The following discussion should be read in conjunction with our audited consolidated financial information, together with the accompanying notes, set forth in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRSs and audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those described in the section entitled "Risk Factors".

OVERVIEW

We are a leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury brands. In 2011, we were the second largest dealership group in East China and the third largest dealership group in China, both in terms of sales volume of luxury and ultra-luxury passenger vehicles, according to Roland Berger. In 2011 and 2010, we were also the largest dealership group for BMW in China in terms of sales volume, according to Roland Berger. We opened our first 4S dealership in 1999. As of the Latest Practicable Date, we were operating and had obtained manufacturer's authorizations to open a total of 91 outlets, including 66 existing outlets and 25 new outlets, located across 27 cities in 10 provinces. Our network of 66 existing outlets comprised 49 4S dealerships, 5 manufacturer-authorized service centers, 11 showrooms and one manufacturer-authorized CPO center. Of the 25 new outlets that we had obtained authorizations to open as of the Latest Practicable Date, we will operate 24 new outlets for our luxury and ultra-luxury brands and we expect 22 new outlets to commence operations by the end of 2012.

We have established strong, long-term relationships with leading automobile manufacturers of luxury and ultra-luxury brands. According to Roland Berger, as of December 31, 2011, we had the second largest portfolios of luxury and ultra-luxury brands in China, including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac and Volvo. In 2011, we operated the largest 4S dealership in East China for each of Audi and Infiniti and the second largest 4S dealership in East China for BMW in terms of sales volume per outlet, according to Roland Berger. In addition, we also operate 4S dealerships for a select portfolio of mid- to high-end brands, including Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others.

We have established an extensive network with a strong presence in East China, particular in Shanghai, and have expanded into other regions in China. As of the Latest Practicable Date, 59 out of our 66 existing outlets were located in East China and a vast majority of our new outlets will also be strategically located in this region. East China is the largest market for luxury and ultra-luxury passenger vehicles in China, accounting for approximately 44.5% of the total sales volume of luxury and ultra-luxury passenger vehicles in 2011, according to Roland Berger. In addition, we have selectively expanded our network beyond East China to enter strategic markets in other regions, such as Beijing, Shanxi and Hainan. We intend to further strengthen our leading market position in East China and expand our network in regions with strong growth potential.

As a passenger vehicle retailer and comprehensive service provider, we engage in three principal businesses as follows:

- sale of passenger vehicles, including both imported and domestically manufactured vehicles;
- after-sales services, including (i) repair and maintenance, (ii) sale of spare parts and accessories; (iii) detailing services; and (iv) other auto-mobile related services, such as vehicle inspection services, title transfer and registration services and pre-owned vehicle agency services; and
- automobile rental services, including long-term rental services and short-term rental services.

In addition, we also engage in other automobile-related businesses such as distribution of automobile insurance products.

During the Track Record Period, we recorded significant growth in our business and results of operations. In 2009, 2010 and 2011, we sold a total of 31,719, 49,414 and 61,229 vehicles, respectively, representing a CAGR of 38.9% between 2009 and 2011. For the same periods, our revenue was RMB9,104.2 million, RMB15,017.9 million and RMB20,304.1 million, respectively, representing a CAGR of 49.3% between 2009 and 2011, and our profit and total comprehensive income attributable to owners of the Company was RMB185.0 million, RMB385.6 million and RMB504.8 million, respectively, representing a CAGR of 65.2% between 2009 and 2011.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on November 7, 2011. Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group on December 19, 2011. See "Our History and Reorganization—Shareholding and Reorganization of Our Group." The Reorganization mainly involved business combinations under common control because our principal businesses were under the collective control of certain investment holding vehicles set up and owned by the same group of beneficial shareholders, including Cheung Tak On, Wan Zhanggen, Cai Yingjie, Gu Mingchang, Wang Zhigao and Qiao Suixiang, both before and after the Reorganization. Accordingly, the financial information of our Group has been prepared on a consolidated basis using the principles of merger accounting, under which (i) our consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to include the results of operations, changes in equity and cash flows, respectively, of the companies comprising our Group as if our current group structure had been in existence throughout the Track Record Period or, with respect to companies incorporated or acquired by us after January 1, 2009, since their respective dates of incorporation or acquisition and, with respect to companies disposed of by us prior to December 31, 2011, up to their respective dates of disposal; and (ii) our consolidated statements of financial position as of December 31, 2009 and 2010 and 2011 have been prepared to present the assets and liabilities of the companies comprising our Group as of the respective dates as if the current group structure had been in existence on those dates, taking into account those companies incorporated, acquired or disposed of during the Track Record Period. All material intra-group transactions and balances have been eliminated upon consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand for Passenger Vehicles in China

Our results of operations depend significantly on passenger vehicle sales. In 2009, 2010 and 2011, we sold a total of 31,719, 49,414 and 61,229 units of passenger vehicles, respectively. In particular, we expect our sales to be increasingly affected by the demand for luxury and ultra-luxury passenger vehicles in China. The rapid growth of the PRC economy has led to an increasing urbanization rate, higher disposable income level and improved living standards, which have driven a strong demand for passenger vehicles in China. Furthermore, as the number of high net worth individuals has increased in China, the demand for luxury products, including luxury and ultra-luxury passenger vehicles, has also grown significantly in China and resulted in a rapid growth in sales of luxury passenger vehicles. According to Roland Berger, the sales volume of new luxury and ultra-luxury passenger vehicles in China grew at a CAGR of 41.5% from approximately 184,500 units in 2006 to approximately 1,047,300 units in 2011 and is expected to grow further at a CAGR of 16.5% to reach approximately 1,931,900 units in 2015. Changes in the foregoing and other factors affecting market demand for passenger vehicles, and in particular luxury and ultra-luxury passenger vehicles, in China could have a significant impact on our business and prospects.

Our Network

The results and growth of our passenger vehicle sales and after-sales services are significantly affected by the number, type and location of our outlets. As of December 31, 2009, 2010 and 2011, we operated a total of 38, 52 and 64 outlets, respectively. As of the Latest Practicable Date, we operated a total of 66 outlets and had obtained manufacturers' authorizations to open 25 new outlets, of which 24 new outlets will be dedicated to luxury and ultra-luxury brands. These 91 outlets will consist of 68 4S dealerships, five manufacturer-authorized service centers, 16 showrooms and two manufacturer-authorized CPO centers. To capture the growth opportunities of the passenger vehicle market, we have selectively expanded our network from Shanghai, our headquarters and our largest market, to 19 other cities in East China, and further to seven cities in other regions in China. Our ability to maintain and expand our network depends on our ability to secure dealership agreements for desirable passenger vehicle brands in attractive locations on acceptable terms. We believe that our track record and established relationships with automobile manufacturers have positioned us to continue to renew and enter into new dealership agreements with automobile manufacturers, particularly for luxury and ultra-luxury brands.

Product and Service Mix

Our principal businesses consist of passenger vehicle sales, after-sales services and automobile rental services. With respect to passenger vehicle sales, our products consist of luxury and ultra-luxury passenger vehicles and mid- to high-end passenger vehicles. During the Track Record Period, we recorded higher gross profit margins for after-sales services and automobile rental services than for passenger vehicle sales. Beginning in 2010, we have also recorded a higher gross profit margin for sales of luxury and ultra-luxury passenger vehicles than for sales of mid- to high-end passenger vehicles. Our profitability and results of operations may, therefore, vary significantly from period to period as a result of changes in the mix of products sold and services rendered during the relevant period.

Passenger vehicle sales. In 2009, 2010 and 2011, the gross profit margin for our passenger vehicle sales was 4.8%, 5.4% and 5.1%, respectively. During the same periods, the gross profit margin for our luxury and ultra-luxury brands was 4.7%, 5.6% and 6.0%, respectively, and the gross profit margin for our mid- to high-end brands was 5.0%, 5.0% and 2.4%, respectively. We have recorded a higher gross profit margin for our luxury and ultra-luxury brands, compared to our mid- to high-end brands since 2010, and we expect to continue to record a higher gross profit margin for our luxury and ultra-luxury brands. During the Track Record Period, our luxury and ultra-luxury brands accounted for an increasing proportion of our revenue from passenger vehicle sales. As we continue to focus on expanding our network for luxury and ultra-luxury brands, we expect our sales of luxury and ultra-luxury passenger vehicles to continue to increase as a percentage of total passenger vehicle sales, which will have a positive impact on our profitability and results of operations.

After-sales services. In 2009, 2010 and 2011, the gross profit margin for our after-sales services was 37.1%, 37.4% and 38.2%, respectively. Our after-sales service business is affected by, among other factors, our historical passenger vehicle sales, the number and maturity of our newly established dealerships, and the level of customer satisfaction. In addition, it typically takes approximately one to two years for the demand for after-sales services in our newly established dealerships to ramp up. We expect our revenue from after-sales services to continue to grow with the increasing maturity of our outlets.

Automobile rental services. In 2009, 2010 and 2011, the gross profit margin for our automobile rental services was 13.0%, 23.7% and 36.4%, respectively. Our automobile rental service business is affected by, among other factors, our fleet size, fleet composition, fleet utilization rate and rental income per vehicle. As of December 31, 2009, 2010 and 2011, our fleet comprised 653, 941 and 1,367 vehicles, respectively. We plan to further expand our fleet size in 2012.

Cost of Sales and Services and Incentive Rebates from Automobile Manufacturers

Our profitability is affected to a large extent by our cost of purchasing passenger vehicles and spare parts from automobile manufacturers and the incentive rebates that they offer in connection with passenger vehicle sales. The wholesale prices that we pay for passenger vehicles and spare parts are generally determined by the automobile manufacturers. The incentive rebates are generally determined with reference to our purchase volume, sales volume, customer satisfaction and other performance indicators set by the automobile manufacturers, depending on their policies. As a market practice, instead of providing the incentive rebate rates in the dealership agreements, the automobile manufacturers generally determine their annual rebate policies and practices and inform us of their basis for determining rebate amounts before each calendar year. From time to time, automobile manufacturers also offer special incentive rebates for particular models of passenger vehicles, the details of which are provided to us in advance. These rebate amounts are settled from time to time, typically on a quarterly or annual basis, depending on the practices of different automobile manufacturers. A majority of our incentive rebates during the Track Record Period were paid in cash, while the balance was settled by deducting the amounts from the aggregate purchase price payable by us for subsequent passenger vehicle orders. Incentive rebates are accrued at each reporting date based on our actual purchases, the corresponding rebate rates as agreed with the automobile manufacturers and our management's estimate of relevant factors, including, without limitation, meeting certain sales and service targets set by the relevant automobile manufacturers. We have been able to estimate the accrued incentive rebates on a reasonably accurate basis during the Track Record Period without material subsequent adjustments of the amount of incentive rebates in our financial statements.

Rebates relating to vehicles purchased and sold are deducted from cost of sales and services, while rebates relating to vehicles purchased but still held as inventory on a reporting date are deducted from the carrying value of the relevant vehicles so that the cost of inventory is recorded net of applicable rebates. As a result, our results of operations and business could be affected by changes in the incentive rebates we obtain from automobile manufacturers. In 2009, 2010 and 2011, the incentive rebates reduced our cost of sales and services by RMB586.2 million, RMB826.5 million and RMB1,108.2 million, respectively. The effective incentive rebate rates of all of the brands we distributed remained generally stable during the Track Record Period, except for Buick and Chevrolet, both of which are authorized by Shanghai General Motors Company Ltd. ("Shanghai GM"). The effective incentive rebate rates for these General Motors brands were much higher in 2009 as compared to 2010 and 2011, primarily due to the special incentive rebates that Shanghai GM offered in 2009 in order to clear certain inventories prior to the launch of new models. For more information, see "Risk Factors—Risk Relating to Our Business—Our business and operations are subject to restrictions imposed by, and significant influence from, automobile manufacturers and we depend on their support and cooperation in many different aspects of our operations."

Customer Mix

Individual customers account for the vast majority of our passenger vehicle sales. In addition, we also sell passenger vehicles to corporate and governmental customers, many of whom order from us in large quantities and may negotiate for a lower selling price (subject to the automobile manufacturers' pricing requirements) or other favorable terms, such as credit terms. As a result, sales to individual customers generally have a higher gross profit margin than sales to corporate and governmental customers. Changes in our customer mix could, therefore, affect our profitability.

Finance Costs

We obtain (i) bank loans from domestic banks, (ii) borrowings from a related party, Yongda CLS, and (iii) other borrowings from automobile manufacturers' captive finance companies, to finance our working capital and network expansion needs. Accordingly, our finance costs consist of interest on these borrowings and are determined by the amount of bank loans, borrowings from a related party and other borrowings maintained in the relevant period and the applicable interest rates on those borrowings. We obtain a combination of short-term and long-term, as well as fixed-rate and variable-rate, bank loans and other borrowings, in order to control our finance costs and exposure to changes in interest rate. We also finance our purchase of passenger vehicles by issuing bank acceptance notes to our suppliers. As part of our commercial arrangements with one of our suppliers, we agreed to assume part of the interest expenses (i.e., the difference between the discounted value and the face value of the bank acceptance notes) incurred by this supplier in relation to discounting bank acceptance notes issued by us. We regard the reimbursement of these interest expenses as part of our finance costs for using bank acceptance notes as an alternative to payment in cash. Changes in our financing needs for purchases of passenger vehicles from automobile manufacturers or other purposes, as well as changes in prevailing interest rates as a result of an adjustment by the PBOC in its benchmark lending rates or otherwise, could result in significant changes in our finance costs.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 4 in Section A of the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition

We recognize revenue from sales of goods and provision of services, in general, when all of the following conditions are satisfied:

- risks and rewards of ownership are transferred to the buyer;
- our continuing managerial involvement in or effective control over the goods sold has ceased;
- the value of the revenue can be reliably measured;
- economic benefits associated with the transaction will probably flow to us; and
- the costs pertaining to the transaction can be reliably measured.

Specifically, we recognize revenue from passenger vehicle sales when the passenger vehicles are delivered and the title has passed, and we recognize revenue from after-sales services and automobile rental services when the relevant services are provided.

Passenger vehicle sales and after-sales services are subject to a 17% VAT. Automobile rental services were subject to a 5% business tax during the Track Record Period and, beginning in 2012, are subject to a 11% or 17% VAT, depending on whether the rental services are chauffeured or non-chauffeured, respectively, under current PRC tax laws and regulations. We record revenue net of any applicable VAT or business tax.

Incentive Rebates from Automobile Manufacturers

We receive incentive rebates from automobile manufacturers from time to time depending on their policies. The amount of incentive rebates given by a manufacturer for a given period is generally determined with reference to our purchase volume, sales volume, customer satisfaction and other performance indicators set by the manufacturer with respect to that period. As we record incentive rebates on an accrual basis and the actual amount of a portion of the incentive rebates is determined by the manufacturers after the end of the relevant period, we determine certain of our incentive rebates for an accounting period based on management's best estimates and judgments as of the relevant reporting date. These estimates and judgments involve, among other factors, the estimated results of the assessment by the manufacturers of our performance in various aspects during the relevant period. Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales and services, while incentive rebates relating to vehicles purchased but still held as inventory on a reporting date are deducted from the carrying value of the relevant vehicles so that the cost of inventory is recorded net of applicable rebates.

Depreciation of Property, Plant and Equipment

We initially record property, plant and equipment at their acquisition costs and depreciate them (other than construction in progress) on a straight-line basis over their estimated useful lives, except for buildings which are depreciated over the shorter of the remaining lease term of land and the useful life of buildings of 20 years. Management estimates useful lives based on its experience with the actual useful lives of property, plant and equipment of a similar nature and function. The following table sets forth the rate of depreciation for the following types of property, plant and equipment:

Plant and machinery	19% - 31.67%
Leasehold improvements	20%
Furniture, fixtures and equipment	19% - 31.67%
Motor vehicles	14% - 23.75%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and the effect of changes in estimates, if any, is accounted for on a prospective basis. At the end of 2010, management decided to change the estimates for the residual value of our rental fleet from 5% to 30% of cost from January 1, 2011, based on their experience and information from the pre-owned vehicle market and the belief that this change would better reflect the future usage pattern and potential disposal value of our rental fleet. This change in the estimates for residual value caused the depreciation of rental fleet for 2011 to decrease by approximately RMB25.0 million.

Deferred Tax Assets

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB18.9 million, RMB19.1 million and RMB35.4 million as of December 31, 2009, 2010 and 2011, respectively.

Prior to the completion of the Reorganization in 2011, we were not subject to PRC withholding tax on the dividends distributed by our subsidiaries to their then shareholders in the PRC not forming part of the Group as dividends paid to PRC tax residents are not subject to withholding tax. However, upon the completion of the Reorganization, Grouprich International became the immediate holding company of our PRC entities. As a result, we are subject to the PRC dividend withholding tax when and if undistributed earnings of our PRC entities are declared as dividends out of profits that arose on or after January 1, 2008. Approximately RMB429.2 million was declared in 2011 as dividends payable out of undistributed earnings of our PRC entities prior to the completion of the Reorganization. The undistributed earnings of our entities as of December 31, 2009, 2010 and 2011, amounted to approximately RMB207.5 million, RMB533.0 million and RMB554.7 million, respectively. Our Directors expect to use such earnings for the expansion of our operations, and therefore we have not provided for deferred tax liabilities in respect of potential withholding tax on the undistributed earnings of our PRC entities because we are able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences will not be reversed in the foreseeable future. The non-reversal of such differences has no impact on our ability to distribute dividends to our shareholders and will not in any way affect our dividend policy.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

Revenue represents our income from passenger vehicle sales, after-sales services and automobile rental services. All of our revenue is derived from our operations in China. The following table sets forth a breakdown of our revenue for the periods indicated:

	Year Ended December 31,					
	2009		2010		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)
Revenue						
Passenger vehicle sales						
Luxury and ultra-luxury brands	5,339,127	58.7	9,718,812	64.7	14,305,698	70.4
Mid- to high-end brands	2,879,988	31.6	4,111,253	27.4	4,300,942	21.2
Subtotal	8,219,115	90.3	13,830,065	92.1	18,606,640	91.6
After-sales services(1)	750,492	8.2	1,038,093	6.9	1,516,755	7.5
Automobile rental services	134,591	1.5	149,773	1.0	180,724	0.9
Total	9,104,198	100.0	15,017,931	100.0	20,304,119	100.0

Note:
(1) Includes after-sales services and certain other automobile-related services.

Revenue from passenger vehicle sales consists primarily of new passenger vehicle sales and, to a small extent, CPO sales. Passenger vehicle sales generate a predominant portion of our revenue and accounted for 90.3%, 92.1% and 91.6% of our total revenue in 2009, 2010 and 2011, respectively. Because of our focus on luxury and ultra-luxury brands, the sales of luxury and ultra-luxury passenger vehicles accounted for an increasing proportion of our total revenue, representing 58.7%, 64.7%, and 70.4% of our total revenue in 2009, 2010 and 2011, respectively. In terms of revenue contribution by geographical region, during the same periods, approximately 75.6%, 62.4% and 58.2% of our total revenue was derived from Shanghai, and 20.1%, 28.2% and 28.3% of our total revenue was derived from other areas in East China, which was generally in line with our network coverage change in the same period.

Our revenue from passenger vehicle sales is determined by the sales volume and the selling prices in the relevant year or period. We experienced a slight decrease in the average selling prices for luxury and ultra-luxury branded passenger vehicles, primarily due to the increased proportion of entry-level models and domestically manufactured models of luxury and ultra-luxury branded passenger vehicles when we significantly increased the sales volume of passenger vehicles for the luxury and ultra-luxury brands during the Track Record Period. The following table sets forth the number of passenger vehicles sold and the average selling prices for the periods indicated:

	Year Ended December 31,					
	2009		2010		2011	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(Units)	(RMB in thousands)	(Units)	(RMB in thousands)	(Units)	(RMB in thousands)
Luxury and ultra-luxury brands	10,569	505	19,477	499	29,121	491
Mid- to high-end brands	21,150	136	29,937	137	32,108	134
Total	31,719	259	49,414	280	61,229	304

Revenue from after-sales services consists principally of income generated from the provision of repair and maintenance services, the sale of spare parts and accessories, and, to a lesser extent, the provision of certain other automobile-related services, such as vehicle inspection services, title transfer and registration services and pre-owned vehicle agency services. Revenue from after-sales services accounted for 8.2%, 6.9% and 7.5% of our total revenue in 2009, 2010 and 2011, respectively.

Revenue from automobile rental services consists principally of income generated from long-term rental services and, to a lesser extent, short-term rental services. Revenue from automobile rental services accounted for 1.5%, 1.0% and 0.9% of our total revenue in 2009, 2010 and 2011, respectively.

A predominant portion of our revenue was derived from our 4S dealerships. The following table summarizes certain per-outlet sales information for the periods indicated during the Track Record Period relating to those of our 4S dealerships that were established prior to 2009 and were in operation throughout the Track Record Period, including each of our three largest 4S dealerships by revenue:

	Year Ended December 31,									
	2009		2010				2011			
Passenger Vehicle Sales	Sales Volume Per Outlet	Revenue Per Outlet	Sales Volume Per Outlet	2009-2010 Growth of Sales Volume	Revenue Per Outlet	2009-2010 Growth of Revenue Per Outlet	Sales Volume Per Outlet	2010-2011 Growth of Sales Volume	Revenue Per Outlet	2010-2011 Growth of Revenue Per Outlet
	(Units)	(RMB in thousands)	(Units)	(%)	(RMB in thousands)	(%)	(Units)	(%)	(RMB in thousands)	(%)
Three largest 4S dealerships by revenue during the Track Record Period										
Shanghai Baozen (BMW)	2,060	1,141,182	2,849	38.3	1,434,867	25.7	3,118	9.4	1,560,465	8.8
Shanghai Yongda Pudong (Audi)	2,181	838,328	3,092	41.8	1,307,533	56.0	3,500	13.2	1,422,569	8.8
Wuxi Baozen (BMW)	1,716	893,563	2,262	31.8	1,104,846	23.6	2,335	3.2	1,143,698	3.5
Average of other 4S dealerships established prior to 2009(1)	1,117	236,876	1,446	29.5	323,731	36.7	1,560	7.9	369,155	14.0
Average of all 4S dealerships established prior to 2009(2)	1,221	323,374	1,601	31.1	438,773	35.7	1,731	8.1	489,926	11.7

Notes:
(1) Represents the average per-outlet sales information in respect of the 22 4S dealerships established between 1999 and 2008 (other than Shanghai Baozen (BMW), Shanghai Yongda Pudong (Audi) and Wuxi Baozen (BMW)), in which the Group holds more than 50% of the equity interests. Excludes the 4S dealerships which are associates or jointly controlled entities in which the Group holds 50% or less of the equity interests.
(2) Represents the average per-outlet sales information in respect of Shanghai Baozen (BMW), Shanghai Yongda Pudong (Audi), Wuxi Baozen (BMW) and the other 22 4S dealerships established between 1999 and 2008, in which the Group holds more than 50% of the equity interests. Excludes the 4S dealerships which are associates or jointly controlled entities in which the Group holds 50% or less of the equity interests .

	Year Ended December 31,				
	2009	2010		2011	
After-sales Services[1]	**Revenue Per Outlet**	**Revenue Per Outlet**	**2009-2010 Growth**	**Revenue Per Outlet**	**2010-2011 Growth**
	(RMB in thousands)	**(RMB in thousands)**	**(%)**	**(RMB in thousands)**	**(%)**
Three largest 4S dealerships by revenue during the Track Record Period					
Shanghai Baozen (BMW)	94,080	111,326	18.3	148,015	33.0
Shanghai Yongda Pudong (Audi)	121,622	143,842	18.3	174,568	21.4
Wuxi Baozen (BMW)	55,708	66,621	19.6	75,339	13.1
Average of other 4S dealerships established prior to 2009[2]	19,395	25,168	29.8	32,012	27.2
Average of all 4S dealerships established prior to 2009[3]	27,924	35,020	25.4	44,088	25.9

Notes:
(1) Includes after-sales services only and excludes other automobile-related services.
(2) Represents the average per-outlet sales information in respect of the 22 4S dealerships established between 1999 and 2008 (other than Shanghai Baozen (BMW), Shanghai Yongda Pudong (Audi) and Wuxi Baozen (BMW)), in which the Group holds more than 50% of the equity interests. Excludes the 4S dealerships which are associates or jointly controlled entities in which the Group holds 50% or less of the equity interests.
(3) Represents the average per-outlet sales information in respect of Shanghai Baozen (BMW), Shanghai Yongda Pudong (Audi), Wuxi Baozen (BMW) and the other 22 4S dealerships established between 1999 and 2008, in which the Group holds more than 50% of the equity interests. Excludes the 4S dealerships which are associates or jointly controlled entities in which the Group holds 50% or less of the equity interests.

Cost of Sales and Services

Cost of sales and services represents cost directly attributed to our revenue generating activities. Cost of sales and services principally includes the cost of purchasing passenger vehicles from automobile manufacturers after the deduction of incentive rebates. It also includes the cost of after-sales services, which comprises the cost of purchasing spare parts and accessories, the labor cost incurred to provide these services and the cost of certain other automobile-related services, and the cost of rental services, which principally comprises depreciation of rental vehicles and labor cost.

The following table sets forth a breakdown of our cost of sales and services by business for the periods indicated:

	Year Ended December 31,					
	2009		2010		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)
Cost of sales and services						
Passenger vehicle sales						
Luxury and ultra-luxury brands	5,086,330	60.5	9,175,984	66.3	13,453,412	71.9
Mid- to high-end brands	2,736,445	32.5	3,904,874	28.2	4,198,408	22.5
Subtotal	7,822,775	93.0	13,080,858	94.5	17,651,820	94.4
After-sales services[(1)]	471,977	5.6	649,486	4.7	936,821	5.0
Automobile rental services	117,092	1.4	114,254	0.8	114,992	0.6
Total	8,411,844	100.0	13,844,598	100.0	18,703,633	100.0

Note:
(1) Includes after-sales services and certain other automobile-related services.

Gross Profit

Gross profit represents the excess of revenue over cost of sales and services. The following table sets forth our gross profit and gross profit margin by business for the periods indicated:

	Year Ended December 31,								
	2009			2010			2011		
	Amount	% of Total	Margin	Amount	% of Total	Margin	Amount	% of Total	Margin
	(RMB in thousands)	(%)	(%)	(RMB in thousands)	(%)	(%)	(RMB in thousands)	(%)	(%)
Gross profit									
Passenger vehicle sales									
Luxury and ultra-luxury brands	252,796	36.5	4.7	542,828	46.3	5.6	852,286	53.3	6.0
Mid- to high-end brands	143,544	20.8	5.0	206,379	17.6	5.0	102,534	6.4	2.4
Subtotal	396,340	57.3	4.8	749,207	63.9	5.4	954,820	59.7	5.1
After-sales services[(1)]	278,515	40.2	37.1	388,607	33.1	37.4	579,934	36.2	38.2
Automobile rental services	17,499	2.5	13.0	35,519	3.0	23.7	65,732	4.1	36.4
Total	692,354	100.0	7.6	1,173,333	100.0	7.8	1,600,486	100.0	7.9

Note:
(1) Includes after-sales services and certain other automobile-related services.

Other Income and Gains, Net

Other income and gains, net, principally include commission income from the distribution of automobile insurance products, which is determined based on the amounts of automobile insurance products we distributed through our outlets and the commission rates agreed with the relevant insurance companies. Other income and gains also include (i) advertisement support from automobile manufacturers in connection with their marketing campaigns; (ii) government grants; (iii) net gain on disposal of property, plant and equipment; (iv) interest income on bank deposits; and (v) other miscellaneous income and gains. We received government grants each year during the Track Record Period from the local governments in Shanghai in recognition of our contribution to economic development in the region, which were not subject to any conditions imposed by the government. These grants were available to enterprises in Shanghai which fulfilled certain criteria and the amount of these government grants were determined by the governments at their discretion with reference to the amount of the tax payments of such enterprises in the preceding year. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
	(RMB in thousands)		
Other income and gains, net			
Other income			
Commission income	40,288	58,802	87,962
Advertisement support received from motor vehicle manufacturers	8,206	11,746	20,249
Government grants	1,106	1,434	12,266
Interest income on banking deposits	2,372	2,530	5,408
Dividend income from available-for-sale investments	17	70	425
	51,989	74,582	126,310
Other net gains and losses			
Net gain on disposal of property, plant and equipment	1,915	4,953	9,446
Bargain purchase gain on acquisitions	1,808	—	—
Loss on disposal of available-for-sale investments	—	—	(87)
Others	4,694	7,974	7,374
	8,417	12,927	16,733
Total	60,406	87,509	143,043

Other expenses

Other expenses consist of the legal and other professional fees, printing and other expenses relating to the Global Offering.

Distribution and Selling Expenses

Our distribution and selling expenses principally include: (i) salaries and benefits for our sales team; (ii) marketing expenses and services fees; (iii) rental expenses for the lease of premises, maintenance expenses and utilities; (iv) depreciation of buildings, plant and machinery, and leasehold improvements, which are used primarily for sales and services purposes; (v) office and traveling expenses; (vi) transportation costs; and (vii) other miscellaneous distribution and selling expenses, such as insurance costs, costs of labor protection products, etc. While our rental expenses gradually increased during the Track Record Period as we continue to expand our network, we did not incur any material fluctuation in rental rates for our existing outlets during the Track Record Period.

In 2009, 2010 and 2011, our distribution and selling expenses were RMB240.5 million, RMB330.5 million and RMB467.2 million, representing 2.6%, 2.2% and 2.3% of our revenue, respectively. The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
	(RMB in thousands)		
Distribution and selling expenses			
Salaries and benefits	42,939	57,488	131,711
Marketing expenses and service fees	48,784	90,879	108,319
Rental, maintenance and utilities	48,639	57,618	81,939
Depreciations	41,325	56,185	69,325
Office and travelling expenses	13,903	20,751	34,961
Transportation cost	17,935	23,025	16,678
Others	26,987	24,549	24,256
Total	240,512	330,495	467,189

Administrative Expenses

Our administrative expenses principally include: (i) salaries and benefits for our management and administrative team; (ii) office expenses and utilities; (iii) traveling and business development expenses; (iv) depreciation of motor vehicles and furniture, fixtures and equipment and amortization of prepaid lease payments; (v) bank charges in connection with the issuance of bank acceptance notes and customer payment transactions; (vi) taxes and duties, including mainly land use tax and property tax; and (vii) other miscellaneous administrative expenses, such as consulting fees, advertising fees, auditing fees, rentals and the cost of labor protection products.

In 2009, 2010 and 2011, our administrative expenses were RMB181.7 million, RMB298.2 million and RMB350.7 million, representing 2.0%, 2.0% and 1.7% of our revenue, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
	(RMB in thousands)		
Administrative expenses			
Salaries and benefits	65,199	90,713	137,889
Bank charges	10,288	17,802	21,747
Office expenses and utilities	43,235	76,987	65,608
Traveling and business development expenses	19,511	35,212	33,089
Depreciation and amortization	11,483	14,492	27,709
Tax and duties	10,150	19,707	22,083
Others	21,869	43,290	42,622
Total	181,735	298,203	350,747

Finance Costs

Finance costs consist of (i) interest on bank loans; (ii) other interest expenses assumed by us in relation to the discounting of bank acceptance notes we issued to a supplier; (iii) interest on other borrowings from manufacturers' captive finance companies; and (iv) interest on borrowings from a related party. Interest on bank loans constitutes the largest component of our finance costs and accounted for 95.9%, 95.6% and 67.3% of our finance costs in 2009, 2010 and 2011, respectively.

Income Tax Expense

Income tax expenses represent our total current and deferred tax expenses. During the Track Record Period, income tax expenses consisted entirely of tax expenses incurred by our PRC subsidiaries. Our PRC subsidiaries were subject to an enterprise income tax at the rate of 25%, except for certain PRC subsidiaries registered in the Pudong New Area, Shanghai, that were entitled to certain preferential tax treatments pursuant to applicable PRC tax laws and regulations and local policies. These subsidiaries were entitled to a lower applicable enterprise income tax rate of 15% prior to the implementation of the EIT Law on January 1, 2008 and were entitled under the relevant PRC tax laws and regulations to an incremental tax rate of 20% in 2009, 22% in 2010 and 24% in 2011. We have been advised by Commerce & Finance Law Offices, our PRC legal advisors, that the preferential tax treatment enjoyed by these subsidiaries registered in the Pudong New Area, Shanghai, was, in each case, granted by the competent authority. Beginning in 2012, these subsidiaries will be subject to the uniform enterprise income tax rate of 25% imposed by the EIT Law. Our effective income tax rate in 2009, 2010 and 2011 was 25.2%, 25.1% and 24.0%, respectively.

RESULTS OF OPERATIONS

	Year Ended December 31,					
	2009		2010		2011	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(%)
Revenue	9,104,198	100.0	15,017,931	100.0	20,304,119	100.0
Cost of sales and services	(8,411,844)	(92.4)	(13,844,598)	(92.2)	(18,703,633)	(92.1)
Gross profit	692,354	7.6	1,173,333	7.8	1,600,486	7.9
Other income and gains, net	60,406	0.6	87,509	0.6	143,043	0.7
Other expenses	—	—	—	—	(9,278)	—
Distribution and selling expenses	(240,512)	(2.6)	(330,495)	(2.2)	(467,189)	(2.3)
Administrative expenses	(181,735)	(2.0)	(298,203)	(2.0)	(350,747)	(1.7)
Finance costs	(71,869)	(0.8)	(73,383)	(0.5)	(176,138)	(0.9)
Share of profits of jointly controlled entities	—	—	—	—	1,318	—
Share of losses of associates	—	—	—	—	(626)	—
Profit before tax	258,644	2.8	558,761	3.7	740,869	3.7
Income tax expense	(65,199)	(0.7)	(140,195)	(0.9)	(177,703)	(0.9)
Profit and total comprehensive income for the year	193,445	2.1	418,566	2.8	563,166	2.8
Profit and total comprehensive income for the year attributable to:						
Owners of the Company	185,046	2.0	385,586	2.6	504,782	2.5
Non-controlling interests	8,399	0.1	32,980	0.2	58,384	0.3
	193,445	2.1	418,566	2.8	563,166	2.8

2011 Compared to 2010

Revenue. Revenue was RMB20,304.1 million in 2011, which represented an increase of RMB5,286.2 million, or 35.2%, from RMB15,017.9 million in 2010. This increase was primarily attributable to an increase in revenue from passenger vehicle sales.

Revenue from passenger vehicle sales increased by 34.5% from RMB13,830.1 million in 2010 to RMB18,606.6 million in 2011, which was primarily due to an increase in sales volume, particularly increased sales volume of luxury and ultra-luxury passenger vehicles. Revenue from sales of luxury and ultra-luxury passenger vehicles increased by 47.2% from RMB9,718.8 million in 2010 to RMB14,305.7 million in 2011, while revenue from mid- to high-end passenger vehicles increased by 4.6% from RMB4,111.3 million in 2010 to RMB4,300.9 million in 2011. Sales volume of luxury and ultra-luxury passenger vehicles increased by 49.5% from 19,477 units in 2010 to 29,121 units in 2011, while sales volume of mid- to high-end passenger vehicles increased slightly by 7.3% from 29,937 units in 2010 to 32,108 units in 2011. The increases in our sales volume and revenue from passenger vehicle sales were primarily attributable to: (i) a significant increase in revenues achieved at our eight 4S dealerships opened in 2010, most of which related to luxury and ultra-luxury brands, (ii) the growth in sales at our more mature 4S dealerships for luxury brands due to the continuous increase in demand for luxury and ultra-luxury passenger vehicles in China, and (iii) the opening of six additional 4S dealerships in 2011, four of which are for the sales of luxury and ultra-luxury brands.

Revenue from after-sales services increased by 46.1% from RMB1,038.1 million in 2010 to RMB1,516.8 million in 2011, primarily due to the increased after-sales services business generated from the growing customer base associated with our dealerships, including those 4S dealerships opened in 2010.

Revenue from automobile rental services increased by 20.7% from RMB149.8 million in 2010 to RMB180.7 million in 2011. The increase in revenue from automobile rental services was primarily attributable to an increase in our fleet size in response to the market demand.

Cost of sales and services. Cost of sales and services was RMB18,703.6 million in 2011, which represented an increase of RMB4,859.0 million, or 35.1%, from RMB13,844.6 million in 2010. This increase was primarily attributable to an increase in cost of sales and services for passenger vehicle sales.

Cost of sales and services for passenger vehicle sales increased by 34.9% from RMB13,080.9 million in 2010 to RMB17,651.8 million in 2011. Cost of sales and services for luxury and ultra-luxury passenger vehicles increased by 46.6% from RMB9,176.0 million in 2010 to RMB13,453.4 million in 2011. Cost of sales and services for mid- to high-end passenger vehicles increased by 7.5% from RMB3,904.9 million in 2010 to RMB4,198.4 million in 2011. These increases were generally in line with the increases in revenue from sales of luxury and ultra-luxury passenger vehicles and revenue from sales of mid- to high-end passenger vehicles, respectively.

Cost of sales and services for after-sales services increased by 44.2% from RMB649.5 million in 2010 to RMB936.8 million in 2011. This increase was generally in line with the increase in revenue from after-sales services.

Cost of sales and services for automobile rental services increased slightly by 0.6% from RMB114.3 million in 2010 to RMB115.0 million in 2011. This increase was the result of the growth of our automobile rental services.

Gross profit. As a result of the foregoing, gross profit increased by RMB427.2 million, or 36.4%, from RMB1,173.3 million in 2010 to RMB1,600.5 million in 2011.

Gross profit from passenger vehicle sales increased by 27.4% from RMB749.2 million in 2010 to RMB954.8 million in 2011. Gross profit from sales of luxury and ultra-luxury passenger vehicles increased by 57.0% from RMB542.8 million in 2010 to RMB852.3 million in 2011. Gross profit from sales of mid- to high-end passenger vehicles decreased by 50.3% from RMB206.4 million in 2010 to RMB102.5 million in 2011. Gross profit margin for passenger vehicle sales decreased from 5.4% in 2010 to 5.1% in 2011, primarily due to the decrease of gross profit margin for sales of mid- to high-end passenger vehicles as a result of intensified market competition in this segment.

Gross profit from after-sales services increased by 49.2% from RMB388.6 million in 2010 to RMB579.9 million in 2011. Gross profit margin for after-sales services increased from 37.4% in 2010 to 38.2% in 2011.

Gross profit from automobile rental services increased significantly by RMB30.2 million from RMB35.5 million in 2010 to RMB65.7 million in 2011. Gross profit margin for automobile rental services increased significantly from 23.7% in 2010 to 36.4% in 2011, which was primarily attributable to our business expansion to increase revenue while, at the same time, reflecting the change in our estimates for the residual value of our rental fleet from 5% to 30% of purchase cost, effective from January 1, 2011.

Other income and gains. Our other income and gains were RMB143.0 million in 2011, which represented an increase of RMB55.5 million, or 63.5%, from RMB87.5 million in 2010. This increase was primarily due to (i) an increase in insurance commission income as we were able to facilitate more insurance products sales to our customers as a result of our increased passenger vehicle sales; (ii) an increase in government grants received in 2011, and (iii) an increase in advertisement support received from automobile manufacturers resulting primarily from our expanded network.

Distribution and selling expenses. Distribution and selling expenses were RMB467.2 million in 2011, which represented an increase of RMB136.7 million, or 41.4%, from RMB330.5 million in 2010. This increase was primarily due to increases in salaries and benefits for our sales team as a result of an increase in headcount for our network expansion, as well as increases in marketing expenses and service fees, deprecation and rental expenses, which were consistent with the growth in our business operations. As a percentage of revenue, our distribution and selling expenses increased to 2.3% in 2011 from 2.2% in 2010.

Administrative expenses. Administrative expenses were RMB350.7 million in 2011, which represented an increase of RMB52.5 million, or 17.6%, from RMB298.2 million for 2010. This increase was primarily attributable to increases in salaries and benefits paid to our management and administrative personnel, bank charges and depreciation, which were consistent with the growth in our business operations. As a percentage of revenue, our administrative expenses decreased to 1.7% in 2011 from 2.0% in 2010.

Finance costs. Finance costs were RMB176.1 million in 2011, which represented an increase of RMB102.7 million, or 139.9%, from RMB73.4 million in 2010. This increase was primarily attributable to (i) the higher average balance of our borrowings in 2011 compared to 2010, (ii) the increase in the effective interest rate of our bank borrowings in 2011 due to the general credit tightening policies in China, and (iii) the other interest expense reimbursed to a supplier in relation to discounting bank acceptance notes we issued to the supplier.

Profit before tax. As a result of the foregoing, profit before tax increased by RMB182.1 million, or 32.6% from RMB558.8 million in 2010 to RMB740.9 million in 2011.

Income tax expenses. Income tax expenses were RMB177.7 million in 2011, which represented an increase of RMB37.5 million, or 26.8%, from RMB140.2 million in 2010. This increase was primarily due to the increase in profit before tax, partially offset by the significant decrease in expenses not deductible for tax purpose in 2011. As a result, our effective income tax rate decreased to 24.0% in 2011 from 25.1% in 2010.

Profit and total comprehensive income for the year. As a result of the foregoing, profit and total comprehensive income for the year increased by RMB144.6 million from RMB418.6 million in 2010 to RMB563.2 million in 2011.

2010 Compared to 2009

Revenue. Revenue was RMB15,017.9 million in 2010, which represented an increase of RMB5,913.7 million, or 65.0%, from RMB9,104.2 million in 2009. This increase was primarily attributable to an increase in revenue from passenger vehicle sales.

Revenue from passenger vehicle sales increased by 68.3% from RMB8,219.1 million in 2009 to RMB13,830.1 million in 2010, which was primarily attributable to an increase in sales volume and an increased proportion of luxury and ultra-luxury passenger vehicles in our total sales. Revenue from sales of luxury and ultra-luxury passenger vehicles increased by 82.0% from RMB5,339.1 million in 2009 to RMB9,718.8 million in 2010, while revenue from mid- to high-end passenger vehicles increased by 42.8% from RMB2,880.0 million in 2009 to RMB4,111.3 million in 2010. These increases in revenue were primarily due to increases in the sales volume of luxury and ultra-luxury passenger vehicles and mid- to high-end passenger vehicles, which together increased by 55.8% from 31,719 units in 2009 to 49,414 units in 2010. The increases in our sales volume and revenue from passenger vehicle sales were primarily attributable to the following reasons: (i) the overall demand for passenger vehicles continued to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) our dealerships that were opened in prior years were quickly ramping up and generated an increasing amount of revenue; and (iii) our 4S dealerships increased in number from 33 as of the end of 2009 to 41 as of the end of 2010, and most of the dealerships newly opened in 2010 were for luxury and ultra-luxury brands.

Revenue from after-sales services increased by 38.3% from RMB750.5 million in 2009 to RMB1,038.1 million in 2010, primarily due to the increased after-sales services business generated from the growing customer base of our dealerships. The increase in revenue from after-sales services was also attributable to our increasing sales of luxury and ultra-luxury passenger vehicles, the buyers of which are generally less price sensitive than those of mid- to high-end passenger vehicles.

Revenue from automobile rental services increased by 11.3% from RMB134.6 million in 2009 to RMB149.8 million in 2010. The increase in revenue from automobile rental services was primarily attributable to an increase in demand for automobile rental services and our expanded fleet size.

Cost of sales and services. Cost of sales and services was RMB13,844.6 million in 2010, which represented an increase of RMB5,432.8 million, or 64.6%, from RMB8,411.8 million in 2009. This increase was primarily attributable to an increase in cost of sales and services for passenger vehicle sales.

Cost of sales and services for passenger vehicle sales increased by 67.2% from RMB7,822.8 million in 2009 to RMB13,080.9 million in 2010. Cost of sales and services for luxury and ultra-luxury passenger vehicles increased by 80.4% from RMB5,086.3 million in 2009 to RMB9,176.0 million in 2010. Cost of sales and services for mid- to high-end passenger vehicles increased by 42.7% from RMB2,736.4 million in 2009 to RMB3,904.9 million in 2010. These increases were generally in line with the increases in revenue from passenger vehicle sales, revenue from sales of luxury and ultra-luxury passenger vehicles and revenue from sales of mid- to high-end passenger vehicles, respectively.

Cost of sales and services for after-sales services increased by 37.6% from RMB472.0 million in 2009 to RMB649.5 million in 2010. This increase was generally in line with the increase in revenue from after-sales services.

Cost of sales and services for automobile rental services decreased by 2.4% from RMB117.1 million in 2009 to RMB114.3 million in 2010. This decrease was primarily due to our enhanced operational efficiency.

Gross profit. As a result of our rapid business expansion, gross profit increased by RMB480.9 million, or 69.5%, from RMB692.4 million in 2009 to RMB1,173.3 million in 2010.

Gross profit from passenger vehicle sales increased by 89.0% from RMB396.3 million in 2009 to RMB749.2 million in 2010. Gross profit from sales of luxury and ultra-luxury passenger vehicles increased significantly by 114.7% from RMB252.8 million in 2009 to RMB542.8 million in 2010. Gross profit from sales of mid- to high-end passenger vehicles increased by 43.8% from RMB143.5 million in 2009 to RMB206.4 million in 2010. Gross profit margin for passenger vehicle sales increased from 4.8% in 2009 to 5.4% in 2010, primarily due to (i) the increased proportion of luxury and ultra-luxury passenger vehicles in our total sales, which have a higher gross profit margin than sales of mid- to high-end passenger vehicles in 2010; and (ii) an increase in gross profit margin for our luxury and ultra-luxury brands. Gross profit margin for sales of luxury and ultra-luxury passenger vehicles increased from 4.7% in 2009 to 5.6% in 2010, while gross profit margin for sales of mid- to high-end passenger vehicles remained stable at 5.0% in 2009 and 2010.

Gross profit from after-sales services increased by 39.5% from RMB278.5 million in 2009 to RMB388.6 million in 2010. Gross profit margin for after-sales services increased from 37.1% in 2009 to 37.4% in 2010.

Gross profit from automobile rental services increased significantly by RMB18.0 million from RMB17.5 million in 2009 to RMB35.5 million in 2010. Gross profit margin for automobile rental services increased significantly from 13.0% in 2009 to 23.7% in 2010 due to our business expansion to increase revenue while at the same time enhance operational efficiency to control related costs.

Other income and gains. Our other income and gains were RMB87.5 million in 2010, which represented an increase of RMB27.1 million, or 44.9%, from RMB60.4 million in 2009. This increase was primarily due to (i) an increase in insurance commission income as we were able to facilitate more insurance products sales to our customers as a result of our increased passenger vehicle sales; (ii) an increase in advertisement support received from automobile manufacturers primarily as a result of our expanded network, and (iii) an increase in net gain on disposal of retired cars in our rental fleet.

Distribution and selling expenses. Distribution and selling expenses were RMB330.5 million in 2010, which represented an increase of RMB90.0 million, or 37.4%, from RMB240.5 million in 2009. This increase was primarily due to increases in marketing expenses and service fees, salaries and benefits for our sales team, and deprecation, which were consistent with the growth in our business operations. As a percentage of revenue, our distribution and selling expenses decreased to 2.2% in 2010 from 2.6% in 2009.

Administrative expenses. Administrative expenses were RMB298.2 million in 2010, which represented an increase of RMB116.5 million, or 64.1%, from RMB181.7 million for 2009. This increase was primarily attributable to increases in office expenses, salaries and benefits paid to our management and administrative personnel and depreciation, which were consistent with the growth in our business operations. As a percentage of revenue, our administrative remained stable at 2.0% in both 2010 and 2009.

Finance costs. Finance costs were RMB73.4 million in 2010, which represented an increase of RMB1.5 million, or 2.1%, from RMB71.9 million in 2009. This increase was primarily attributable to the higher average balance of our borrowings in 2010 compared to 2009.

Profit before tax. As a result of the foregoing, profit before tax increased significantly by RMB300.2 million from RMB258.6 million in 2009 to RMB558.8 million in 2010.

Income tax expenses. Income tax expenses were RMB140.2 million in 2010, which represented a significant increase of RMB75.0 million from RMB65.2 million in 2009. This increase was primarily due to the significant increase in profit before tax, as well as the gradual phase-out of the preferential income tax rates enjoyed by our subsidiaries incorporated in the Pudong New Area, Shanghai. Our effective income tax rate was 25.1% in 2010, compared to 25.2% in 2009.

Profit and total comprehensive income for the year. As a result of the foregoing, profit and total comprehensive income for the year increased significantly by RMB225.2 million from RMB193.4 million in 2009 to RMB418.6 million in 2010.

SEGMENT INFORMATION

Our business is divided into two reportable segments: the passenger vehicle sales and services segment and the automobile rental services segment. The passenger vehicle sales and services segment comprises: (i) the sale of new passenger vehicles and CPOs, (ii) the provision of after-sales services, including primarily repair and maintenance services and the sale of spare parts and accessories, and (iii) the provision of certain other automobile-related services, such as vehicle inspection services, title transfer and registration services and pre-owned vehicle agency services. The automobile rental services segment comprises the rental of automobiles.

The following table sets forth the results of our reportable segments for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
	(RMB in thousands)		
Passenger vehicle sales and services			
Revenue	8,969,607	14,868,158	20,123,395
Cost of sales and services	(8,294,752)	(13,730,344)	(18,588,641)
Gross profits	674,855	1,137,814	1,534,754
Automobile rental services			
Revenue	134,591	149,773	180,724
Cost of sales and services	(117,092)	(114,254)	(114,992)
Gross profits	17,499	35,519	65,732
Consolidated			
Revenue	9,104,198	15,017,931	20,304,119
Cost of sales and services	(8,411,844)	(13,844,598)	(18,703,633)
Gross profits	692,354	1,173,333	1,600,486

Passenger vehicle sales and services

Revenue. Revenue for our passenger vehicle sales and services segment increased from RMB8,969.6 million in 2009 to RMB14,868.2 million in 2010 and further to RMB20,123.4 million in 2011, representing a CACR of 49.8%. These increases were primarily due to our network expansion and improved performance per outlet.

Cost of sales and services. Cost of sales and services for our passenger vehicle sales and services segment increased from RMB8,294.8 million in 2009 to RMB13,730.3 million in 2010 and further to RMB18,588.6 million in 2011, representing a CACR of 49.7%. These increases were generally in line with the increase in revenue for this segment in 2010.

Gross profit. As a result of the foregoing, gross profit for our passenger vehicle sales and services segment increased from RMB674.9 million in 2009 to RMB1,137.8 million in 2010 and further to RMB1,534.8 million in 2011, representing a CACR of 50.8%. The gross profit margin for this segment was 7.6% in 2011, compared to 7.7% in 2010 and 7.5% in 2009.

Automobile Rental Services

Revenue. Revenue from our automobile rental services increased from RMB134.6 million in 2009 to RMB149.8 million in 2010 and further to RMB180.7 million in 2011, representing a CAGR of 15.9%. These increases were attributable to an increase in demand for automobile rental services and our expanded fleet size.

Cost of sales and services. Cost of sales and services for our automobile rental services decreased by 2.4% from RMB117.1 million in 2009 to RMB114.3 million in 2010 and then increased slightly by 0.6% to RMB115.0 million in 2011.

Gross profit. As a result of the foregoing, gross profit from automobile rental services increased significantly from RMB17.5 million in 2009 to RMB35.5 million in 2010 and further to RMB65.7

million in 2011, representing a CAGR of 93.8%. The gross profit margin for our automobile rental services segment was 36.4% in 2011, compared to 23.7% in 2010 and 13.0% in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are to pay for purchases of passenger vehicles, spare parts and automobile accessories, to fund our working capital and normal recurring expenses, to fund the capital expenditures in connection with the establishment of new dealerships and acquisition of additional dealerships and to repay our indebtedness. We maintain our liquidity through a combination of cash flows generated from our operating activities, capital injections, bank loans and other borrowings.

In the future, we believe that our liquidity requirements will be satisfied by using a combination of cash flows generated from our operating activities, bank loans and other borrowings, the proceeds from this Global Offering and other funds raised from the capital markets from time to time.

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
	(RMB in thousands)		
Net cash (used in) from operating activities	(23,875)	159,616	618,466
Net cash from (used in) investing activities	74,277	(401,556)	(1,273,448)
Net cash from financing activities	69,899	331,172	1,254,391
Net increase in cash and cash equivalents	120,301	89,232	599,409
Cash and cash equivalents at end of the year, represented by bank balances and cash	391,537	480,769	1,080,178

Cash flow from or used in operating activities

In 2011, our net cash from operating activities was RMB618.5 million. This net cash from operating activities was mainly attributable to our profit for the year of RMB740.9 million, which was positively adjusted primarily for (i) an increase in trade and other payables of RMB1,829.5 million primarily due to an increase in bills payable in connection with the issuance of bank acceptance notes and an increase in advances and deposits from customers, (ii) finance costs of RMB176.1 million, and (iii) depreciation of property, plant and equipment of RMB125.8 million, partially offset by (i) an increase in trade and other receivables of RMB1,073.1 million primarily due to prepayments and deposits to suppliers, (ii) an increase in inventories of RMB965.0 million to support our growing business, (iii) payment of income tax of RMB159.7 million, and (iv) other non-cash operating items incurred by Yongda Holding and Yongda CLS on behalf of us of RMB42.1 million.

In 2010, our net cash from operating activities was RMB159.6 million. This net cash from operating activities was mainly attributable to our profit before tax of RMB558.8 million, which was positively adjusted primarily for (i) an increase in trade and other payables of RMB337.5 million primarily due to increases in bills payable and advances and deposits from customers, (ii) depreciation of property, plant and equipment of RMB114.4 million, and (iii) finance costs of RMB73.4 million. Our cash flows from operating activities in 2010 were partially offset by (i) an increase in trade and other receivables of RMB555.1 million primarily due to prepayments and deposits to suppliers and rebate receivables, (ii) an increase in inventories of RMB300.9 million primarily due to our increased business scale, and (iii) other non-cash operating items incurred by Yongda Holding and Yongda CLS on behalf of us of RMB18.5 million.

In 2009, our net cash used in operating activities was RMB23.9 million. We recorded a profit for the year of RMB258.6 million, which was positively adjusted primarily for (i) an increase in trade and other payables of RMB159.0 million primarily due to an increase in bills payable in connection with the issuance of bank acceptance notes and advances and deposits from customers, (ii) depreciation of property, plant and equipment of RMB99.0 million, and (iii) finance costs of RMB71.9 million. Such net cash from operating activities was offset by (i) an increase in trade and other receivables of RMB475.3 million primarily due to an increase in prepayments and deposits to suppliers and rebate receivables, (ii) an increase in inventories of RMB104.8 million to support our growing business, and (iii) other non-cash operating items incurred by Yongda Holding and Yongda CLS on behalf of us of RMB21.3 million.

Cash flow from or used in investing activities

In 2011, our net cash used in investing activities was RMB1,273.4 million. This net cash used in investing activities was mainly attributable to, (i) a net increase in pledged bank deposits of RMB616.9 million in connection with the issuance of bank acceptance notes, (ii) addition to and deposits paid for property, plant and equipment of RMB450.5 million primarily for the expansion of our network and rental fleet and (iii) additions to and deposits paid for land use rights of RMB135.5 million, partially offset by proceeds from the disposal of property, plant and equipment of RMB43.6 million primarily in connection with the sale of retired rental vehicles.

In 2010, our net cash used in investing activities was RMB401.6 million. This net cash used in investing activities was mainly attributable to (i) addition to and deposits paid for property, plant and equipment of RMB332.1 million primarily for the expansion of our network and rental fleet, and (ii) a net increase in pledged bank deposits of RMB95.8 million in connection with the issuance of bank acceptance notes, partially offset by proceeds from the disposal of property, plant and equipment of RMB26.5 million primarily in connection with the sale of retired rental vehicles.

In 2009, our net cash from investing activities was RMB74.3 million. This net cash from investing activities was mainly attributable to (i) RMB296.7 million cash received from collection of advance to Yongda CLS and Yongda Holding, and (ii) proceeds from the disposal of property, plant and equipment of RMB35.4 million primarily in connection with the sale of retired rental vehicles. Our cash inflows from investing activities in 2009 were partially offset by (i) addition to and deposits paid for purchase of property, plant and equipment of RMB180.6 million primarily for the expansion of our network and rental fleet, (ii) a net increase in pledged bank deposits of RMB58.2 million in connection with the issuance of bank acceptance notes, and (iii) addition to and deposits paid for prepaid lease payments of RMB20.5 million for our network expansion.

Cash flow from financing activities

In 2011, our net cash from financing activities was RMB1,254.4 million. This net cash from financing activities was mainly attributable to (i) a net increase in bank loans of RMB857.3 million, (ii) a net increase in the advance from related parties of RMB489.8 million, primarily as a result of advances from Yongda CLS and Yongda Holding, (iii) proceeds from issue of shares of the Company of RMB525.0 million, and (iv) deemed contribution from shareholders upon the Reorganization of RMB462.7 million, partially offset by (i) the payment for acquisition of the Core Business upon the Reorganization of RMB568.0 million; (ii) dividend paid of RMB431.1 million, and (iii) interest paid of RMB175.6 million.

In 2010, our net cash from financing activities was RMB331.2 million. This net cash from financing activities was mainly attributable to (i) a net increase in bank loans of RMB299.2 million, (ii) a net increase in the advance from related parties of RMB90.0 million, primarily as a result of advances from Yongda CLS and Yongda Holding, and (iii) capital injection by Yongda CLS of RMB54.6 million. Our cash inflows from financing activities in 2010 were partially offset by (i) interest paid of RMB73.2 million, and (ii) dividend paid of RMB43.8 million.

In 2009, our net cash from financing activities was RMB69.9 million. This net cash used in financing activities was mainly attributable to (i) a net increase in the advance from related parties of RMB216.3 million, primarily as a result of advances from Yongda CLS and Yongda Holding, and (ii) capital injection by Yongda CLS of RMB73.3 million. Our cash inflows from financing activities in 2009 were partially offset by (i) a net decrease in bank loans of RMB125.5 million, (ii) interest paid of RMB79.5 million, and (iii) dividend paid of RMB27.2 million.

Net Current Assets

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2009	2010	2011	2012
	(RMB in thousands)			
Current Assets				
Prepaid lease payments	2,817	3,043	5,089	5,089
Inventories	822,453	1,123,355	2,088,316	2,574,597
Trade and other receivables	932,981	1,489,426	2,643,589	1,922,299
Amounts due from related parties	5,236	4,291	6,968	35,269
Pledged bank deposits	172,011	267,804	884,658	262,197
Bank balances and cash	391,537	480,769	1,080,178	1,370,811
Total current assets	2,327,035	3,368,688	6,708,798	6,170,262
Current Liabilities				
Trade and other payables	734,226	1,068,049	2,895,123	2,217,759
Amounts due to related parties	249,575	338,621	880,194	409,007
Income tax liabilities	106,853	202,846	268,994	223,952
Borrowings	1,214,346	1,400,630	2,355,517	2,975,483
Total current liabilities	2,305,000	3,010,146	6,399,828	5,826,201
Net current assets	22,035	358,542	308,970	344,061

As of March 31, 2012, we had net current assets of RMB344.1 million, compared to our net current assets of RMB309.0 million as of December 31, 2011, representing an increase of RMB35.1 million. This change was primarily due to (i) an increase in the inventories, and (ii) a decrease in the trade and other payables and amounts due to related parties.

Working Capital

We finance our working capital needs primarily through cash flow from operations and short-term bank loans and other borrowings. Taking into account our cash flow from operations, presently available bank loans and other borrowings and the estimated net proceeds from the Global Offering, our Directors are satisfied, after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Inventories

Our inventories include mainly passenger vehicles procured for passenger vehicle sales and, to a lesser extent, spare parts, accessories and other miscellaneous inventories.

Our inventories increased by 36.6% from RMB822.5 million as of December 31, 2009 to RMB1,123.4 million as of December 31, 2010 and further by 85.9% from RMB1,123.4 million as of December 31, 2010 to RMB2,088.3 million as of December 31, 2011. These increases were primarily due to (i) an increased proportion of luxury and ultra-luxury brands in our total sales, which had a higher cost per vehicle, and (ii) our increased business scale. We assesses periodically if the inventories have been suffered from any impairment when the cost of the inventories are lower than their net realizable value. The amount of impairment loss is measured as the difference between the asset's carrying amount and the net realizable value. During the Track Record Period, we did not make any provisions for inventories. As of March 31, 2012, we have sold inventory of RMB1,547.6 million, representing 74.1% of the outstanding balance amount of our inventory as of December 31, 2011.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
Average inventory turnover days(1)	32.9	25.6	31.3

Note:
(1) The average inventory turnover day for a given year is the average of opening and closing inventory balances divided by the cost of sales and services for that year and multiplied by 365 days.

Our average inventory turnover days were 32.9 days, 25.6 days and 31.3 days in 2009, 2010 and 2011, respectively. While our average inventory turnover days were relatively stable in 2009 and 2011, we had lower average inventory turnover days in 2010 primarily due to significant growth of passenger vehicle demand in 2010 compared to 2009.

Trade and Other Receivables

Trade Receivables

Our passenger vehicle sales are typically settled on a cash basis upon delivery of the passenger vehicles. To certain corporate customers for passenger vehicle sales and after-sales services, we may grant a credit period of typically no more than 90 days. For automobile rental services, we typically grant a credit period of 30 to 60 days to our customers. The balance of trade receivables at the end of a year or period primarily comprises (i) receivables from corporate and governmental customers in connection with our passenger vehicles sold; (ii) receivables from automobile manufacturers and insurance companies in connection with our after-sales services provided to their customers; and

(iii) receivables from corporate and governmental customers in connection with our rental services provided.

Our trade receivables increased from RMB77.7 million as of December 31, 2009 to RMB97.6 million as of December 31, 2010, and to RMB119.4 million as of December 31, 2011. The increase in trade receivables during the Track Record Period was in line with the growth in our after-sales services, automobile rental services and passenger vehicle sales during the Track Record Period. As of March 31, 2012, we have collected trade receivables of RMB119.1 million, representing 99.7% of the outstanding balance amount of our trade receivables as of December 31, 2011.

Trade and other receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash inflows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Our directors are satisfied that this risk is minimal and adequate allowance for doubtful debts was provided during the Track Record Period.

The following table sets forth an aging analysis (based on dates of invoices) of our trade receivables as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in thousands)		
0 to 90 days	77,746	97,580	119,400

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
Average trade receivables turnover days(1)	2.8	2.1	2.0

Note:

(1) The average trade receivables turnover day for a given year is the average of opening and closing trade receivables balances divided by revenue for that year and multiplied by 365 days.

Our average trade receivables turnover days indicate the time required for us to obtain cash proceeds from our sales. We maintained short turnover days during the Track Record Period mainly because most of our sales were conducted on a cash basis. Our average trade receivables turnover days were 2.8, 2.1 and 2.0 in 2009, 2010 and 2011, respectively.

Other Receivables

The following table sets forth our other receivables as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in thousands)		
Prepayments and deposits to suppliers	516,487	777,221	1,649,994
Rebate receivables from suppliers	225,919	456,484	533,467
VAT recoverable	25,505	53,856	95,476
Others	87,324	104,285	245,252
Total	855,235	1,391,846	2,524,189

Our other receivables as of December 31, 2009, 2010 and 2011 were RMB855.2 million, RMB1,391.8 million and RMB2,524.2 million, respectively. The increase in other receivables between December 31, 2009 and December 31, 2011 was primarily due to increases in prepayments and deposits to suppliers in connection with our purchases of automobiles, spare parts and accessories as a result of our network expansion and increased business scale, particularly the opening of new 4S dealerships for new luxury and ultra-luxury brands such as Porsche, Jaguar and Land Rover which require larger amount of prepayments and deposits due to the higher average selling prices of their passenger vehicles. As of March 31, 2012, we have collected rebate receivables from suppliers of RMB304.8 million, representing 57.1% of the outstanding balance amount of our rebate receivables from suppliers as of December 31, 2011.

Trade and Other Payables

Trade and Bills Payable

Our trade payables relate mainly to our purchases of spare parts and accessories, for which we have been granted a credit period of no more than 90 days by certain suppliers, and our bills payable relate mainly to our purchases of passenger vehicles by using bank acceptance notes, for which we have been granted a credit period of one to three months. We use bank acceptance notes in addition to cash to purchase passenger vehicles and are required to bear applicable bank charges in connection with their issuance. Our trade and bills payable as of December 31, 2009, 2010 and 2011 were RMB362.7 million, RMB539.6 million and RMB2,217.2 million, respectively. Between December 31, 2009 and December 31, 2010, our trade and bills payable increased by RMB176.9 million or 48.8%. Between December 31, 2010 and December 31, 2011, our trade and bills payable increased significantly by RMB1,677.6 million. These increases in trade and bills payable were primarily due to (i) our increased use of bank acceptance notes as part of our efforts to improve liquidity management and (ii) an increase in purchases of passenger vehicles as a result of our increased business scale.

The following table sets forth an aging analysis of our trade and bills payable as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in thousands)		
0 to 90 days	362,745	539,620	2,217,212

The following table sets forth our average trade and bills payable turnover days for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
Average trade and bills payable turnover days[(1)]	14.7	11.9	26.9

Note:

(1) The average trade and bills payable turnover days for a given year is the average of opening and closing trade and bills payable balances divided by cost of sales and services for that year and multiplied by 365 days.

Our average trade and bills payable turnover days increased significantly to 26.9 days in 2011 from 11.9 days in 2010, which primarily reflected the increase in bills payable as a result of our increased use of bank acceptance notes as part of our efforts to improve liquidity management. Our average trade and bills payable turnover days decreased to 11.9 days in 2010 from 14.7 days in 2009, primarily due to significant growth of passenger vehicle demand in 2010 compared to 2009.

Other Payables

The following table sets forth our other payables as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in thousands)		
Advances and deposits from customers	307,835	428,780	549,680
Other accrued expenses	13,290	19,554	19,505
Salary and welfare payables	7,533	14,679	36,002
Other tax payables	3,393	26,515	23,558
Payables for acquisition of property, plant and equipment	10,314	10,624	8,749
Others	29,116	28,277	40,417
Total	371,481	528,429	677,911

Our other payables as of December 31, 2009, 2010 and 2011 were RMB371.5 million, RMB528.4 million and RMB677.9 million, respectively. Our other payables increased from 2009 to 2010 by RMB156.9 million, or 42.2%, and further increased from December 31, 2010 to December 31, 2011 by RMB149.5 million, or 28.3%. These increases were primarily attributable to increases in advances and deposits from customers in connection with the increased scale of our passenger vehicle sales business.

Amounts Due to Related Parties

The following table sets forth the amounts due to related parties as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB in thousands)		
Non-controlling shareholders with significant influence over the relevant subsidiaries	5,500	30,933	32,746
Associate and its subsidiary held by Yongda CLS/the Group:			
Shanghai Yongda Fengdu Automobile Consulting Services Co., Ltd.	17	—	—
Shanghai Yongda Fengdu	300	—	—
Jointly controlled entities held by Yongda CLS/the Group:			
Shanghai Bashi Yongda	4,538	1,064	3,427
Shanghai Yongda Changrong	262	—	—
Entities controlled by the Shareholders:			
Yongda CLS	166,983	231,831	844,021
Yongda Holding	54,500	72,600	—
Shanghai Yangpu Yongda Automobile Sales Co., Ltd.	—	1,500	—
Shanghai Yongda Automobile Shenbao Sales Co., Ltd.	2,110	502	—
Taixing Yongda Bencheng Automobile Sales and Services Co., Ltd.	—	191	—
Yongda Commerce Co., Ltd. (永達商務有限公司)	8,070	—	—
Yongda Puxi Rental Co., Ltd. (永達浦西租賃公司)	7,002	—	—
Linan Yongda Automobile Sales and Services Co., Ltd.	293	—	—
	249,575	338,621	880,194

As of December 31, 2009, 2010 and 2011, the amounts due to related parties were RMB249.6 million, RMB338.6 million and RMB880.2 million, respectively. We had interest-bearing balances of RMB122.7 million, RMB142.7 million, and RMB10.0 million as of December 31, 2009, 2010 and 2011, respectively. These amounts were owed to Yongda CLS and had interest rates at 6%, 5.83% and 7.9%, respectively as of December 31, 2009, 2010 and 2011. We have been advised by our PRC legal advisor, Commerce & Finance Law Offices, that the advance of interest-bearing loans from Yongda CLS to the Group during the Track Record Period was in breach of the General Loan Provisions in the PRC (貸款通則) (the "Loan Provisions"). Pursuant to the Loan Provisions, the People's Bank of China has the right to impose a penalty on the lender in an amount equivalent to one to five times of the interest income generated thereunder and the People's Bank of China may request the relevant enterprises to repay the loan anytime. Considering the non-trade related loan due to Yongda CLS will be settled before the Listing and that the penalty (if any) will be imposed on Yongda CLS instead of the Group, the Directors are of the view that there is no material adverse effect on the Group's financial position and operation in connection with the breach of the Loan Provisions by Yongda CLS. The amounts due to related parties are unsecured and repayable on demand. Except for those amounts due to Yongda CLS, other balances are interest-free. As of December 31, 2011, the amounts due to related parties consisted of trade-related balances of RMB3.8 million and non-trade-related balances of RMB876.4 million. We will use our cash balance, cash generated from operations and new bank borrowings, if needed, to settle all the non-trade-related outstanding balances due to our related parties before the Listing. We also expect all the non-trade-related outstanding balances due from our related parties to be settled before the Listing.

Capital Expenditures

Our capital expenditures comprised primarily expenditures on purchase of property, plant and equipment, intangible assets and land use rights, and acquisition of subsidiaries. In 2009, 2010 and 2011, our total capital expenditures were RMB201.3 million, RMB337.1 million and RMB590.0 million, respectively.

The following table sets forth our capital expenditures for our continued business for the periods indicated:

	Year Ended December 31,		
	2009	2010	2011
	(RMB in thousands)		
Capital expenditure in connection with:			
– Additions to and deposits paid for property, plant and equipment	180,578	332,087	450,508
– Purchase of intangible assets	308	171	4,081
– Additions to and deposits paid for prepaid lease payments	20,455	3,245	135,458
– Settlement of consideration payable for acquisition of a subsidiary	—	1,556	—
Total	201,341	337,059	590,047

Capital and Operating Lease Commitments

As of December 31, 2011, we have contracted for (but not provided) capital expenditures in respect of acquisition of property, plant and equipment of RMB79.1 million, all of which will be paid within one year.

Certain of our properties and land are held under operating leases, which typically run for an initial period ranging from two to 20 years, with an option to renew the relevant leases when all the terms are renegotiated. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of December 31, 2011:

	As of December 31, 2011
	(RMB in thousands)
Due within one year	67,896
Due after one year but within five years	194,318
Due after five years	180,965
Total	443,179

We intend to use cash generated from our operations, a portion of proceeds from this offering and external borrowings, if needed, to satisfy our capital and operating lease commitments.

Indebtedness

We obtain borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, and incur amounts due to related parties to finance our working capital and network expansion needs. As of December 31, 2009, 2010, 2011 and March 31, 2012, our indebtedness was RMB1,466.8 million, RMB1,855.9 million, RMB3,252.7 million and RMB3,403.6 million, respectively. Our indebtedness increased during the Track Record Period primarily due to our increased capital needs in connection with the expansion of our business. During the Track Record Period, we have not experienced any delay or default in repayment of bank and other borrowings nor experienced any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. Our net debt to equity[(1)] ratio was 26.1% as of December 31, 2011, which is expected to decrease following the completion of the Global Offering.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2009	2010	2011	2012
	(RMB in thousands)			
Bank loans	1,036,460	1,393,184	2,158,183	2,707,598
Other borrowings	183,390	125,874	218,155	290,077
Amounts due to related parties	246,905	336,864	876,367	405,901
Total	1,466,755	1,855,922	3,252,705	3,403,576
Secured by own assets	538,903	706,204	1,041,594	1,079,129
Secured by related parties' assets	220,000	247,870	194,000	56,870
Total secured borrowings	758,903	954,074	1,235,594	1,135,999
Total unsecured borrowings	707,852	901,848	2,017,111	2,267,577
Total	1,466,755	1,855,922	3,252,705	3,403,576
Guaranteed by related parties	261,725	354,977	1,274,382	668,000
Guaranteed and secured by related parties' assets	100,000	170,000	—	—
Guaranteed by an independent third party	5,000	—	6,000	6,000
Total guaranteed borrowings	366,725	524,977	1,280,382	674,000
Total unguaranteed borrowings	1,100,030	1,330,945	1,972,323	2,729,576
Total	1,466,755	1,855,922	3,252,705	3,403,576

The following table sets forth the maturity profile of our borrowings as of the dates indicated:

	As of December 31,			As of March 31,
	2009	2010	2011	2012
	(RMB in thousands)			
Within one year	1,461,251	1,737,494	3,231,884	3,381,384
One year to two years	5,221	114,592	14,218	14,844
Two years to five years	283	3,836	6,603	7,348
	1,466,755	1,855,922	3,252,705	3,403,576

As of December 31, 2011, certain of our bank loans were secured by mortgages or pledges over our assets or related parties' assets, or by the guarantees provided by certain related parties, or both, including mortgages, pledges and guarantees provided by one of our Controlling Shareholders. Our assets subject to these mortgages or pledges as of December 31, 2011 consisted of (i) inventories in the amount of RMB763.6 million, (ii) property, plant and equipment in the amount of RMB94.9 million, (iii) land use rights in the amount of RMB40.8 million, and (iv) pledged bank deposits in the amount of RMB17.5 million. All mortgages, pledges and guarantees provided by our related parties will be fully discharged before the Listing.

Note:

(1) The net debt to equity ratio is the net debt, which includes the indebtedness (excluding amounts due to related parties) net of cash and pledged bank deposits, divided by equity attributable to owner of the Company.

As of March 31, 2012, we had total bank facilities of approximately RMB5,283.2 million, of which RMB3,648.3 million was utilized.

As of March 31, 2012, except as disclosed in this prospectus, we did not have any other debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments mortgages, charges contingent liabilities, or guarantees.

We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since March 31, 2012.

Contingent Liabilities

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MARKET RISKS

We are exposed to various types of market risks, including interest rate risk, credit risk, and liquidity risk.

Interest Rate Risk

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

Credit Risk

Our credit risk relates mainly to our amounts due from related parties, amounts due from shareholders, trade and other receivables, bank balances and cash, and pledged bank deposits. As of December 31, 2009, 2010 and 2011, all of our bank balances and cash and pledged bank deposits were deposited in state-owned PRC banks or banks with high credit ratings and quality without significant credit risk.

Liquidity Risk

We are exposed to liquidity risk. Our policy is to (i) monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows; and (ii) monitor the utilization of borrowings and ensure compliance with loan covenants.

Foreign Exchange Risk

Substantially all of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We do not believe our operations are currently subject to any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, a depreciation of Renminbi may cause automobile manufacturers to raise their prices, which would increase our purchase costs for passenger vehicles and spare parts, which could in turn increase the retail price of passenger vehicles we sell and adversely affect our sales and profits. For more details, please refer to "Risk Factors—Government control of currency conversion and future movements in foreign exchange rates may negatively affect our financial condition, results of operations and our ability to remit dividends."

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Subject to the Cayman Companies Law and our Articles of Association, we may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. We currently intend to pay dividends of not more than 30% of our profits available for distribution beginning in the year ending December 31, 2012. We will continue to re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

Since our incorporation on November 7, 2011, we have not declared any dividend. As of December 31, 2011, our distributable reserves amounted to RMB515.6 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of December 31, 2011 or any future date. It is prepared based on our consolidated net assets as of December 31, 2011 as set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. Our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not form part of the Accountants' Report in Appendix I to this prospectus.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2011(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share(4)**	
	(RMB in thousands)	**(RMB in thousands)**	**(RMB in thousands)**	**(RMB)(3)**	**(HK$)(3)**
Based on an offer price of HK$7.60 per Share	1,564,559	1,657,897	3,222,456	2.06	2.55
Based on an offer price of HK$10.80 per Share	1,564,559	2,368,545	3,933,104	2.52	3.11

Notes:

(1) Our consolidated net tangible assets attributable to owners of the Company as of December 31, 2011 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on our audited consolidated equity attributable to owners of the Company as of December 31, 2011 of RMB1,579.1 million less intangible assets as of December 31, 2011 of RMB14.6 million.

(2) The estimated net proceeds from the Global Offering are based on 280,980,000 New Shares and estimated offer prices of HK$7.60 or HK$10.80 per Share after deduction of the underwriting fees and other related expenses payable by our Company and taking into account the related expenses already accrued as of December 31, 2011, and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering is converted to Renminbi at the rate of HK$1.00 : RMB0.8107. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates at all.

(3) Our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,560,980,000 Shares were in issue assuming that the Global Offering has been completed on December 31, 2011 and an Offer Price of HK$7.60 per Share, being the low end of the estimated Offer Price range, and 1,560,980,000 Shares were in issue assuming that the Global Offering has been completed on December 31, 2011 and an Offer Price of HK$10.80 per Share, being the high end of the estimated Offer Price range, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted to Hong Kong dollars at the rate of HK$1.00 : RMB0.8107. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates at all.

(4) No adjustment has been made to reflect any of our trading results or other transactions entered into subsequent to December 31, 2011.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since December 31, 2011 and up to the date of this prospectus, there had been no material adverse change in our financial position or prospects and no event had occurred that would materially and adversely affect the information shown in the Accountants' Report in Appendix I to this prospectus.