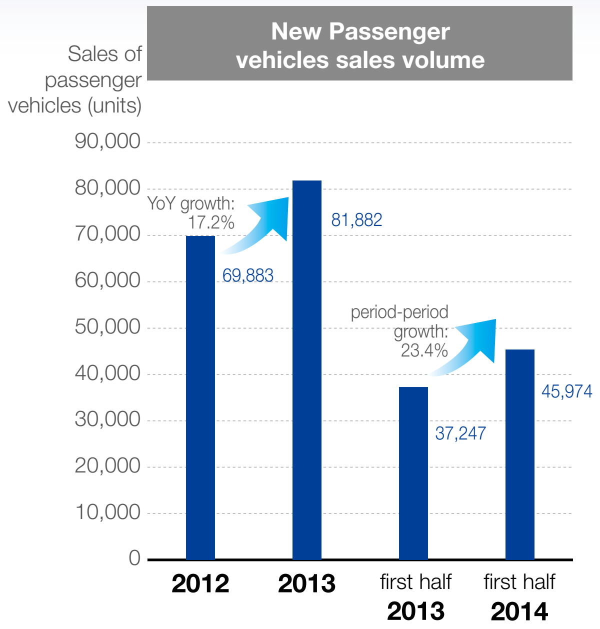
AUDITORS

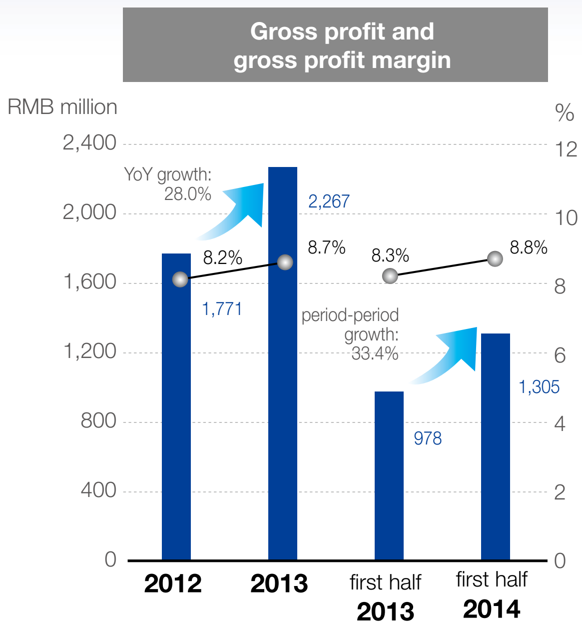
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

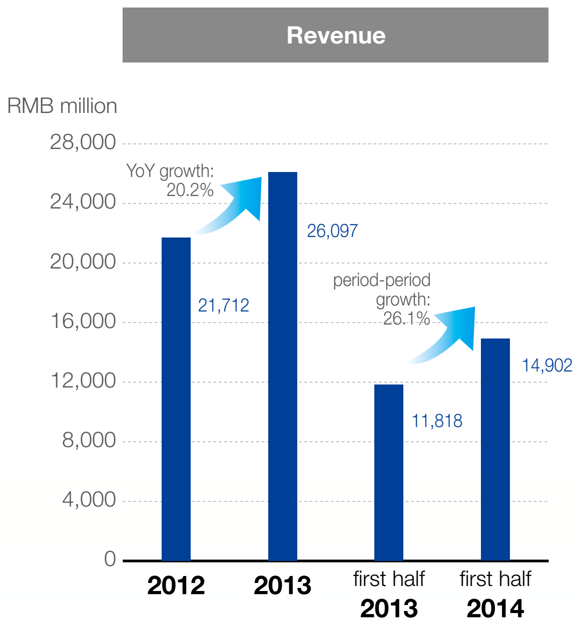
COMPANY WEBSITE

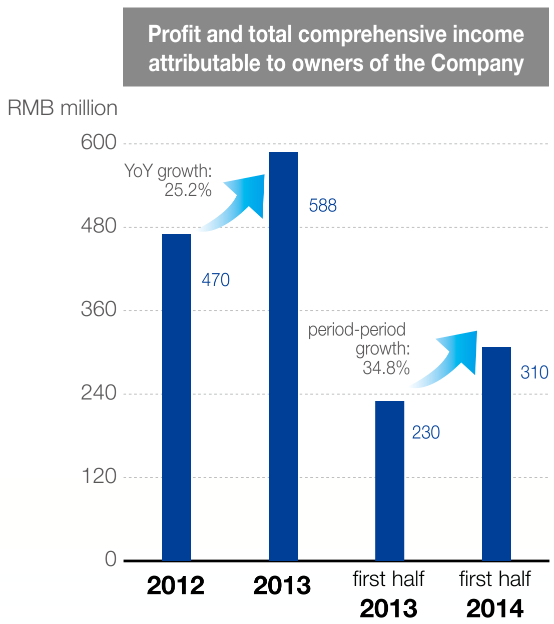
www.ydauto.com.cn

Financial Highlights









Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the 2014 first half report of the Company and its subsidiaries (collectively referred to as "the Group", "we", or "us").

In the first half of 2014, China's automobile market continued to maintain steady growth. According to China Association of Automobile Manufacturers, the sales volume of passenger vehicles reached 9,633,800 units during the first half of 2014, representing an increase of approximately 11.2% compared to the same period in 2013. In the first half of 2014, the sales volume of our 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 mainland China, representing a growth of approximately 23.1%, 17.8%, 47.9% and 34.3%, respectively, compared to the same period in 2013. Meanwhile, the after-sales services market of passenger vehicles in China is also growing rapidly. Benefiting from a favorable market environment, the Company took the initiative to make progress and achieved significant growth in our business performance.

Rapid Growth in our Main Business

As a leading passenger vehicle retailer and comprehensive service provider in China, we achieved significant growth in the first half of 2014. For the six months ended June 30, 2014, our revenue and gross profit 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. Our gross profit margin increased to 8.76% in the first half of

2014 from 8.27% in the same period of 2013. Our profit from operations, net profit and net profit attributable to owners of the Company were RMB628 million, RMB338 million and RMB310 million, respectively, representing an increase of 41.8%, 26.7% and 34.8%, respectively, compared to the same period in 2013.

Despite the challenging market environment, the Company persistently made efforts to explore and innovate for our business. Driven by the improvement of our management, opening of new 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.

In the first half of 2014, our after-sales services business grew rapidly. The revenue from our after-sales services, mainly including repair and maintenance services and automobile extended products and services, reached RMB1,571 million, representing a 38.3% increase compared to the same period of 2013, among which, revenue from after-sales services for luxury and ultra-luxury brands reached RMB1,194 million, representing an approximately 54.2% increase compared to the same period of 2013. In the first half of 2014, the gross profit margin of our after-sales services business was 46.6%, representing a slight increase compared to 46.38% of the same period in 2013.

Active Expansion of Our High-quality Network

In the first half of 2014, we have continued to build 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 and etc. In addition, we have selectively expanded the sales 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 centers, one Porsche 4S dealership, one Volvo 4S dealership and etc., among which, 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 area.

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 and etc.

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; 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, respectively. Moreover, we also acquired additional equity interests of two Porsche 4S dealerships, including 11% and 19% of equity interests in one Porsche 4S dealership in Nantong, Jiangsu and one Porsche 4S dealership in Wuxi, Jiangsu, respectively, and after such acquisition, we owned 60% and 70% of equity interests in these two Porsche 4S dealerships, respectively.

Chairman's Statement

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.

Seeking for Exploration and Innovation for Our Business

In the first half of 2014, we actively promoted automobile finance industrial planning and put great efforts to build the automobile finance structure of the Group. Through the integration of our internal resources, processes and channels, we rapidly formed our own financial service system, and relying on the Group's platform advantages, we attempted to conduct the business practices. We will promote our financial services business with the "payment and credit" as the main line. In the first half, we have already built a basic framework for the pre-paid card and member management system and also made material progress in electronic accounts and award point management. Meanwhile, we are stepping up the application for relevant financial licenses.

In the first half, our finance leasing business achieved material progress in aspects of talent introduction, business development and internal process management and also maintained a steady growth in finance leasing and interest-bearing assets. As of June 2014, our finance leasing business achieved additional interest-bearing assets of approximately RMB70 million in a single month.

We are highly concerned about the major opportunities and challenges brought by the internet to the passenger vehicle sales services, and thus, we intensified the internet thinking at all levels of new vehicle sales, after-sales services, automobile rental, automobile finance and internal management. In the area of pre-owned vehicles, we will actively promote the cooperation with leading internet companies, and capture such opportunity to facilitate the organic integration of traditional automobile service industry with the internet, so as to gain to first-move advantage.

Continuously Deepening the Refined Management

We have been always focusing on the refined management and strengthening standardization and process construction in the management of the Company. In the first half of 2014, we continued to strengthen the professional management of our brands and made efforts to optimize the extent of resource utilization and resource sharing between 4S dealerships of the same brand. We strengthened effective coordination and integration between 4S dealerships of different brands within the same city/region in terms of customer resources, marketing, public relationship by using the mode of setting up city/regional offices. We chose the backbones of business management and organized them into on-site group counseling to provide counseling in relation to on-site services business and management for newly opened outlets on a regular basis, targeted to help them to rapidly expand business scale and enhance management standards. We further promoted the standardization management in operation, and integrated and improved the existing management system of our Group to form a standard manual of enterprise operations quality. Meanwhile, we will strengthen the supervision of the implementation to ensure that the business management of 4S subordinated dealerships is in compliance with the Group's management requirements. We strengthened faithful customer base of our brands, improved measures to retain these customers and strictly controlled retention rate and implemented a systematic and hierarchical customer relationship management programs to enhance customer satisfaction. At the same time, we enhanced data analysis and marketing and conducted depth development of customer value through our centralized customer information management system. We improved the overall management of the funds, established fund management center at the group level and reduced financing cost through scale development and strengthened the unified management and allocation of working capital to improve the using efficiency of working capital. With the help of our international advisory agency, we promoted the comprehensive deepening reform of the Group's remuneration and performance evaluation system to improve our human resource management.

Future Outlook and Making Greater Progress

According to Roland Berger, by 2018, the passenger vehicles ownership of luxury and ultra-luxury brands in China will achieve a compound annual growth rate (“CAGR”) of approximately 23% and the revenue from after-sales services will achieve a CAGR of 22%. We believe that the sales and services industry of the luxury and ultra-luxury brand vehicles in China will keep a rapid growth rate for a long period in the future. As a result, we will insist on the long-term strategy of mainly engaging in sales and services industry of high-end passenger vehicle and will promote active integration between traditional automobile sales and services industry and the Internet to enhance our marketing capabilities and management standards. We will strive to innovate in the automobile finance services business to effectively extend our industrial chain and enhance our profitability. We firmly believe that an outstanding team is very important for the Company’s long-term sustainable development and we will continue to strengthen talent cultivation and conduct all work systematically to ensure that talent construction is forward-looking.

In the first half of 2014, with the collective efforts of all our staff, we have achieved satisfactory results. In this regard, I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude and also take this opportunity to thank shareholders for their concern and support of the development of our Company. We will face the future and proactively promote the long-term healthy development of the Company.

CHEUNG Tak On
Chairman

August 29, 2014

Management Discussion and Analysis

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 mainland China, representing a growth of approximately 23.1%, 17.8%, 47.9% and 34.3% respectively, compared to the same period in 2013.

MARKET REVIEW (continued)

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.

BUSINESS REVIEW (continued)

Faster Growth in Passenger Vehicle Sales and Rapid Development of After-market Business (continued)

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.

BUSINESS REVIEW (continued)

Faster Growth in Passenger Vehicle Sales and Rapid Development of After-market Business (continued)

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.

BUSINESS REVIEW (continued)

Faster Growth in Passenger Vehicle Sales and Rapid Development of After-market Business (continued)

- **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.

BUSINESS REVIEW (continued)

Faster Growth in Passenger Vehicle Sales and Rapid Development of After-market Business (continued)

- **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.

BUSINESS REVIEW (continued)

Continuous and Active Expansion of Our Network (continued)

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.

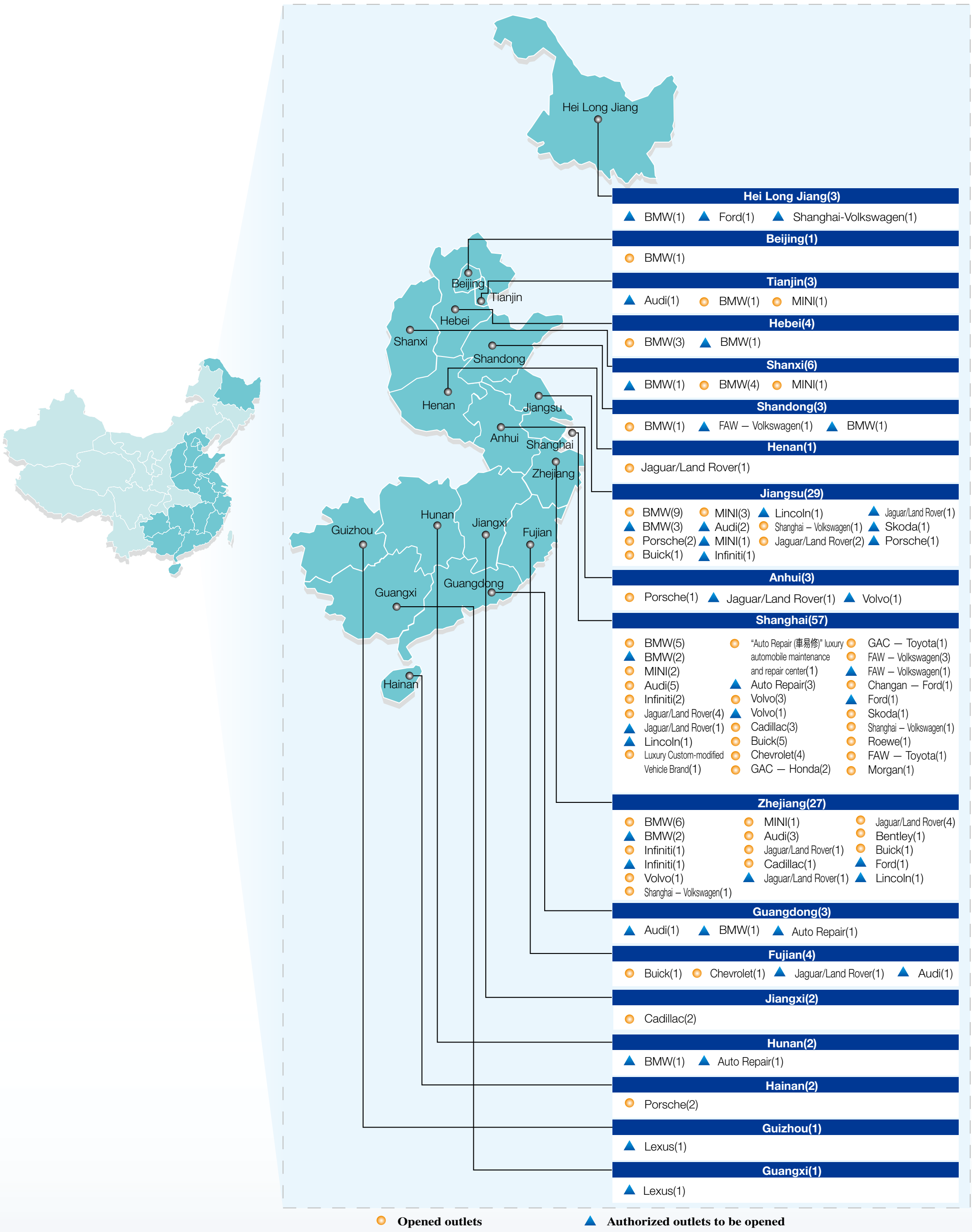
The table below sets forth the details of our outlets as of June 30, 2014:

	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

BUSINESS REVIEW (continued)

Continuous and Active Expansion of Our Network (continued)

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:



BUSINESS REVIEW (continued)

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";

BUSINESS REVIEW (continued)

Continuously Improving Management and Marketing Capability (continued)

- 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;

BUSINESS REVIEW (continued)

Continuously Improving Management and Marketing Capability (continued)

- 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.

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.

FINANCIAL REVIEW (continued)

Revenue (continued)

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.

FINANCIAL REVIEW (continued)

Gross Profit and Gross Profit Margin (continued)

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.

FINANCIAL REVIEW (continued)

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.

LIQUIDITY AND CAPITAL RESOURCES (continued)

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.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Interest Rate Risk and Foreign Exchange Risk (continued)

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;

FUTURE PROSPECT AND STRATEGIES (continued)

Network Expansion (continued)

Acquisitions and mergers: *(continued)*

- **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;

FUTURE PROSPECT AND STRATEGIES (continued)

New Vehicle Sales Business (continued)

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

FUTURE PROSPECT AND STRATEGIES (continued)

After-sales Services Business (continued)

- 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;

FUTURE PROSPECT AND STRATEGIES (continued)

Automobile Finance Business (continued)

- 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;

FUTURE PROSPECT AND STRATEGIES (continued)

Automobile Internet (continued)

- 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;

FUTURE PROSPECT AND STRATEGIES (continued)

Management Enhancement (continued)

- 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this interim report, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On [(1)]	Founder of a discretionary trust	384,000,000 (long position)	25.946
	Interest of controlled corporation	302,080,000 (long position)	20.411
	Beneficial owner	104,500 (long position)	0.007
Mr. CAI Yingjie [(2)]	Interest of controlled corporation	108,288,000 (long position)	7.317
	Beneficial owner	474,500 (long position)	0.032
Mr. WANG Zhigao [(3)]	Interest of controlled corporation	60,160,000 (long position)	4.065
	Beneficial owner	910,500 (long position)	0.062

Notes:

(1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the "Family Trust"). Palace Wonder Company Limited (栢麗萬得有限公司) ("Palace Wonder") is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) ("Regency Valley"), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 384,000,000 shares held by Palace Wonder.

(ii) Asset Link Investment Limited ("Asset Link") is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 302,080,000 shares held by Asset Link.

(iii) Mr. CHEUNG Tak On also holds 104,500 shares of the Company as beneficial owner.

(2) Mr. CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited ("Ample Glory") and he is deemed to be interested in the 108,288,000 shares held by Ample Glory. He also holds 474,500 shares of the Company as beneficial owner.

(3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited ("Golden Rock") and he is deemed to be interested in the 60,160,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital (%)
Mr. WANG Liqun	Beneficial owner	200,000	0.014
Mr. WANG Zhiqiang	Beneficial owner	200,000	0.014
Mr. LU Wei	Beneficial owner	200,000	0.014
Mr. CHEN Xianglin	Beneficial owner	200,000	0.014

Save as disclosed above, as at the date of this interim report, none of the directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be entered in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of the date of this interim report, the followings are the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in the shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Palace Wonder (1)	Beneficial owner	384,000,000 (long position)	25.946
Regency Valley (1)	Interest of controlled corporation	384,000,000 (long position)	25.946
HSBC International Trustee Limited(1)	Trustee	384,000,000 (long position)	25.946
Asset Link (2)	Beneficial owner	302,080,000 (long position)	20.411
Ample Glory (3)	Beneficial owner	108,288,000 (long position)	7.317
Runda Holdings Limited ("Runda Holdings") (4)	Beneficial owner	76,800,000 (long position)	5.189
Sun Moon China Investment Company Limited ("Sun Moon") (4)	Beneficial owner	38,940,000 (long position)	2.631
	Interest of controlled corporation	76,800,000 (long position)	5.189
Mr. GU Mingchang (4)	Interest of controlled corporation	115,740,000 (long position)	7.820
Baring Private Equity Asia V Holding (7) Limited (5)	Beneficial owner	94,136,500 (long position)	6.360
The Baring Asia Private Equity Fund V, L.P. (5)	Interest of controlled corporation	94,136,500 (long position)	6.360
Baring Private Equity Asia GP V, L.P. (5)	Interest of controlled corporation	94,136,500 (long position)	6.360
Baring Private Equity Asia GP V Limited (5)	Interest of controlled corporation	94,136,500 (long position)	6.360
Mr. Jean Eric SALATA (5)	Interest of controlled corporation	94,136,500 (long position)	6.360
Mr. WAN Zhanggen (6)	Interest of controlled corporation	85,211,500 (long position)	5.757
	Beneficial owner	15,856,000 (long position)	1.071
Eternal Wealth Global Investment Company Limited ("Eternal Wealth") (6)	Beneficial owner	85,211,500 (long position)	5.757

Notes:

(1) Palace Wonder is wholly-owned by Regency Valley, which is in turn wholly-owned by HSBC International Trustee Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. CHEUNG Tak On as settlor and protector with HSBC International Trustee Limited appointed as trustee on April 5, 2012. The beneficiary objects of the Family Trust are Mr. CHEUNG Tak On and certain of his family members. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 384,000,000 shares held by Palace Wonder.

(2) Asset Link is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 302,080,000 shares held by Asset Link.

(3) Ample Glory is wholly-owned by Mr. CAI Yingjie. Mr. CAI Yingjie is deemed to be interested in the 108,288,000 shares held by Ample Glory.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in the shares and underlying shares of the Company (continued)

Notes: (continued)

(4) Runda Holdings is wholly-owned by Sun Moon and Sun Moon is deemed to be interested in the 76,800,000 shares held by Runda Holdings. Sun Moon is in turn wholly-owned by Mr. GU Mingchang, the brother of Ms. GU Lifang (being the wife of Mr. CHEUNG Tak On) and he is deemed to be interested in the 38,940,000 shares held by Sun Moon as well as 76,800,000 shares held by Runda.

(5) The Baring Asia Private Equity Fund V, L.P. approximately owns 99.35% of Baring Private Equity Asia V Holding (7) Limited. Baring Private Equity Asia GP V, L.P. is the general partner of The Baring Asia Private Equity Fund V, L.P.. Mr. Jean Eric SALATA is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Each of Baring Private Equity Asia GP V Limited and Mr. Jean Eric SALATA is therefore deemed to be interested in 94,136,500 shares held by Baring Private Equity Asia V Holding (7) Limited. Mr. Jean Eric SALATA disclaims beneficial ownership of such shares, other than to the extent of his economic interest in such entities.

(6) Eternal Wealth is wholly-owned by Mr. WAN Zhanggen. Mr. WAN Zhanggen is deemed to be interested in the 85,211,500 shares held by Eternal Wealth and he also holds 15,856,000 shares of the Company as beneficial owner.

Save as disclosed above, as at the date of this interim report, the directors and the chief executives of the Company are not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the reporting period and up to the date of this interim report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONVERTIBLE BONDS

Pursuant to the announcement of the Company dated June 25, 2014 in relation to the proposed issue of the RMB1,000,000,000 1.5% USD settled convertible bonds due in 2019 (the "Bonds"), all conditions precedent under the subscription agreement have been satisfied (or waived) and completion of the subscription agreement took place on July 18, 2014. The net proceeds from the issue of the Bonds, after deduction of expenses, amount to approximately RMB977 million, will be used by the Group for establishing and acquiring 4S dealerships, and working capital. Assuming full conversion of the Bonds at the initial conversion price of HK$7.958 per share, the Bonds would be convertible into approximately 158,259,610 shares.

Approval has been granted by the Hong Kong Stock Exchange for the listing of the Bonds and the conversion shares. For further details and principal terms of the Bonds, please refer to the above mentioned announcement.

As at the date of this interim report, none of the conversion rights attached to the Bonds was exercised.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On June 25, 2014, the Company as borrower entered into a letter of credit facility agreement (the "Facility Agreement") with DBS Bank Ltd. in relation to the letter of credit issued to the trustee in an amount up to RMB1,025,000,000 as part of the credit-enhancement or guarantee arrangement for the Bonds.

The Facility Agreement contains, inter alia, covenants to the effect that Mr. Cheung Tak On (whether directly or indirectly, or as the beneficiary of a trust acting individually or together) shall beneficially own not less than 30% of the issued share capital having the right to cast votes in general meetings of the Company. A breach of such covenants will constitute an event of default under the Facility Agreement.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at June 30, 2014, we had 8,372 employees (as at June 30, 2013: 7,844 employees). The remuneration of our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our directors, and the directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's Board with reference to directors' duties, responsibilities and performance and the results of our Group.

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of the Group; (b) any supplier to the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the shareholders of the Company approved the Share Option Scheme, after which period no further share option shall be granted.

Under the Share Option Scheme, the Remuneration Committee will from time to time propose for the Board's approval for grant of share options and the number of share options to be granted to the relevant grantees. The aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any new share option scheme of the Company which may be adopted hereafter must not, in aggregate, exceed 10 per cent of the total number of shares in issue as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of shares in issue from time to time.

SHARE OPTION SCHEME (continued)

No option shall be granted to any Eligible Person if, at the relevant time of grant, the number of shares issued and to be issued upon exercise of all share options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1 per cent of the total number of shares in issue at such time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

The subscription price of share options is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of offer of the share options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of a share of the Company.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of a grant. Unless the Board determines otherwise, there is no minimum period for which an option must be held before it can be exercised. The Board shall specify in an offer letter a date by which a grantee must accept an offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of option price of RMB1.00 shall be made upon acceptance of the offer.

Further details of the Share Option Scheme are set out in the circular of the Company dated September 5, 2013. Details of movements in the options granted under the Share Option Scheme during the six months period ended June 30, 2014 are as follows:

	Number of Share Options										Weighted average price of the Company's shares	
Name of category of grantee	As at January 1, 2014	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	As at June 30, 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share	Price of the Company's shares immediately before the grant date of options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of options HK$ per share
Non-executive Directors												
WANG Liqun	200,000	–	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
Independent Non-executive Directors												
WANG Zhiqiang	200,000	–	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
LU Wei	200,000	–	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
CHEN Xianglin	200,000	–	–	–	–	200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–
Other Employees in aggregate	29,200,000	–	–	–	–	29,200,000	December 30, 2013	December 30, 2013 to December 29, 2018	6.950	6.850	–	–

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

Our employee pre-IPO incentive scheme (the "Employee Pre-IPO Incentive Scheme"), the details of which are set out in the paragraph headed "Employee Pre-IPO Incentive Scheme" in Appendix IV to our prospectus dated June 29, 2012, was conditionally approved and adopted by a resolution of the directors on April 3, 2012. Any employees, directors (other than independent non-executive directors) and members of the senior management of the Company, but excluding (a) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (b) any other person that the Board may determine from time to time, may participate in this scheme.

The Remuneration Committee has full power and authority to (a) propose, select or determine which beneficiary is entitled to an award; (b) determine the amount of the award for each selected beneficiary; and (c) make the relevant award to the beneficiaries under the Employee Pre-IPO Incentive Scheme. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited ("HSBC HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the "Scheme Shares") will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme.

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. On termination of the Employee Pre-IPO Incentive Scheme, HSBC HK Trustee will transfer the Scheme Shares to Shanghai Yongda Holding (Group) Limited ("Yongda Holding"), unless the board of directors of Yongda Holding request the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of HSBC HK Trustee, the Articles of Association and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

On August 30, 2013, the Board resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted share awards could be granted to eligible persons pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) and members of the senior management of the Group, but excluding (i) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (ii) any other person that the Board may determine from time to time. For further details of the amendments to the Employee Pre-IPO Incentive Scheme, please refer to the announcement of the Company dated August 30, 2013.

During the reporting period and up to the date of this interim report, no award has been made pursuant to the Amended Scheme.

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 interim report.

CHANGE IN THE INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Zhiqiang ceased to be the vice-chairman of Dazhong Insurance Co., Ltd. (大眾保險股份有限公司) since April 2014.

CHANGE IN THE INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. LU Wei ceased to be an independent director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (陸家嘴金融貿易開發區股份有限公司) (SEE stock code: 600663) since May 2014. He also ceased to be an independent director of Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電器 (集團) 股份有限公司) (SEE stock code: 601616) since April 2014.

Ms. CHEN Yi obtained a master degree in Executive Master of Business Administration from Shanghai Jiao Tong University (上海交通大學) in 2014.

Save as disclosed above, the directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 Listing Rules. During the reporting period and up to the date of this interim report, the Company has been in compliance with the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the reporting period and up to the date of this interim report.

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.

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.

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

Hong Kong
August 29, 2014

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE MEMBERS OF CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 64, which comprise the condensed consolidated statement of financial position as of June 30, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 29, 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2014

	NOTES	For the six months ended June 30, 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	4	**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	5	**140,446**	88,246
Distribution and selling expenses		**(539,548)**	(414,916)
Administrative expenses		**(277,230)**	(208,240)
Finance costs	6	**(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	7	**442,653**	350,840
Income tax expense	8	**(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	10	**RMB0.21**	RMB0.16

Condensed Consolidated Statement of Financial Position

At June 30, 2014

	NOTES	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	2,786,299	2,228,386
Prepaid lease payments	11	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	14	—	35,380
Interests in joint ventures		79,876	66,571
Interests in associates		17,698	26,947
Finance lease receivables	12	84,696	32,556
Deferred tax assets		55,347	48,722
		4,381,149	3,443,061
Current assets			
Prepaid lease payments	11	13,415	9,515
Inventories	13	3,777,003	3,447,838
Finance lease receivables	12	162,827	55,681
Trade and other receivables	14	4,679,488	3,443,629
Amounts due from related parties	23	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	15	4,074,307	3,667,080
Amounts due to related parties	23	13,112	20,694
Income tax liabilities		379,302	352,328
Borrowings	16	5,419,823	3,887,420
		9,886,544	7,927,522

Condensed Consolidated Statement of Financial Position

At June 30, 2014

	NOTES	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (Audited)
Net current assets		**884,826**	1,527,574
Total asset less current liabilities		**5,265,975**	4,970,635
Non-current liabilities			
Borrowings	16	**99,783**	51,171
Medium-term note	17	**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	18	**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

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014

	Attributable to owners of the Company								
	Issued share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note)	Share option reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2013 (audited)	12,065	1,526,090	142,958	–	333,939	1,047,531	3,062,583	256,016	3,318,599
Profit for the period	–	–	–	–	–	230,263	230,263	36,477	266,740
Capital injection	–	–	–	–	–	–	–	17,468	17,468
Dividends recognized as distribution (Note 9)	–	(140,602)	–	–	–	–	(140,602)	–	(140,602)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(23,323)	(23,323)
At June 30, 2013 (unaudited)	12,065	1,385,488	142,958	–	333,939	1,277,794	3,152,244	286,638	3,438,882
Profit for the period	–	–	–	–	–	358,047	358,047	17,250	375,297
Capital injection	–	–	–	–	–	–	–	23,750	23,750
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	(86,226)	–	(86,226)	(44,829)	(131,055)
Acquisition of a subsidiary	–	–	–	–	–	–	–	14,337	14,337
Transfer to statutory reserve	–	–	109,931	–	–	(109,931)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(29,755)	(29,755)
At December 31, 2013 (audited)	12,065	1,385,488	252,889	–	247,713	1,525,910	3,424,065	267,391	3,691,456
Profit for the period	**–**	**–**	**–**	**–**	**–**	**310,420**	**310,420**	**27,646**	**338,066**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,395**	**6,395**
Acquisition of non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**4,967**	**–**	**4,967**	**(20,161)**	**(15,194)**
Disposal of partial interests in subsidiaries without losing control	**–**	**–**	**–**	**–**	**571**	**–**	**571**	**1,547**	**2,118**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**32,643**	**32,643**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**6,636**	**–**	**–**	**6,636**	**–**	**6,636**
Dividends recognized as distribution *(Note 9)*	**–**	**(177,603)**	**–**	**–**	**–**	**–**	**(177,603)**	**–**	**(177,603)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,372)**	**(3,372)**
At June 30, 2014 (unaudited)	**12,065**	**1,207,885**	**252,889**	**6,636**	**253,251**	**1,836,330**	**3,569,056**	**312,089**	**3,881,145**

note: As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any; and/or (ii) in capital conversion.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

	NOTES	For the six months ended June 30, 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
OPERATING ACTIVITIES			
Profit before tax		442,653	350,840
Adjustments for:			
Finance costs		192,100	96,758
Interest income		(12,408)	(9,055)
Loss on disposal of property, plant and equipment		1,596	1,871
Depreciation of property, plant and equipment		130,434	95,765
Release of prepaid lease payments		6,341	3,291
Amortization of intangible assets		3,609	—
Share-based payment expenses		6,636	—
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
Share of profits of joint ventures		(5,305)	(3,583)
Share of profits of associates		(1,006)	(960)
Operating cash flows before movements in working capital		754,186	535,645
Increase in inventories		(141,047)	(282,046)
(Increase) decrease in trade and other receivables		(1,013,776)	94,223
Increase in finance lease receivables		(159,286)	—
Increase in cash in transit		(17,952)	(87,394)
Increase in other liabilities		26,230	—
Increase (decrease) in trade and other payables		57,855	(552,922)
(Increase) decrease in amounts due from related parties		(4,720)	1,007
Increase in amounts due to related parties		1,923	2,002
Withdrawal of pledged bank deposits		1,016,737	854,469
Placement of pledged bank deposits		(713,235)	(565,729)
Cash used in operations		(193,085)	(745)
Income taxes paid		(85,574)	(53,486)
NET CASH USED IN OPERATING ACTIVITIES		(278,659)	(54,231)
INVESTING ACTIVITIES			
Additions to and deposits paid for property, plant and equipment		(545,248)	(414,298)
Additions to and deposits paid for prepaid land lease payments		(17,156)	(13,308)
Purchase of intangible assets		(8,478)	(558)
Proceeds on disposal of property, plant and equipment, intangible assets and land use rights		84,369	52,445
Acquisition of subsidiaries		(145,927)	(589)
Interest received		12,408	9,055
Advance to related parties		(12,985)	—
Advance to non-controlling shareholders		(13,775)	—
Advance to independent third parties		(25,100)	—
Collection of advance to related parties		18,500	3,012
Investment in a joint venture		(8,000)	(26,400)
Proceeds on disposal of a subsidiary		—	3,166
Prepayment for acquisition of equity interests from third parties		—	(40,600)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

	NOTES	For the six months ended June 30, 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
NET CASH USED IN INVESTING ACTIVITIES		**(661,392)**	(428,075)
FINANCING ACTIVITIES			
New bank borrowings raised		**6,881,979**	4,628,087
Repayment of bank borrowings		**(5,599,958)**	(4,743,785)
Transaction costs arising from issue of medium-term note		**(1,879)**	—
Capital injection by non-controlling shareholders		**6,395**	17,468
Acquisition of non-controlling interests of subsidiaries		**(75,194)**	—
Proceeds from disposal of partial interests in subsidiaries without losing of control		**2,118**	—
Advance from non-controlling shareholders		**315**	—
Interest paid		**(168,437)**	(111,936)
Placement of time deposits pledged for borrowings		**(100,000)**	—
Placement of deposits to entities controlled by suppliers for borrowings		**(39,775)**	(23,100)
Dividends paid as distribution		**(177,603)**	(140,602)
Dividends paid to non-controlling shareholders		**(12,877)**	(29,073)
Dividends paid to Yongda CLS		**—**	(4,047)
NET CASH FROM (USED IN) FROM FINANCING ACTIVITIES		**715,084**	(406,988)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(224,967)**	(889,294)
CASH AND CASH EQUIVALENTS AT JANUARY 1, REPRESENTED BY BANK BALANCES AND CASH		**1,418,408**	1,895,266
CASH AND CASH EQUIVALENTS AT JUNE 30, REPRESENTED BY BANK BALANCES AND CASH		**1,193,441**	1,005,972

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]

2. PRINCIPAL ACCOUNTING POLICIES (continued)

[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. COMPARATIVE INFORMATION

In the current period, the directors of the Company decided to change classification of certain line items in the condensed consolidated statement of cash flows by reclassifying cash flows of withdrawal and placement of pledged bank deposits from investing activities to operating activities and reclassifying cash flows of placement of deposits to entities controlled by suppliers for borrowings from operating activities to financing activities since the pledged bank deposits are used as security for bills payables for the settlement of purchase of inventories and the deposits to entities controlled by suppliers are pledged for borrowings obtained. The directors of the Company believe that such presentation will better reflect the relevance of the financial information of the Group's activities and is in line with industry's practice. As a result, the comparative figures have been re-presented to reflect the new presentation.

The effect of reclassification in the condensed consolidated statement of cash flows for the six months ended June 30, 2013 is as follows:

	Originally stated *RMB'000* (Unaudited)	Reclassification *RMB'000*	Restated *RMB'000* (Unaudited)
OPERATING ACTIVITIES			
Decrease in trade and other receivables	71,123	23,100	94,223
Withdrawal of pledged bank deposits	—	854,469	854,469
Placement of pledged bank deposits	—	(565,729)	(565,729)
Cash flow from other operating activities	(437,194)	—	(437,194)
NET CASH USED IN OPERATING ACTIVITIES	(366,071)	311,840	(54,231)
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits	854,469	(854,469)	—
Placement of pledged bank deposits	(565,729)	565,729	—
Cash flow from other investing activities	(428,075)	—	(428,075)
NET CASH USED IN INVESTING ACTIVITIES	(139,335)	(288,740)	(428,075)
FINANCING ACTIVITIES			
Placement of deposits to entities controlled by suppliers for borrowings	—	(23,100)	(23,100)
Cash flow from other investing activities	(383,888)	—	(383,888)
NET CASH USED IN FINANCING ACTIVITIES	(383,888)	(23,100)	(406,988)

4. 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

4. SEGMENT INFORMATION (continued)

Segment profit represents the profit earned by each segment without allocation of other income and other 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.

5. 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

5. OTHER INCOME AND OTHER GAINS AND LOSSES (continued)

	For the six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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 *(Note 22)*	**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.

6. FINANCE COSTS

	For the six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on borrowings wholly repayable within five years:		
— bank loans	**114,706**	89,237
— borrowings from entities controlled by suppliers	**10,158**	3,638
— reimbursement to suppliers *(note a)*	**42,687**	19,985
— medium-term note	**38,791**	—
Release of capitalized transaction cost in relation to issue of medium-term note *(Note 17)*	**1,895**	—
Less: interests capitalized *(note b)*	**(16,137)**	(16,102)
	192,100	96,758

notes:

a. The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for the purchase of new passenger vehicles.

b. Borrowing costs capitalized during the period arose on the general borrowing pool and are calculated by applying a capitalization rate of 7.00% (2013: 6.56%) per annum to expenditure on qualifying assets.

7. 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
Amortization of intangible assets	**3,609**	—
Share-based payment expenses	**6,636**	—

8. 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.

9. 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.

10. 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	2013
	RMB'000	*RMB'000*
	(Unaudited)	(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.

11. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

Property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately RMB774,312,000 (2013: RMB508,530,000) for business expansion.

During the period, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB85,965,000 (2013: RMB65,214,000).

In addition, during the period, the Group paid approximately RMB75,370,000 (2013: RMB75,991,000) as deposits for acquisition of property, plant and equipment for business expansion.

Prepaid lease payments

During the period, the Group acquired medium-term land use rights situated in the PRC of approximately RMB153,054,000 (2013: RMB14,615,000) for business expansion.

12. 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.

13. 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

14. 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 advances from former shareholders of the acquirees immediately before acquisition of RMB24,880,000. Details of the transaction are set out in Note 22(b).

14. TRADE AND OTHER RECEIVABLES (continued)

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 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (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.

15. TRADE AND OTHER PAYABLES

	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (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 *(Note 22)*	**103,711**	44,338
Advance from former shareholders of acquired subsidiaries *(note) (Note 22)*	**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.

15. TRADE AND OTHER PAYABLES (continued)

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

16. BORROWINGS

	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (Audited)
Bank loans	4,674,371	3,412,488
Other borrowings from entities controlled by suppliers	845,235	526,103
	5,519,606	3,938,591
Carrying amount repayable:		
Within one year	5,419,823	3,887,420
More than one year, but not exceeding two years	51,689	44,949
More than two years, but not exceeding five years	26,494	6,222
More than five years	21,600	—
	5,519,606	3,938,591
Less: amounts due within one year shown under current liabilities	(5,419,823)	(3,887,420)
Amounts shown under non-current liabilities	99,783	51,171

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings ranged from 1.86% to 10.45% (2013: 2.09% to 9.00%) per annum.

At June 30, 2014 and December 31, 2013, the Group's borrowings were secured against the Group's assets with carrying amounts as follows:

	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (Audited)
Land use rights	58,578	7,718
Property, plant and equipment (buildings and motor vehicles)	44,991	132,619
Inventories	714,891	790,186
Pledged bank deposits	—	23,744
Time deposits	100,000	—
Total	918,460	954,267

17. MEDIUM-TERM NOTE

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

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

At June 30, 2014, unpaid unamortized transaction costs of approximately RMB3,132,000 and RMB1,252,800 are recognized as non-current liabilities and current liabilities respectively. The Group paid transaction costs of approximately RMB1,879,000 during the six months period ended June 30, 2014.

Movement of the medium-term note during the six months period ended June 30, 2014 was as follows:

	RMB'000
Issue on September 22, 2013	1,160,000
Less: capitalized transaction cost in relation to issuance	(11,372)
Add: interest expense	1,264
At December 31, 2013	1,149,892
Add: interest expense *(Note 6)*	1,895
At June 30, 2014	1,151,787

As at June 30, 2014, unpaid interest expenses of approximately RMB57,124,000 (2013: RMB19,991,000) was accrued in other payables.

18. SHARE CAPITAL

	Number of share	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
As at January 1, 2013 (audited), June 30, 2013 (unaudited), January 1, 2014 (audited) and June 30, 2014 (unaudited)	2,500,000	25,000

	Number of shares	**Amount**	**Shown in financial statements as**
	'000	*HK$'000*	*RMB'000*
Issued and fully paid:			
At January 1, 2013 (audited) and June 30, 2013 (unaudited)	1,480,022	14,800	12,065
At January 1, 2014 (audited) and June 30, 2014 (unaudited)	1,480,022	14,800	12,065

19. SHARE-BASED COMPENSATION

The Company's share option scheme was adopted by the Company on October 10, 2013 (the "Share Option Scheme") for the primary purpose of giving the grantees an opportunity to have a personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Employee Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the six months period ended June 30, 2014:

	Number of options				
	Outstanding as at January 1, 2014	Issue during the period	Exercised during the period	Forfeited during the period	Outstanding as at June 30, 2014
Directors					
Mr. Wang Liqun	200,000	—	—	—	200,000
Mr. Wang Zhiqiang	200,000	—	—	—	200,000
Mr. Lu Wei	200,000	—	—	—	200,000
Mr. Chen Xianglin	200,000	—	—	—	200,000
Employees	29,200,000	—	—	—	29,200,000
	30,000,000	—	—	—	30,000,000
Exercisable at the end of the period	—				—

The Group recognised an expense of approximately RMB6,636,000 (six months ended June 30, 2013: Nil) for the six months ended June 30, 2014 in relation to the share options granted by the Company under the Share Option Scheme.

20. CAPITAL COMMITMENTS

	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	76,503	89,446

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments, including the loans and receivables (including trade and other receivables, amounts due from related parties, cash in transit, pledged bank deposits, time deposits and bank balance and cash) and financial liabilities (including trade and other payables, amounts due to related parties and borrowings), are recorded at amortized cost. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

22. ACQUISITION OF SUBSIDIARIES

(a) In April 2014, the Group acquired 100% equity interests in Tianjin Zhongshun Jinbao Automobile Sales and Service Co., Ltd. ("Tianjin Jinbao") and Tianjin Yingyue Automobile Sales and Service Co., Ltd. ("Tianjin Yingyue") from an independent third party for cash consideration of RMB143 million in aggregate, to expand the Group's dealership network. Tianjin Jinbao operates BMW 4S dealerships and Tianjin Yingyue operates MINI 4S dealerships. These companies (together defined as "BMW") are located in Tianjin, the PRC.

In April 2014, the Group acquired 100% equity interests in Shanghai Xishanghai Hongjie Automobile Sales and Service Co., Ltd. ("Xishanghai Hongjie"), Shanghai Xishanghai Shenjie Automobile Sales and Service Co., Ltd. ("Xishanghai Shenjie") and Shanghai Xishanghai Jiawo Automobile Sales and Service Co., Ltd. ("Xishanghai Jiawo") from an independent third party for the cash consideration of RMB65.7 million, RMB27.5 million and RMB25.5 million, respectively, to expand the Group's dealership network. Xishanghai Hongjie operates Audi 4S dealership in Shanghai, and Xishanghai Shenjie and Xishanghai Jiawo operate Volvo 4S dealerships in Shanghai. These companies are together defined as "Xishanghai".

On April 9, 2014, the Group acquired 11% equity interests in Nantong Oriental Yongda Jiachen Automobile Sales and Service Co., Ltd. ("Nantong Oriental Yongda") from an independent third party for a consideration of RMB5,700,000 to expand the Group's dealership network. Immediately before acquisition, Nantong Oriental Yongda was an associate of the Group. Immediately after the acquisition, Nantong Oriental Yongda became an indirectly 60%-owned subsidiary of the Company. The acquisition was accounted for using the acquisition method and a gain on disposal of interest in an assocate of approximately RMB8,195,000 was recognized in profit or loss during the six months ended June 30, 2014. Nantong Oriental Yongda operates a Porsche dealership in Nantong, the PRC.

22 ACQUISTION OF SUBSIDAIRIES (continued)

(a) (continued)

Aggregate assets acquired and liabilities assumed of entities operating in different 4S dealerships on the respective acquisition dates are as follows:

	BMW	Xishanghai	Nantong Oriental Yongda	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	31,256	104,187	95,700	231,143
Prepaid lease payments	4,145	—	—	4,145
Intangible assets	72,900	24,400	22,300	119,600
Deferred tax assets	—	—	47	47
Inventories	97,381	76,612	14,125	188,118
Trade and other receivables *(note 1)*	113,567	50,354	13,965	177,886
Pledged bank deposits	23,533	27,983	—	51,516
Bank balances	47,624	46,450	1,827	95,901
Trade and other payables *(note 2)*	(49,987)	(248,048)	(104,379)	(402,414)
Income tax liabilities	(40)	—	(357)	(397)
Borrowings	(270,994)	(28,000)	—	(298,994)
Deferred tax liabilities	(18,225)	(6,100)	(5,575)	(29,900)
Net assets acquired	51,160	47,838	37,653	136,651
Less: non-controlling interests	—	—	(15,061)	(15,061)
Less: interest in an associate	—	—	(10,255)	(10,255)
Goodwill *(note 3)*	91,840	70,840	1,558	164,238
Gain on disposal of interest in an associate *(Note 5)*	—	—	(8,195)	(8,195)
Consideration transferred	143,000	118,678	5,700	267,378
Satisfied by:				
Cash				184,304
Consideration payable				83,074
				267,378

	Total
	RMB'000
Net cash outflow arising on acquisition	
Bank balances acquired	95,901
Consideration paid	(184,304)
	(88,403)

Acquisition-related costs recognized as an expense in the current period were insignificant.

22 ACQUISTION OF SUBSIDAIRIES (continued)

(a) (continued)

notes:

(1) The fair value of the trade and other receivables at the respective dates of acquisition amounted to RMB177,866,000, which is equal to the gross contractual amounts. Included in the amount were advance to former shareholders of the acquirees amounted to RMB68,342,000 immediately before the acquisition. The balance was settled by these former shareholders to the Group during the six months ended June 30, 2014.

(2) Included in the amount were advances from former shareholders of the acquirees amounted to RMB184,098,000 immediately before the acquisition. The balance of RMB68,714,000 was settled by the Group to the then former shareholders during the six months ended June 30, 2014. At June 30, 2014, the unsettled amount of approximately RMB63,550,000 and RMB51,834,000 was recorded as advance from non-controlling shareholders of subsidiaries and advance from former shareholders of acquired subsidiaries, respectively.

(3) Goodwill of approximately RMB164,238,000 arose upon acquisition of Tianjin Jinbao, Tianjin Yingyue, Xishanghai Hongjie, Xishanghai Shenjie, Xishanghai Jiawo and Nantong Oriental Yongda, each constitute a cash generating unit (collectively, the "Cash Generating Units").

Goodwill arose in the acquisition of the Cash Generating Units because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and market penetration in the relevant provinces in the PRC. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Management of the Group determined that there are no impairment indicators of the Cash Generating Units containing goodwill and intangible assets during the six months ended June 30, 2014.

The initial accounting for the acquisition of these entities have only been provisionally determined at the end of the reporting period. At the date of finalization of these condensed consolidated financial statements, the necessary market valuations and other calculation of assets and liabilities had not been finalized and they have therefore only been provisionally determined based on the director's best estimates of the likely values.

The non-controlling interests in Nantong Oriental Yongda recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Nantong Oriental Yongda and amounted to approximately RMB15,061,000.

Included in the profit for the six months ended June 30, 2014 is RMB12,013,000 attributable to the subsidiaries acquired since the respective dates of acquisition. Revenue for the year includes RMB324,948,000 generated from these subsidiaries.

Had all the acquisitons of these entities been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended June 30, 2014 would have been RMB15,237 million and the amount of the profit for the interim period would have been RMB338 million. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

22 ACQUISTION OF SUBSIDAIRIES (continued)

(a) (continued)

In determining the "pro-forma" revenue and profit of the Group had these entities been acquired at the beginning of the interim period, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(b) In November 2013, the Group entered into a sale and purchase agreement with independent third parties to acquire 100% equity interests in Shengzhou Yongda Bencheng Automobile Sales and Services Co., Ltd. ("Shengzhou Yongda Bencheng") at a consideration of RMB9.1 million. The transaction was completed in June 2014.

Shengzhou Yongda Bencheng was established in the PRC for the purpose of operating 4S dealership in Shengzhou, Zhejiang Province. At the date of the acquisition, Shengzhou Yongda Bencheng had not commenced operation and its major asset is a piece of land located in Shengzhou. The acquisition is therefore accounted for as an acquisition of assets through acquisition of a subsidiary.

In February 2014, the Group acquired 100% equity interests in Taixing Yongda Bencheng Automobile Sales and Services Co., Ltd. ("Taixing Yongda Bencheng") from independent third parties at a consideration of RMB4.95 million.

Taixing Yongda Bencheng was established in the PRC for the purpose of operating 4S dealership in Taixing, Jiangsu Province. At the date of the acquisition, Taixing Yongda Bencheng had not commenced operation and its major assets are leasehold improvements located in Taixing. The acquisition is therefore accounted for as an acquisition of assets through acquisition of a subsidiary.

In March 2014, the Group acquired 51% equity interests in Guiyang Yinghua Lexus Automobile Sales and Services Co., Ltd. ("Guiyang Yinghua Lexus ") at a consideration of RMB18.3 million.

In April 2014, the Group acquired 51% equity interests in Nanning Yinshi Lexus Automobile Sales and Services Co., Ltd. ("Nanning Yinshi Lexus"), 51% equity interests in Jinan Baoxianghang Automobile Sales and Services Co., Ltd. ("Jinan Baoxiang") and 51% equity interests in Shijiazhuang Chengbaohang Automobile Sales and Services Co., Ltd. ("Shijiazhuang Chengbaohang") from an independent third party at a consideration of RMB3 million, RMB5 million and RMB5 million, respectively.

Guiyang Yinghua Lexus, Nanning Yinshi Lexus, Jinan Baoxiang and Shijiazhuang Chengbaohang were established in the PRC for the purpose of operating 4S dealership in Lexus and BMW. At the date of the acquisition, these entities had not commenced operation but had obtained the dealership authorization from the suppliers. The acquisitions are therefore accounted for as an acquisition of assets through acquisition of subsidiaries.

22 ACQUISTION OF SUBSIDAIRIES (continued)

(b) (continued)

The assets acquired and the associated liabilities assumed are as follows:

	RMB'000
Property, plant and equipment	21,440
Prepaid lease payments	22,297
Intangible assets	18,944
Other receivables	32,489
Bank balances	532
Other payables *(note)*	(32,770)
Net Assets acquired	62,932
Less: non-controlling interests	(17,582)
	45,350
Cash consideration and satisfied by:	
2013	9,100
2014	36,250
	45,350
Net cash outflow arising on acquisition	
Bank balances acquired	532
Consideration transferred	(36,250)
	(35,718)

note: Included in the amount were advances from the Group to settle the liabilities of the former shareholders of the acquiree amounting to RMB24,880,000, which was paid by the Group in 2013.

Acquisition-related costs recognized as an expense in the current year were insignificant.

23. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	June 30, 2014 ***RMB'000*** **(Unaudited)**	December 31, 2013 *RMB'000* (Audited)
Associate held by the Group		
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	**5,926**	1,206
Joint venture held by the Group		
Harbin Yongda	**26,455**	31,970
	32,381	33,176
Analyzed as:		
Trade-related, aged within 1 year	**5,926**	1,206
Non trade-related	**26,455**	31,970
	32,381	33,176

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

23. RELATED PARTY DISCLOSURES (continued)

II. Amounts due to related parties

	June 30, 2014 RMB'000 (Unaudited)	December 31, 2013 RMB'000 (Unaudited)
Non-controlling shareholders *(note a)*	86	9,591
Associate held by the Group		
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile")	133	—
Joint venture held by the Group		
Shanghai Bashi Yongda	3,205	1,415
Entity controlled by the Shareholders of the Group		
Yongda CLS *(note b)*	9,688	9,688
	13,112	20,694
Analyzed as:		
Trade-related, aged within 1 year	3,338	1,415
Non trade-related	9,774	19,279
	13,112	20,694

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

notes:

a. The non-controlling shareholders have significant influence over the relevant subsidiaries of the Group and the balance included a dividend payable of RMB86,000 and RMB9,591,000 as at June 30, 2014 and December 31, 2013, respectively.

b. The balance as at June 30, 2014 and December 31, 2013 was a dividend payable of RMB9,688,000 and RMB9,688,000, respectively.

III. Related party transactions

	For the six months ended June 30, 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
a) Sales of motor vehicles		
Shanghai Bashi Yongda	824	982

23. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

Sales of motor vehicles via Shanghai Oriental Yongda

The Group, through Shanghai Oriental Yongda's television shopping channel, sold motor vehicles to customers amounting to RMB309,544,000 and RMB367,662,000 for the six months ended June 30, 2013 and 2014, respectively. A commission of approximately RMB2,444,000 and RMB2,455,000 was paid to Shanghai Oriental Yongda for the marketing and promotional activities it carried out for the Group for the six months ended June 30, 2013 and 2014, respectively.

		For the six months ended June 30,	
		2014	2013
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
b)	**Purchase of motor vehicles**		
	Shanghai Yongda Fengdu Automobile	**—**	3,095
	Shanghai Bashi Yongda	**9,624**	3,258
	Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd ("Shanghai Yongda Changrong")	**154**	175
		9,778	6,528
c)	**Sales of spare parts**		
	Shanghai Yongda Changrong	**72**	39
	Shanghai Yongda Fengdu Automobile	**24**	54
		96	93
d)	**Purchase of spare parts**		
	Shanghai Bashi Yongda	**107**	130
	Shanghai Yongda Fengdu Automobile	**—**	532
		107	662
e)	**Purchase of property, plant and equipment from:**		
	Shanghai Bashi Yongda	**4,962**	4,002
f)	**Rental expenses paid to:**		
	Yongda CLS and Shanghai Yongda Transportation Equipment Co., Ltd.	**4,676**	4,160
g)	**Compensation of key management personnel:**		
	Short-term benefits	**2,908**	2,320
	Post-employment benefits	**136**	221
		3,044	2,541

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

24. 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.