

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions with parties who are connected persons of our Company and the transactions will continue after the Listing, thereby constituting continuing connected transactions of our Company under Chapter 14A of the Listing Rules. A summary of these continuing connected transactions is set forth below:

Nature of transaction	Applicable Listing Rules	Annual cap for the year ending December 31,		
		2012	2013	2014
		(RMB)	(RMB)	(RMB)
Exempt continuing connected transactions				
Trademark and Domain Name License				
Agreements	14A.33(3)(a)	Not applicable	Not applicable	Not applicable
Passenger Vehicles Purchase and Sales				
Agreement	14A.33(3)(a)	2,000,000	2,000,000	2,000,000
Non-exempt continuing connected transactions				
Properties Leasing Agreement	14A.32(1)	23,464,000	23,853,000	24,286,000

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark and Domain Name License Agreements

On May 11, 2012, (1) Yongda International entered into a trademark and domain name license agreement with Yongda CLS in respect of certain trademarks and domain names registered under its name in the PRC; and (2) our Company entered into a trademark license agreement with Yongda CLS in respect of certain trademarks registered under its name in Hong Kong (together, the “Trademark and Domain Name License Agreements”), pursuant to which Yongda CLS agreed to license certain trademarks and domain names for our use in connection with our operations on a non-exclusive and royalty-free basis for a term commencing from the date of the Trademark and Domain Name License Agreements to the dates of expiry of registration of such trademarks and domain names (as renewed, as applicable). Since Cheung Tak On, one of our Controlling Shareholders and Directors, is indirectly interested in more than 30% of the voting power at the general meetings of Yongda Holding and that Yongda CLS is its subsidiary, Yongda CLS is our connected person and the transactions under the Trademark and Domain Name License Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the grant of rights to use certain trademarks and domain names by Yongda CLS to our Group is on a royalty-free basis, each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Accordingly, the Trademark and Domain Name License Agreements fall within the *de minimis* threshold as stipulated under Rule 14A.33(3)(a) of the Listing Rules and the transactions under the Trademark and Domain Name License Agreements are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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Passenger Vehicles Purchase and Sales Agreement

On May 11, 2012, we entered into a passenger vehicles purchase and sales agreement with Yongda CLS in respect of our sale of passenger vehicles to Yongda CLS for its own use (the “Passenger Vehicles Purchase and Sales Agreement”) expiring on December 31, 2014. During the Track Record Period, our sale of passenger vehicles to Yongda CLS for its own use amounted to nil, RMB577,000 and RMB1,220,000 for the years ended December 31, 2009, 2010 and 2011, respectively. We expect that the sales will not exceed RMB2,000,000 for each of the three years ending December 31, 2014. On this basis, each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Accordingly, the Passenger Vehicles Purchase and Sales Agreement falls within the *de minimis* threshold as stipulated under Rule 14A.33(3)(a) of the Listing Rules and the transactions under the Passenger Vehicles Purchase and Sales Agreement are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Properties Leasing Agreement

On May 11, 2012, we entered into a properties leasing agreement with Yongda Holding and certain of its subsidiaries (the “Properties Leasing Agreement”) pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain owned properties and properties rented from Independent Third Parties to us (the “Leased Properties”). Since Cheung Tak On, one of our Controlling Shareholders and Directors, is indirectly interested in more than 30% of the voting power at the general meetings of Yongda Holding and that Yongda CLS is its subsidiary, both Yongda Holding and Yongda CLS are our connected persons and the transactions under the Properties Leasing Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The term of lease of the properties under the Properties Leasing Agreement will expire on December 31, 2014 (or such earlier date when the leases entered into between Yongda Holding or its subsidiaries and the Independent Third Parties expire or terminate, where applicable). The Properties Leasing Agreement is renewable for a term of three years, subject to compliance with all applicable requirements under the PRC laws and the Listing Rules (and the term of the leases entered into between Yongda Holding or its subsidiaries and the Independent Third Parties, where applicable). We are entitled to require Yongda Holding and its relevant subsidiaries to extend the term of the lease by giving written notice at least six months before the expiry of the Properties Leasing Agreement (subject to the term of the leases entered into between Yongda Holding or its subsidiaries and the Independent Third Parties, where applicable). We may, at any time before the Properties Leasing Agreement expires, terminate the lease of all or some of the Leased Properties by giving written notice at least six months in advance. If the lease of some of the Leased Properties is terminated, the total rental payable by us shall be reduced accordingly. Pursuant to the Properties Leasing Agreement, Yongda Holding and its relevant subsidiaries cannot terminate the Properties Leasing Agreement unilaterally without our consent unless we have changed the use of the properties and resulted in serious consequence. The total annual rental payable under the Properties Leasing Agreement will be paid every year in arrears.

The Leased Properties consist of an aggregate gross floor area of approximately 66,069 square meters, and they are used for our outlets and our pre-owned vehicle market.

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Set forth below are the details of the Leased Properties:

No.	Leased Properties	Gross floor area (sq.m.)	Lessees	Lessors	Date of the relevant premises being first leased and rentals incurred during the Track Record Period (RMB in thousands)	Annual cap for the year ending December 31, 2012, 2013 and 2014 (RMB in thousands)
1.	138/10 Qiu, Dazhong Village, Tang Town, Shanghai (上海唐鎮大眾村138/10丘)	No properties on the parcel of land	Shanghai Yongda Automobile Repair Co., Ltd. (上海永達汽車維修有限公司)	Yongda CLS	August 20, 2008 2009: Nil ⁽⁶⁾ 2010: Nil ⁽⁶⁾ 2011: Nil ⁽⁶⁾	2012: 64.2 2013: 64.2 2014: 64.2
2.	No. 1001 Changjiang West Road, Shanghai (上海長江西路1001號) ⁽¹⁾	11,326.00	Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. (上海寶誠中環汽車銷售服務有限公司)	Yongda CLS	May 1, 2008 2009: 4,350 2010: 4,350 2011: 4,524	2012: 4,976.4 2013: 4,976.4 2014: 5,175.5
3.	No. 1001 Changjiang West Road, Shanghai (上海長江西路1001號) ⁽¹⁾	6,289.60	Shanghai Yongda Tongbao Automobile Sales and Services Co., Ltd. (上海永達通寶汽車銷售服務有限公司)	Yongda CLS	May 1, 2008 2009: 2,400 2010: 2,400 2011: 2,496	2012: 2,745.6 2013: 2,745.6 2014: 2,855.4
4.	No. 8 Beijing West Road, Taicang Economic Development Zone, Wuxi City, Jiangsu Province (江蘇省無錫市太倉經濟開發區北京西路8號) ⁽¹⁾	3,647.94	Taicang Baozen Automobile Sales and Services Co., Ltd. (太倉寶誠汽車銷售服務有限公司)	Yongda CLS	July 8, 2009 2009: Nil 2010: 782 2011: 894	2012: 983.1 2013: 1,042.1 2014: 1,042.1
5.	No. 225 Kangshan Road (上海康杉路225號) ⁽¹⁾	10,414.94 ⁽⁴⁾	Shanghai Yongda Guangshen Automobile Sales and Services Co., Ltd. (上海永達廣申汽車銷售服務有限公司)	Yongda CLS	July 1, 2005 2009: 2,000 2010: 2,000 2011: 2,200 ⁽⁷⁾	2012: 2,420 2013: 2,420 2014: 2,420 ⁽⁷⁾
6.	No. 225 Kangshan Road, Shanghai (上海康杉路225號) ⁽¹⁾		Shanghai Yongda Fengchi Second-Hand Automobile Management Co., Ltd. (上海永達風馳二手機動車經營有限公司)	Yongda CLS		
7.	No. 225 Kangshan Road, Shanghai (上海康杉路225號) ⁽¹⁾		Shanghai Pudong Used Automobile Trading Management Co., Ltd. (上海市浦東舊機動車交易市場經營管理有限公司)	Yongda CLS		

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No.	Leased Properties	Gross floor area (sq.m.)	Lessees	Lessors	Date of the relevant premises being first leased and rentals incurred during the Track Record Period (RMB in thousands)	Annual cap for the year ending December 31, 2012, 2013 and 2014 (RMB in thousands)
8.	No. 225 Kangshan Road, Shanghai (上海康杉路225號) ⁽¹⁾		Shanghai Zhongzheng Second-Hand Automobile Valuation Services Co., Ltd. (上海中正二手車評估服務有限公司)	Yongda CLS		
9.	No. 225 Kangshan Road, Shanghai (上海康杉路225號) ⁽¹⁾		Shanghai Yongda Automobile Sales Co., Ltd. (上海永達汽車銷售有限公司)	Yongda CLS		
10.	No. 435 Shangzhong Road, Shanghai (上海上中路435號) ⁽¹⁾⁽²⁾	4,500.00	Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司)	Yongda CLS	March 1, 2004 2009: 1,800 2010: 1,800 2011: 1,800	2012: 1,980 2013: 2,310 2014: 2,376
11.	Xiamen Village, Liushi Town Wenzhou City, Jiejiang Province (浙江省溫州市柳市鎮峽門村) ⁽¹⁾	4,222.00	Wenzhou Baozen Automobile Sales and Services Co., Ltd. (溫州寶誠汽車銷售服務有限公司)	Yongda CLS	July 1, 2008 2009: 200 2010: 200 2011: 895	2012: 984.7 2013: 984.7 2014: 1,042.5
12.	No. 600, Shangfeng Mid Road, Shanghai (上海上豐中路600號) ⁽³⁾	5,488.89	Shanghai Yongda Automobile Safety Testing Center Co., Ltd. (上海永達機動車安全檢測中心有限公司)	Shanghai Yongda Transportation Equipment Co., Ltd (上海永達交通設施有限公司)	January 1, 2005 2009: Nil ⁽⁸⁾ 2010: Nil ⁽⁸⁾ 2011: Nil ⁽⁸⁾	2012: 881.5 2013: 881.5 2014: 881.5
13.	No. 299 Ruijin South Road, Shanghai (上海瑞金南路299號)	40.00	Shanghai Yongda Automobile Leasing Co., Ltd. (上海永達汽車租賃有限公司)	Yongda CLS	December 25, 2005 2009: Nil ⁽⁹⁾ 2010: Nil ⁽⁹⁾ 2011: Nil ⁽⁹⁾	2012: 24.1 2013: 24.1 2014: 24.1
14.	No. 3099 Dachuan Road, Huinan Town, Shanghai (上海惠南鎮大川公路3099號) ⁽³⁾	7,542.16 ⁽⁵⁾	Shanghai Yongda Automobile Nanhui Sales and Services Co., Ltd. (上海永達汽車南匯銷售服務有限公司)	Yongda CLS	October 2008 2009: Nil ⁽¹⁰⁾ 2010: Nil ⁽¹⁰⁾ 2011: Nil ⁽¹⁰⁾	2012: 2,876.8 2013: 2,876.8 2014: 2,876.8 ⁽¹⁵⁾

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No.	Leased Properties	Gross floor area (sq.m.)	Lessees	Lessors	Date of the relevant premises being first leased and rentals incurred during the Track Record Period (RMB in thousands)	Annual cap for the year ending December 31, 2012, 2013 and 2014 (RMB in thousands)
15.	No. 3099 Dachuan Road, Huinan Town, Shanghai (上海惠南鎮 大川公路 3099號) ⁽³⁾		Shanghai Yongda Tongning Automobile Sales and Services Co., Ltd. (上海永達通寧汽車銷售服務 有限公司)	Yongda CLS	October 2011	
16.	No. 2761 Zhangyang Road, Shanghai (上海張楊路 2761號) ⁽³⁾	1,775.65	Shanghai Yongda Automobile Pudong Trade Co., Ltd. (上海永達汽車浦東貿易有限公司)	Yongda CLS	March 8, 2001 2009: Nil ⁽¹¹⁾ 2010: Nil ⁽¹¹⁾ 2011: Nil ⁽¹¹⁾	2012: 926.8 2013: 926.8 2014: 926.8
17.	138/9 Qiu, Dazhong Village, Tang Town, Shanghai (上海唐鎮大眾村 138/9丘) ⁽³⁾	3,428.30	Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司)	Yongda CLS	March 31, 2005 2009: Nil ⁽¹²⁾ 2010: Nil ⁽¹²⁾ 2011: Nil ⁽¹²⁾	2012: 1,238.8 2013: 1,238.8 2014: 1,238.8
18.	No. 2865 Longdong Avenue, Shanghai (上海龍東大道 2865號) ⁽³⁾	3,309.35	Shanghai Yongda Toyota Automobile Sales and Services Co., Ltd. (上海永達豐田汽車銷售服 務有限公司)	Yongda CLS	July, 2005 2009: Nil ⁽¹³⁾ 2010: Nil ⁽¹³⁾ 2011: Nil ⁽¹³⁾	2012: 1,328.7 2013: 1,328.7 2014: 1,328.7
19.	No. 2757 Zhangyang Road, Shanghai (上海張楊路2757號) ⁽³⁾	4,083.72	Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司)	Yongda CLS	April 2, 2000 2009: Nil ⁽¹⁴⁾ 2010: Nil ⁽¹⁴⁾ 2011: Nil ⁽¹⁴⁾	2012: 2,033.1 2013: 2,033.1 2014: 2,033.1

Notes:

- (1) These properties are leased from Independent Third Parties which are in turn sub-let to our Group.
- (2) The current lease between Yongda CLS with the Independent Third Party will expire on February 28, 2013.
- (3) The title of these properties were registered in the name of Yongda CLS, but have been recognized as assets in the Group's financial statements as our Group had contributed the acquisition costs of the land use rights and buildings of these properties, which amounted to approximately RMB174 million in aggregate. Please refer to Notes 15 and 16 to the Accountants' Report for details. Prior to the Listing, the Group has disposed of these properties to Yongda CLS at a consideration of RMB134.7 million, which was determined based on the net carrying value of these properties without conducting any independent valuation as this was not a commercial transaction conducted in normal and ordinary course of business. Our Group then entered into the Properties Leasing Agreement to lease back these properties from Yongda CLS. Our Group did not acquire title to these properties from Yongda CLS instead, because (i) the title to one of these properties is defective and therefore could not be transferred to our Group, and (ii) Yongda CLS owns a number of properties surrounding these properties and it was agreed that Yongda CLS would retain title to these properties for ease of administration and management.
- (4) The area is in respect of properties nos. 5 to 9.
- (5) The area is in respect of properties nos. 14 and 15.
- (6) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB53,100 based on the prevailing market rentals of properties with similar location and size.
- (7) The date of lease, rentals and annual cap are in respect of properties nos. 5 to 9.
- (8) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB728,600 based on the prevailing market rentals of properties with similar location and size.
- (9) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB19,910 based on the prevailing market rentals of properties with similar location and size.
- (10) The directors' estimate of the notional rental rates for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB2,377,500 based on the prevailing market rentals of properties with similar location and size.

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- (11) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB765,960 based on the prevailing market rentals of properties with similar location and size.
- (12) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB1,023,900 based on the prevailing market rentals of properties with similar location and size.
- (13) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB1,098,110 based on the prevailing market rentals of properties with similar location and size.
- (14) The directors' estimate of the notional rental rates for this property for each of the three years ended December 31, 2009, 2010 and 2011 is approximately RMB1,680,300 based on the prevailing market rentals of properties with similar location and size.
- (15) The annual cap is in respect of properties nos. 14 and 15.

We paid total rental charges for the Leased Properties in the amount of RMB10,750,000, RMB11,532,000, and RMB12,809,000 for the three years ended December 31, 2009, 2010 and 2011. We expect the annual rental payable for the Leased Properties for each of the years ending December 31, 2012, 2013 and 2014 will amount to approximately RMB23,464,000, RMB23,853,000 and RMB24,286,000, respectively. In arriving at the above annual caps, our Directors have considered (i) the historical rentals paid by the relevant lessees (where applicable); and (ii) the prevailing market rentals of properties with similar locations and sizes to the Leased Properties. DTZ Debenham Tie Leung Limited, an independent property valuer, has reviewed the annual rental payable in respect of the Leased Properties and confirmed that the annual rental payable thereunder reflects the prevailing market rates of properties with similar locations and sizes to the relevant Leased Properties as of January 31, 2012, given that Cheung Tak On and Asset Link jointly and severally agree with, and undertake to, our Group that they will indemnify and at all times keep our Group indemnified in full against all property losses and property claims suffered or incurred by us including but not limited to all losses, damages and other costs suffered or incurred by us arising from or in connection with the failure to obtain the relevant ownership certificates or title of the relevant Leased Properties.

Since the highest of all applicable percentage ratios (other than the profit ratio) for the Properties Leasing Agreement calculated in accordance with Rule 14.07 of the Listing Rules is less than 5%, the transactions under the Properties Leasing Agreement are non-exempt continuing connected transactions subject to the reporting and, announcement requirements under Rule 14A.45 to 14A.47 of the Listing Rules.

WAIVERS

Application for waiver

We will continue to enter into or carry out the transactions set forth in the sections entitled “—Exempt Continuing Connected Transactions” and “—Non-exempt Continuing Connected Transactions” following the Global Offering and these transactions will constitute continuing connected transactions of our Company under the Listing Rules after the Listing. According to the Listing Rules, the non-exempt continuing connected transactions may, depending on the nature and value of the transactions, require reporting, announcement and prior approval by our independent Shareholders.

Scope of waiver

Under the Listing Rules, the continuing connected transactions under the Properties Leasing Agreement are non-exempt continuing connected transactions under Rule 14A.32(1) and would require compliance with the reporting and announcement requirements set forth in Rules 14A.45 to 14A.47 of the Listing Rules.

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As the connected transactions under the Properties Leasing Agreement are expected to be carried out on a continuing and recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirements under the Listing Rules would be unduly burdensome, impractical and would add unnecessary administrative costs to our Company. Accordingly, our Directors have applied to and have received from the Hong Kong Stock Exchange a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules for the continuing connected transactions under the Properties Leasing Agreement. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions under the Properties Leasing Agreement, we will take immediate steps to ensure compliance with such requirements.

Opinion of our Directors

Our Directors (including the independent non-executive Directors) are of the opinion that (1) each of these continuing connected transactions disclosed above has been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms, (2) each of these continuing connected transactions disclosed above is fair and reasonable and is in the interest of our Shareholders as a whole, and (3) the annual caps for the non-exempt continuing connected transactions are fair and reasonable and are in the interest of our Company and our Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that (1) the non-exempt continuing connected transactions disclosed above are in the ordinary and usual course of our business, on normal commercial terms, and are fair and reasonable and in the interest of our Shareholders as a whole, and (2) the annual caps for such non-exempt continuing connected transaction are fair and reasonable and are in the interest of our Shareholders as a whole.