



德勤·關黃陳方會計師行
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Hong Kong

June 29, 2012

The Directors

China Yongda Automobiles Services Holdings Limited

UBS AG, Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding China Yongda Automobiles Services Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2011 (the “Track Record Period”) for inclusion in the prospectus of the Company dated June 29, 2012 (the “Prospectus”) in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on November 7, 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”), as explained in the paragraphs headed “Shareholding and Reorganization of Our Group” in the section “Our History and Reorganization” of the Prospectus, the Company became the holding company of its subsidiaries on December 19, 2011.

The direct and indirect interests in the following subsidiaries held by the Company during the Track Record Period and at the date of this report are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities @
				At December 31,			At the date	
				2009	2010	2011	of this report	
				%	%	%	%	
Directly held:								
Sea of Wealth International Investment Company Limited (“Sea of Wealth”) 富海國際投資有限公司	The British Virgin Islands (the “BVI”)	November 15, 2011	1 share of US\$1.00 each	N/A	N/A	100	100	Investment holding
Indirectly held:								
Grouprich International Investment Holdings Limited (“Grouprich International”) 香港匯富國際投資集團有限公司	Hong Kong	September 10, 2004	1,000,000 shares of HK\$1.00 each	N/A	N/A	100	100	Investment holding
Shanghai Yongda International Trade & Development Co., Ltd. (“Yongda International”) 上海永達國際貿易發展有限公司 (formerly known as Shanghai Shitong Investment Management Consultancy Co., Ltd. 上海世通投資管理諮詢有限公司)	The People’s Republic of China (the “PRC”)	September 25, 2003	RMB290,000,000	N/A	N/A	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. (“Automobile Group”) 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB420,000,000	100	100	100	100	Investment holding

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				At December 31,			At the date of this report	
				2009	2010	2011		
				%	%	%	%	
Shanghai Yongda Automobile Leasing Co., Ltd. ("Shanghai Yongda Automobile Leasing") 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB50,000,000	100	100	100	100	Automobile rental services
Shanghai Baozen Automobile Sales and Services Co., Ltd. ("Shanghai Baozen") 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB15,000,000	100	100	100	100	4S dealership
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. ("Shanghai Baozen Zhonghuan") 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB10,760,000	100	100	100	100	4S dealership
Shanghai Putuo Baozen Automobile Sales and Services Co., Ltd. ("Shanghai Putuo Baozen") 上海普陀寶誠汽車銷售服務有限公司	PRC	June 4, 2010	RMB10,000,000	N/A	100	100	100	4S dealership
Beijing Baozen Baiwang Automobile Sales and Services Co., Ltd. ("Beijing Baozen Baiwang") 北京寶誠百旺汽車銷售服務有限公司	PRC	August 5, 2009	RMB30,000,000	100	100	100	100	4S dealership
Beijing Yongda Fengchi Used Automobile Agency Co., Ltd. 北京永達風馳舊機動車經紀有限公司	PRC	October 13, 2010	RMB100,000	N/A	100	100	100	Pre-owned vehicle business
Kunshan Baozen Automobile Sales and Services Co., Ltd. 昆山寶誠汽車銷售服務有限公司	PRC	November 4, 2009	RMB10,000,000	100	100	100	100	4S dealership
Taicang Baozen Automobile Sales and Services Co., Ltd. 太倉寶誠汽車銷售服務有限公司	PRC	August 5, 2009	RMB10,000,000	100	100	100	100	4S dealership
Linfen Baozen Automobile Sales and Services Co., Ltd. ("Linfen Baozen") 臨汾寶誠汽車銷售服務有限公司	PRC	July 10, 2009	RMB10,000,000	100	100	100	100	4S dealership
Changzhi Baozen Lufu Automobile Sales and Services Co., Ltd. ("Changzhi Baozen Lufu") 長治寶誠潞府汽車銷售服務有限公司	PRC	January 29, 2010	RMB10,000,000	N/A	100	100	100	4S dealership
Yuncheng Baozen Automobile Sales and Services Co., Ltd. 運城市寶誠汽車銷售服務有限公司	PRC	February 3, 2010	RMB5,000,000	N/A	100	100	100	After-sales services
Taiyuan Baozen Automobile Sales and Services Co., Ltd. ("Taiyuan Baozen") 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	60	60	60	60	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. ("Nantong Baozen") 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB20,000,000	90	90	90	90	4S dealership
Jiangyin Baozen Automobile Sales and Services Co., Ltd. ("Jiangyin Baozen") 江陰寶誠汽車銷售服務有限公司	PRC	August 15, 2007	RMB10,270,000	88	88	88	88	4S dealership
Wenzhou Baozen Automobile Sales and Services Co., Ltd. ("Wenzhou Baozen") 溫州寶誠汽車銷售服務有限公司	PRC	September 3, 2008	RMB15,000,000	78	78	78	78	4S dealership
Taizhou Baozen Automobile Sales and Services Co., Ltd. ("Taizhou Baozen") 台州寶誠汽車銷售服務有限公司	PRC	November 12, 2008	RMB15,000,000	60	60	60	60	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB11,500,000	85	82	82	82	4S dealership
Yancheng Baozen Automobile Services Co., Ltd. 鹽城寶誠汽車服務有限公司	PRC	December 9, 2008	RMB1,500,000	90	90	90	60	4S dealership

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				2009	2010	2011		
Linhai Baozen Automobile Sales and Services Co., Ltd. ("Linhai BMW-authorized Service Center") 臨海寶誠汽車銷售服務有限公司	PRC	November 24, 2009	RMB5,000,000	60	60	60	60	After-sales services
Yongjia Baozen Automobile Sales and Services Co., Ltd. ("Yongjia BMW-authorized Service Center") 永嘉寶誠汽車銷售服務有限公司	PRC	January 19, 2010	RMB5,000,000	N/A	62.4	62.4	62.4	After-sales services
Wuxi Baozen Gaozhui Automobile Sales Co., Ltd. 無錫寶誠高惠汽車銷售有限公司	PRC	May 21, 2010	RMB5,000,000	N/A	82	82	82	Pre-owned vehicle business
Jiangyin Baozen Automobile Complementary Services Co., Ltd. 江陰寶誠汽車配套服務有限公司	PRC	June 18, 2010	RMB500,000	N/A	88	88	88	Title transfer and registration and automobile consultation services
Shanghai Yongda Automobile Businesses and Services Co., Ltd. ("Shanghai Yongda Automobile Businesses and Services") 上海永達汽車經營服務有限公司	PRC	December 11, 1998	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Guangshen Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Guangshen") 上海永達廣申汽車銷售服務有限公司	PRC	December 21, 2006	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Automobile Trade Center Co., Ltd. ("Shanghai Yongda Automobile Trade") 上海永達汽車貿易中心有限公司	PRC	November 27, 1998	RMB11,100,000	100	100	100	100	4S dealership
Shanghai Yongda Tongmei Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Tongmei") 上海永達通美汽車銷售服務有限公司	PRC	November 13, 2006	RMB5,270,000	100	100	100	100	4S dealership
Shanghai Yongda Automobile Nanhui Sales and Services Co., Ltd. ("Shanghai Yongda Automobile Nanhui") 上海永達汽車南匯銷售服務有限公司	PRC	December 19, 2002	RMB5,000,000	100	100	100	100	4S dealership
Shanghai Yongda Automobile Songjiang Sales and Services Co., Ltd. ("Shanghai Yongda Automobile Songjiang") 上海永達汽車松江銷售服務有限公司	PRC	September 3, 2003	RMB6,000,000	100	100	100	100	4S dealership
Shanghai Yongda Tongtu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Tongtu") 上海永達通途汽車銷售服務有限公司	PRC	February 4, 2009	RMB5,000,000	100	100	100	100	4S dealership
Fuzhou Yongda Automobile Sales and Services Co., Ltd. ("Fuzhou Yongda") 福州永達汽車銷售服務有限公司	PRC	July 9, 2004	RMB6,100,000	61	61	61	61	4S dealership
Shanghai Yongda Baoyunlai Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Baoyunlai") 上海永達寶運來汽車銷售服務有限公司	PRC	September 29, 2005	RMB5,460,000	100	100	100	100	4S dealership
Shanghai Yongda Tongning Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Tongning") 上海永達通寧汽車銷售服務有限公司	PRC	February 20, 2009	RMB5,000,000	100	100	100	100	4S dealership
Shanghai Yongda Tongsheng Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Tongsheng") 上海永達通盛汽車銷售服務有限公司	PRC	February 11, 2009	RMB5,000,000	100	100	100	100	4S dealership
Shanghai Yongda Tonghao Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Tonghao") 上海永達通豪汽車銷售服務有限公司	PRC	May 6, 2009	RMB5,000,000	100	100	100	100	Sale of passenger vehicles
Fujian Yongda Automobile Sales and Services Co., Ltd. ("Fujian Yongda") 福建永達汽車銷售服務有限公司	PRC	May 15, 2009	RMB5,000,000	61	61	61	61	4S dealership

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				%	%	%	%	
Shanghai Yongda Zhonghuan Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Zhonghuan") 上海永達中環汽車銷售服務有限公司	PRC	November 16, 2004	RMB5,000,000	100	100	100	100	4S dealership
Shanghai Yongda Automobile Puxi Sales and Services Co., Ltd. ("Shanghai Yongda Automobile Puxi") 上海永達汽車浦西銷售服務有限公司	PRC	December 27, 2000	RMB7,170,000	100	100	100	100	Sale of passenger vehicles
Shanghai Yongda Qidong Automobile Sales and Services Co., Ltd. 上海永達啟東汽車銷售服務有限公司	PRC	March 11, 2011	RMB15,000,000	N/A	N/A	60	60	4S dealership
Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. ("Shanghai Yongda Automobile Pudong") 上海永達汽車浦東銷售服務有限公司	PRC	December 6, 1999	RMB18,750,000	100	100	100	100	4S dealership
Shanghai Yongda Aoxiang Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Aoxiang") 上海永達奧翔汽車銷售服務有限公司	PRC	October 17, 2006	RMB10,000,000	100	100	100	100	Automobile sales and after-sales services and pre-owned vehicles business
Hainan Mengfa Trade and Development Co., Ltd. ("Hainan Mengfa") 海南盟發貿易發展有限公司	PRC	August 23, 2007	RMB30,000,000	N/A	100	100	100	4S dealership
Anhui Yongda Baoyi Automobile Sales and Services Co., Ltd. ("Anhui Yongda Baoyi") 安徽永達寶易汽車銷售服務有限公司	PRC	January 6, 2011	RMB20,000,000	N/A	N/A	100	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB20,000,000	N/A	N/A	51	51	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Infiniti") 上海永達英菲尼迪汽車銷售服務有限公司	PRC	September 18, 2006	RMB30,000,000	100	100	100	100	4S dealership
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Infiniti Qibao") 上海永達英菲尼迪七寶汽車銷售服務有限公司	PRC	August 14, 2009	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Qingpu Yongda Automobile Sales and Services Co., Ltd. ("Shanghai Qingpu Yongda") 上海青浦永達汽車銷售服務有限公司	PRC	April 8, 2010	RMB10,000,000	N/A	100	100	100	4S dealership
Shanghai Yongda Aocheng Automobile Services Co., Ltd. 上海永達奧誠汽車銷售服務有限公司	PRC	July 7, 2011	RMB15,000,000	N/A	N/A	100	100	4S dealership
Shanghai Yongda Automobile Pudong Trade Co., Ltd. ("Shanghai Yongda Automobile Pudong Trade") 上海永達汽車浦東貿易有限公司	PRC	February 21, 2001	RMB5,160,000	100	100	100	100	4S dealership
Shanghai Yongda Haojie Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Haojie") 上海永達豪捷汽車銷售服務有限公司	PRC	January 7, 2010	RMB5,000,000	N/A	100	100	100	4S dealership
Huzhou Yongda Automobile Sales and Services Co., Ltd. ("Huzhou Yongda Automobile") 湖州永達汽車銷售服務有限公司	PRC	June 3, 2008	RMB13,000,000	85	75	75	75	4S dealership
Shanghai Yongda Automobile Sales Co., Ltd. ("Shanghai Yongda Automobile Sales") 上海永達汽車銷售有限公司 (formerly known as Shanghai Yongda Zhongbao Automobile Sales and Services Co., Ltd. 上海永達中寶汽車銷售服務有限公司)	PRC	September 28, 2002	RMB6,000,000	100	100	100	100	Sale of passenger vehicles and after-sales services
Shanghai Yongda Dongwo Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Dongwo") 上海永達東沃汽車銷售服務有限公司	PRC	July 18, 2007	RMB10,000,000	100	100	100	100	4S dealership

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				2009	2010	2011		
				%	%	%	%	
Shanghai Yongda Shenlong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Shenlong") 上海永達申龍汽車銷售服務有限公司	PRC	September 5, 2006	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Weirong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Weirong") 上海永達威榮汽車銷售服務有限公司	PRC	July 18, 2006	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Bashi Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Bashi") 上海永達巴士汽車銷售服務有限公司	PRC	March 11, 2008	RMB20,000,000	100	100	100	100	4S dealership
Shanghai Yongda Toyota Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Toyota") 上海永達豐田汽車銷售服務有限公司	PRC	April 25, 2002	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Xingtian Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Xingtian") 上海永達星田汽車銷售服務有限公司	PRC	February 9, 2006	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Tongbao Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Tongbao") 上海永達通寶汽車銷售服務有限公司	PRC	April 18, 2008	RMB10,000,000	100	100	100	100	4S dealership
Shanghai Yongda Automobile Repair Co., Ltd. ("Shanghai Yongda Automobile Repair") 上海永達汽車維修有限公司	PRC	January 12, 1995	RMB10,000,000	100	100	100	100	After-sales services
Shanghai Yongda Automobile Safety Testing Center Co., Ltd. ("Shanghai Yongda Automobile Safety") 上海永達機動車安全檢測中心有限公司	PRC	December 18, 1998	RMB3,650,000	100	100	100	100	After-sales and vehicle inspection services
Shanghai Yongda Automobile Complementary Consulting Services Co., Ltd. ("Shanghai Yongda Automobile Complementary") 上海永達汽車配套諮詢服務有限公司	PRC	January 26, 1999	RMB1,950,000	100	100	100	100	After-sales services
Shanghai Automobile Registration Agency Services Co., Ltd. ("Shanghai Automobile Registration") 上海市機動車登記證代理服務中心有限公司	PRC	September 21, 2001	RMB3,000,000	100	100	100	100	Automobile registration and consultation services
Shanghai Yongda Fengchi Second-Hand Automobile Management Co., Ltd. ("Shanghai Yongda Fengchi Second-Hand") 上海永達風馳二手機動車經營有限公司	PRC	December 25, 2006	RMB1,000,000	N/A	100	100	100	Pre-owned vehicle business
Shanghai Yongda Fengchi Automobile Services Co., Ltd.* 上海永達風馳汽車服務有限公司*	PRC	December 11, 2000	RMB3,000,000	90	N/A	N/A	N/A	Pre-owned vehicle business
Shanghai Pudong Used Automobile Trading Management Co., Ltd. ("Shanghai Pudong Used Automobile") 上海市浦東舊機動車交易市場經營管理有限公司	PRC	July 13, 1999	RMB5,340,000	75	75	75	75	Pre-owned vehicle business
Shanghai Zhongzheng Second-Hand Automobile Valuation Services Co., Ltd. ("Shanghai Zhongzheng Second-Hand") 上海中正二手車評估服務有限公司	PRC	September 22, 2005	RMB1,560,000	80	80	80	80	Pre-owned vehicle business
Fujian Yongda Jinshan Automobile Development Co., Ltd. ("Fujian Yongda Jinshan") 福建永達金山汽車發展有限公司	PRC	July 15, 2011	RMB 2,000,000	N/A	N/A	61	61	Operation to be commenced
Shanghai Yongda Lujie Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Lujie") 上海永達路捷汽車銷售服務有限公司	PRC	September 6, 2010	RMB10,000,000	N/A	65	51	51	4S dealership
Shanghai Yongda Lusheng Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Lusheng") 上海永達路勝汽車銷售服務有限公司	PRC	June 30, 2011	RMB10,000,000	N/A	N/A	51	51	4S dealership

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Shaoxing Yongda Wuxian Automobile Sales and Services Co., Ltd. 紹興永達無限汽車銷售服務有限公司	PRC	August 22, 2011	RMB 20,000,000	N/A	N/A	85	85	4S dealership
Jiangyin Xiangyue Baozen Automobile Sales and Services Co., Ltd. 江陰享悅寶誠汽車銷售服務有限公司	PRC	November 4, 2011	RMB 10,000,000	N/A	N/A	100	88	4S dealership
Shanghai Baozen Shenjiang Sales and Services Co., Ltd. ("Shanghai Baozen Shenjiang") 上海寶誠申江汽車銷售服務有限公司	PRC	November 9, 2011	RMB 10,000,000	N/A	N/A	100	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB 10,000,000	N/A	N/A	82	82	4S dealership
Shanghai Yongda Aocheng Zhonghuan Automobile Sales and Services Co., Ltd. 上海永達奧誠中環汽車銷售服務有限公司	PRC	December 9, 2011	RMB 15,000,000	N/A	N/A	100	100	4S dealership
Huzhou Yongda Aocheng Automobile Sales and Services Co., Ltd. 湖州永達奧誠汽車銷售有限公司	PRC	September 9, 2011	RMB 15,000,000	N/A	N/A	100	100	4S dealership
Zhengzhou Yongda Hexie Automobile Sales and Services Co., Ltd. 鄭州永達和諧汽車銷售服務有限公司	PRC	December 26, 2011	RMB 20,000,000	N/A	N/A	70	70	4S dealership
Ningbo Shanshan Yongda Automobile Repair and Services Co., Ltd. 寧波杉杉永達汽車維修服務有限公司	PRC	January 12, 2012	RMB 60,000,000	N/A	N/A	N/A	60	Operation to be commenced
Ningbo Shanshan Yongda Automobile Sales and Services Co., Ltd. 寧波杉杉永達汽車銷售服務有限公司	PRC	March 27, 2012	RMB 20,000,000	N/A	N/A	N/A	60	Operation to be commenced
Huzhou Yongda Lubao Automobile Sales and Services Co., Ltd. 湖州永達路寶汽車銷售服務有限公司	PRC	March 16, 2012	RMB 10,000,000	N/A	N/A	N/A	100	4S dealership
Wenzhou Yongda Lujie Automobile Sales and Services Co., Ltd. 溫州永達路捷汽車銷售服務有限公司	PRC	March 30, 2012	RMB 10,000,000	N/A	N/A	N/A	100	4S dealership
Shengzhou Baozen Automobile Sales and Services Co., Ltd. 嵊州市寶誠汽車銷售服務有限公司	PRC	March 15, 2012	RMB 10,000,000	N/A	N/A	N/A	100	4S dealership
Shanghai Huangpu Baozen Automobile Sales Co., Ltd. 上海黃浦寶誠汽車銷售有限公司	PRC	June 5, 2012	RMB10,000,000	N/A	N/A	N/A	100	Operation to be commenced
Shanghai Yongda Beiwo Automobile Sales and Services Co., Ltd. 上海永達北沃汽車銷售服務有限公司	PRC	June 7, 2012	RMB10,000,000	N/A	N/A	N/A	100	Operation to be commenced

* Disposed of on December 13, 2010. Details are set out in note 34(a).

Except for Sea of Wealth and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.

^ The English names of all subsidiaries established in the PRC are translated for identification purpose only.

@ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, service and survey.

The Company and its subsidiaries have adopted December 31 as their financial year end date.

No audited financial statements have been prepared for the Company and Sea of Wealth since their incorporation as there is no such statutory requirement in the jurisdictions where they were incorporated. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company and Sea of Wealth since their incorporation.

Grouprich International's statutory financial statements for each of the three years ended December 31, 2011 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Klis & Associates CPA Limited, certified public accountants registered in Hong Kong.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

<u>Name of subsidiaries</u>	<u>Financial periods</u>	<u>Name of auditors ^</u>
Yongda International	For the two years ended December 31, 2010	Shanghai HDDY Certified Public Accountants Co., Ltd.
Automobile Group	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Baozen	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Baozen Zhonghuan	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Putuo Baozen	From date of establishment to December 31, 2010	Shanghai HDDY Certified Public Accountants Co., Ltd.
Beijing Baozen Baiwang	From date of establishment to December 31, 2009 and the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Linfen Baozen	From date of establishment to December 31, 2009 and the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Changzhi Baozen Lufu	From date of establishment to December 31, 2010 and the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Taiyuan Baozen	For the two years ended December 31, 2010	Shanghai HDDY Certified Public Accountants Co., Ltd.
Jiangyin Baozen	For the two years ended December 31, 2010	Jiangyin Daqiao Certified Public Accountants Co., Ltd.
Wenzhou Baozen	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Taizhou Baozen	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Linhai BMW-authorized Service Center	For the two years ended December 31, 2011	Taizhou Chonghe Certified Public Accountants Co., Ltd.
Yongjia BMW-authorized Service Center	From date of establishment to December 31, 2010 and the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Businesses and Services	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Guangshen	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Trade	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Tongmei	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Nanhui	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Songjiang	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Tongtu	From date of establishment to December 31, 2009 and the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Fuzhou Yongda	For the three years ended December 31, 2011	Fuzhou Rongxin Certified Public Accountants Co., Ltd.
Wuxi Baozen	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.

APPENDIX I**ACCOUNTANTS' REPORT**

Name of subsidiaries	Financial periods	Name of auditors ^
Shanghai Yongda Baoyunlai	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Tongning	From date of establishment to December 31, 2009 and the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Fujian Yongda	From date of establishment to December 31, 2009 and the two years ended December 31, 2011	Fuzhou Rongxin Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Puxi	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Pudong	For the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Aoxiang	For the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Infiniti	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Infiniti Qibao	From date of establishment to December 31, 2009 and the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Qingpu Yongda	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Lujie	From date of establishment to December 31, 2010 and the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Lusheng	From date of establishment to December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Pudong Trade	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Haojie	From date of establishment to December 31, 2010	Shanghai HDDY Certified Public Accountants Co., Ltd.
Huzhou Yongda Automobile	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Sales	For the two years ended December 31, 2010	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Dongwo	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Shenlong	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Bashi	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Weirong	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Toyota	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Xingtian	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Tongbao	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.

APPENDIX I**ACCOUNTANTS' REPORT**

<u>Name of subsidiaries</u>	<u>Financial periods</u>	<u>Name of auditors ^</u>
Shanghai Yongda Automobile Repair	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Safety	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Complementary	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Automobile Registration	For the two years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Fengchi Second-Hand	From date of establishment to December 31, 2010	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Pudong Used Automobile	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Zhongzheng Second-Hand	For the three years ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Hainan Mengfa	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Automobile Leasing	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Anhui Yongda Baoyi	From date of establishment to December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Zhonghuan	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Tonghao	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Shanghai Yongda Tong Sheng	For the year ended December 31, 2011	Shanghai HDDY Certified Public Accountants Co., Ltd.
Fujian Yongda Jinshan	From date of establishment to December 31, 2011	Fuzhou Rongxin Certified Public Accountants Co., Ltd.

^ Shanghai HDDY Certified Public Accountants Co., Ltd., Jiangyin Daqiao Certified Public Accountants Co., Ltd., Taizhou Chonghe Certified Public Accountants Co., Ltd. and Fuzhou Rongxin Certified Public Accountants Co., Ltd. are translated names of 上海宏大東亞會計師事務所有限公司, 江陰大橋會計師事務所有限公司, 台州崇和會計師事務所 and 福州榕信會計師事務所有限公司, respectively, for identification purpose.

Other than the audited statutory financial statements set out above, no audited statutory financial statements have been prepared for the subsidiaries established in the PRC for any periods within the Track Record Period because either there is no such requirement or their 2011 statutory audits have not been completed by the date of this report.

For the purpose of this report, the Directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

We have examined the Underlying Financial Statements for the Track Record Period in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section A below. No adjustments are deemed necessary by us to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the Directors of the Company who approved their issue. The Directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2009, 2010 and 2011 and of the Company as at December 31, 2011 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2009	2010	2011
		RMB'000	RMB'000	RMB'000
Revenue	8	9,104,198	15,017,931	20,304,119
Cost of sales and services		(8,411,844)	(13,844,598)	(18,703,633)
Gross profit		692,354	1,173,333	1,600,486
Other income and gains, net	9	60,406	87,509	143,043
Other expenses	9	—	—	(9,278)
Distribution and selling expenses		(240,512)	(330,495)	(467,189)
Administrative expenses		(181,735)	(298,203)	(350,747)
Finance costs	10	(71,869)	(73,383)	(176,138)
Share of profits of jointly controlled entities	19	—	—	1,318
Share of losses of associates	20	—	—	(626)
Profit before tax	11	258,644	558,761	740,869
Income tax expense	13	(65,199)	(140,195)	(177,703)
Profit and total comprehensive income for the year		193,445	418,566	563,166
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		185,046	385,586	504,782
Non-controlling interests		8,399	32,980	58,384
		193,445	418,566	563,166
Basic earnings per share	14	RMB0.17	RMB0.28	RMB0.35

A. FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company
		At December 31,			At December 31,
		2009	2010	2011	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	582,816	772,829	1,088,779	—
Prepaid lease payments	16	110,095	115,872	246,050	—
Intangible assets	17	10,331	10,480	14,561	—
Deposits for acquisition of property, plant and equipment		19,633	31,838	4,570	—
Deposits for acquisition of land use rights		5,782	—	—	—
Investment in a subsidiary	18	—	—	—	30,000
Interests in jointly controlled entities	19	—	—	31,856	—
Interests in associates	20	—	—	27,692	—
Available-for-sale investments	21	5,820	6,032	1,000	—
Deferred tax assets	22	18,865	19,075	35,410	—
		<u>753,342</u>	<u>956,126</u>	<u>1,449,918</u>	<u>30,000</u>
Current assets					
Prepaid lease payments	16	2,817	3,043	5,089	—
Inventories	23	822,453	1,123,355	2,088,316	—
Trade and other receivables	24	932,981	1,489,426	2,643,589	—
Amount due from a subsidiary	18	—	—	—	100
Amounts due from related parties	34(a)	5,236	4,291	6,968	—
Pledged bank deposits	25	172,011	267,804	884,658	—
Bank balances and cash	25	391,537	480,769	1,080,178	494,773
		<u>2,327,035</u>	<u>3,368,688</u>	<u>6,708,798</u>	<u>494,873</u>
Current liabilities					
Trade and other payables	26	734,226	1,068,049	2,895,123	5,231
Amount due to a subsidiary	18	—	—	—	1,730
Amounts due to related parties	34(b)	249,575	338,621	880,194	2,318
Income tax liabilities		106,853	202,846	268,994	—
Borrowings	27	1,214,346	1,400,630	2,355,517	—
		<u>2,305,000</u>	<u>3,010,146</u>	<u>6,399,828</u>	<u>9,279</u>
Net current assets		<u>22,035</u>	<u>358,542</u>	<u>308,970</u>	<u>485,594</u>
Total assets less current liabilities		<u>775,377</u>	<u>1,314,668</u>	<u>1,758,888</u>	<u>515,594</u>
Non-current liabilities					
Borrowings	27	5,504	118,428	20,821	—
Net assets		<u>769,873</u>	<u>1,196,240</u>	<u>1,738,067</u>	<u>515,594</u>
Capital and reserves					
Paid-in/issued share capital	28	424,056	478,671	2	2
Reserves	29	298,225	637,168	1,579,118	515,592
Equity attributable to owners of the Company		722,281	1,115,839	1,579,120	515,594
Non-controlling interests		47,592	80,401	158,947	—
Total equity		<u>769,873</u>	<u>1,196,240</u>	<u>1,738,067</u>	<u>515,594</u>

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in/ issued share capital	Share premium	Statutory surplus reserve	Special reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note d)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2009	350,710	—	25,722	(20,655)	129,291	485,068	22,282	507,350
Profit and total comprehensive income for the year	—	—	—	—	185,046	185,046	8,399	193,445
Capital injection by the equity holders	73,346	—	—	—	—	73,346	3,950	77,296
Deemed distribution to Yongda Holding and Yongda CLS (note c)	—	—	—	(21,323)	—	(21,323)	—	(21,323)
Disposal of partial equity interests in subsidiaries	—	—	—	(295)	—	(295)	6,295	6,000
Acquisition of subsidiaries (note 30(a) and (b))	—	—	—	26,099	—	26,099	8,176	34,275
Transfer to statutory reserve	—	—	2,479	—	(2,479)	—	—	—
Dividends recognized as distributions (note b)	—	—	—	—	(25,660)	(25,660)	—	(25,660)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(1,510)	(1,510)
At December 31, 2009	424,056	—	28,201	(16,174)	286,198	722,281	47,592	769,873
Profit and total comprehensive income for the year	—	—	—	—	385,586	385,586	32,980	418,566
Capital injection by the equity holders	54,615	—	—	—	—	54,615	5,380	59,995
Deemed distribution to Yongda Holding and Yongda CLS (note c)	—	—	—	(18,545)	—	(18,545)	—	(18,545)
Disposal of partial equity interests in subsidiaries	—	—	—	(944)	—	(944)	2,544	1,600
Disposal of a subsidiary (note 34(a))	—	—	—	(146)	—	(146)	(316)	(462)
Acquisition of a subsidiary (note 30(c))	—	—	—	9,000	—	9,000	—	9,000
Transfer to statutory reserve	—	—	24,109	—	(24,109)	—	—	—
Dividends recognized as distributions (note b)	—	—	—	—	(36,008)	(36,008)	—	(36,008)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(7,779)	(7,779)
At December 31, 2010	478,671	—	52,310	(26,809)	611,667	1,115,839	80,401	1,196,240
Profit and total comprehensive income for the year	—	—	—	—	504,782	504,782	58,384	563,166
Capital injection by the equity holders	63,200	—	—	—	—	63,200	32,280	95,480
Deemed distribution to Yongda Holding and Yongda CLS (note c)	—	—	—	(42,132)	—	(42,132)	—	(42,132)
Disposal of partial equity interests in subsidiaries	—	—	—	(12,713)	—	(12,713)	12,713	—
Transfer to statutory reserve	—	—	54,471	—	(54,471)	—	—	—
Conversion into capital (note e)	19,112	—	(19,112)	—	—	—	—	—
Deemed distribution to the equity holders pursuant to the Reorganization	(560,983)	—	—	415,301	—	(145,682)	—	(145,682)
Issue of shares	2	524,998	—	—	—	525,000	—	525,000
Dividends recognized as distributions (note b)	—	—	—	—	(429,174)	(429,174)	—	(429,174)
Dividends payable to non-controlling interests	—	—	—	—	—	—	(24,831)	(24,831)
At December 31, 2011	2	524,998	87,669	333,647	632,804	1,579,120	158,947	1,738,067

A. FINANCIAL INFORMATION (continued)**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Notes:

- (a) As stipulated by the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their respective boards of directors annually. The appropriation, however, must be at least 10% of profit after tax and should cease when the fund balance reaches 50% of the registered capital of the PRC subsidiaries. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalization issue.
- (b) Dividends recognized as distributions represent dividends payable by the PRC subsidiaries to 上海永達(集團)股份有限公司 (Shanghai Yongda Group Company Limited By Shares, "Yongda CLS"), their then immediate parent. No rates of dividend paid are presented as such information is not meaningful having regard to the purpose of this report.
- (c) During the Track Record Period, certain income and expenses relating to the Group's Core Business (as defined in note 1) were recorded in the books of Yongda CLS and 上海永達控股(集團)有限公司 (Shanghai Yongda Holding (Group) Limited, "Yongda Holding", Yongda CLS's immediate parent) (the "Carve-out Items") because the relevant business license for car insurance distribution from which the insurance commission income was derived was held by Yongda CLS and certain expenses were incurred commonly for both the Core Business (as defined in note 1) and Non-core Business (as defined in note 2). In order to present a complete picture of the Core Business, the Carve-out Items, which were income statement items recorded in the books of Yongda CLS and Yongda Holding, were identified and allocated to the Group. Yongda CLS has collected or will collect, without reimbursing the Group, certain car insurance commission receivables which were arising from the Group's Core Business. In the opinion of the management, since Yongda CLS and Yongda Holding were under the common control of the Shareholder (as defined in note 2), such collection should be reflected as if they were transaction with shareholders and therefore the collection by related party was treated as deemed distribution to shareholders of the Group. Also Yongda CLS and Yongda Holding have settled or will settle, without charging the Group, liabilities related to certain common expenses which were incurred for the Group's Core Business, such settlement should be reflected as if they were transaction with shareholders and treated as deemed contribution from shareholders. The net effect of Carve-out Items as discussed above is a net profit and it has been treated as deemed distribution to Yongda CLS and Yongda Holding. As at the date of this report, all the PRC subsidiaries of the Company which are engaged in vehicle insurance distribution have obtained all relevant business licences.
- (d) Special reserve is mainly composed of:
- (i) The deemed distributions as described in note (c) above;
 - (ii) The contribution from Yongda CLS relating to the acquisition of subsidiaries as explained in note 30;
 - (iii) The difference between the fair value of the consideration received, if any, and the carrying amount of the non-controlling interests upon disposal of partial interests in subsidiaries;
 - (iv) The deemed distribution to the equity holders pursuant to the Reorganization, representing the difference between the aggregate consideration paid by Automobile Group for the equity interests in the entities engaged in the Core Business (as defined in note 1) and the aggregate registered capital of such entities;
 - (v) The deemed contribution to the equity holders pursuant to the Reorganization, representing the difference between the aggregate consideration paid by Automobile Group for the equity interests in jointly controlled entities and associates and the Group's aggregate share of the fair value of the net assets of such entities; and
 - (vi) The net asset value of certain investment holding companies interspersed between the Shareholders (as defined in note 2) and the Core Business (as defined in note 1).
- (e) Statutory surplus reserve was converted into paid-in capital of the relevant PRC subsidiaries pursuant to the relevant resolution of the Shareholders (as defined in note 2).

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	258,644	558,761	740,869
Adjustments for:			
Finance costs	71,869	73,383	176,138
Interest income	(2,372)	(2,530)	(5,408)
Dividends from available-for-sale investments	(17)	(70)	(425)
Loss on disposal of available-for sale investments	—	—	87
Depreciation of property, plant and equipment	99,037	114,378	125,788
Release of prepaid lease payments	2,905	3,024	3,234
Net gain on disposal of property, plant and equipment	(1,915)	(4,953)	(9,446)
Carve-out Items of Core Business incurred by Yongda Holding and Yongda CLS	(21,323)	(18,545)	(42,132)
Bargain purchase gain on acquisitions	(1,808)	—	—
Share of losses of associates	—	—	626
Share of profits of jointly controlled entities	—	—	(1,318)
Operating cash flows before movements in working capital	405,020	723,448	988,013
Increase in inventories	(104,766)	(300,902)	(964,961)
Increase in trade and other receivables	(475,255)	(555,121)	(1,073,104)
Increase in trade and other payables	159,048	337,522	1,829,505
Increase in amounts due from related parties	(377)	(28)	(3,318)
Increase (decrease) in amounts due to related parties	2,199	(913)	2,070
Cash (used in) from operations	(14,131)	204,006	778,205
Income taxes paid	(9,744)	(44,390)	(159,739)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(23,875)	159,616	618,466
INVESTING ACTIVITIES			
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)
Proceeds on disposal of property, plant and equipment	35,435	26,531	43,609
Proceeds on disposal of intangible assets	454	22	—
Proceeds on disposal of available-for-sale investments	1,200	—	3,645
Payment for acquisition of jointly controlled entities and an associate	—	—	(30,716)
Investment in an associate	—	—	(9,800)
Purchase of available-for-sale investments	—	(212)	(35,459)
Advance to related parties	(8,021)	(4,550)	(33,840)
Advance to independent third parties	—	—	(44,300)
Collection of advance to related parties	296,681	7,923	32,081
Acquisition of subsidiaries (note 30)	5,648	(996)	—
Settlement of consideration payable for acquisition of a subsidiary	—	(1,556)	—
Disposal of a subsidiary (note 34 (a))	—	(22)	—
Receipt of proceeds on disposal of a subsidiary (note 34 (a))	—	—	2,400
Dividends received from available-for-sale investments	17	70	425
Interest received	2,372	2,530	5,408
Net increase in pledged bank deposits	(58,168)	(95,793)	(616,854)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	74,277	(401,556)	(1,273,448)

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised	2,849,824	3,531,708	4,749,358
Repayment of bank borrowings	(2,975,317)	(3,232,500)	(3,892,078)
Capital injection by non-controlling shareholders	3,950	5,380	32,280
Capital injection by Yongda CLS	73,346	54,615	63,200
Proceeds from issue of shares of the Company	—	—	525,000
Deemed contribution from Shareholders as part of the Reorganization	—	—	462,664
Deemed distribution to Shareholders for acquisition of the Core Business as part of the Reorganization	—	—	(567,994)
Proceeds from disposal of partial interests in subsidiaries without loss of control	6,000	1,600	—
Advance from related parties	2,141,245	1,895,832	3,692,483
Repayment of advance from related parties	(1,924,975)	(1,805,873)	(3,202,724)
Advance from independent third parties	2,453	—	—
Repayment of advance from independent third parties	—	(2,586)	(1,078)
Interest paid	(79,457)	(73,217)	(175,616)
Dividends paid to non-controlling shareholders	(1,510)	(7,779)	(15,665)
Dividends paid to Yongda CLS	(25,660)	(36,008)	(412,744)
Dividends paid to Yongda Holding	—	—	(2,425)
Dividends paid to Yongda Transportation Equipment*	—	—	(270)
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 BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	271,236	391,537	480,769
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	391,537	480,769	1,080,178

* Shanghai Yongda Transportation Equipment Co., Ltd. ("Yongda Transportation Equipment") (上海永達交通設施有限公司), an entity controlled by the Shareholders (as defined in note 2).

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated on November 7, 2011 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"). The respective addresses of the registered office and the principal place of business of the Company are stated in the "Corporate Information" section of the Prospectus. The Group is mainly engaged in the sale of automobiles and provision of after-sales services primarily through its 4S dealerships, distribution of automobile insurance products and automobile rental services (the "Core Business").

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Historically, the Core Business was legally and/or beneficially owned by a group of individuals including Mr. Cheung Tak On (張德安), Mr. Wan Zhanggen (萬章根), Mr. Cai Yingjie (蔡英傑), Mr. Gu Mingchang (顧明昌), Mr. Wang Zhigao (王志高) and Mr. Qiao Suixiang (喬穗祥) (hereinafter collectively referred to as the "Shareholders"), and investment holding vehicles set up by them. In preparation for the Listing, the Shareholders have transferred substantially all of their equity interests in the entities engaged in the Core Business to the Group through the Reorganization. However, the control of certain entities engaged in the Core Business were not transferred to the Group for the purpose of the Listing (hereinafter referred to as the "Excluded Entities") as in the opinion of the Shareholders, the Excluded Entities had, both individually and collectively, no material financial impact on the Group during the Track Record Period. Instead, they were disposed of to independent third parties in 2011 (the "Disposals"). During a substantial part of the Track Record Period, Yongda CLS had controlling equity interests in the Excluded Entities, while Automobile Group had non-controlling equity interests in the Excluded Entities. Although Yongda CLS' legal title to the equity interests in the Excluded Entities were formally transferred to Automobile Group prior to the Disposals, such transfers were only made to effect the Disposals such that the Group's control over the Excluded Entities was transitory. As a result, the Group has not applied merger accounting to the Excluded Entities during the Track Record Period. Instead, the Group's non-controlling equity interests in the Excluded Entities prior to the Disposals have been accounted for as available-for-sale investments in the Financial Information.

In preparation for the Listing, the Group underwent the Reorganization involving (i) the transfer of all equity interests in the entities engaged in the Core Business (except for the Excluded Entities), which were then held by different investment holding vehicles owned by the Shareholders on a collective basis, to Automobile Group, which was also an investment holding company owned by the Shareholders; (ii) the transfer of non-controlling equity interests in the entities engaged in the non-automobile related business (the "Non-core Business") held by Automobile Group to entities owned by the Shareholders which do not form part of the Group or third parties; and (iii) the insertion of certain investment holding companies including the Company between the Core Business and the Shareholders. Upon the completion of the Reorganization on December 19, 2011, the Company became the holding company of its subsidiaries. The Reorganization has been arranged in a way that enables the Shareholders to maintain their respective beneficial ownership interests in the Core Business in the same manner before and after the Reorganization. Also, on January 29, 2012, the Shareholders entered into a contractual arrangement among themselves to reiterate their historical and continuous collective control over the Core Business through the Company.

NOTES TO THE FINANCIAL INFORMATION (continued)**2. BASIS OF PREPARATION OF FINANCIAL INFORMATION (continued)**

The Reorganization mainly involved business combinations under common control as the Core Business was under the collective control of the then investment holding vehicles set up and owned by the Shareholders. As a result, merger accounting has been applied and the Group resulting from the Reorganization has been regarded as a continuing entity throughout the Track Record Period and the Financial Information has been prepared as if the Company had always been the holding company of the Group throughout the Track Record Period. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition, and up to their respective dates of disposal, where this is a shorter period. The statements of financial position of the Group as at December 31, 2009 and 2010 have been prepared to present the assets and liabilities of the companies comprising the Group as at the respective dates as if the current group structure had been in existence at those dates, taking into account entities incorporated/established/acquired or disposed of during the Track Record Period.

As mentioned above and in note 21, during the Track Record Period, the Group had non-controlling equity interests in certain entities engaged in the Non-core Business which were under the control of the Shareholders. As these entities were controlled by entities not forming part of the Group and were not transferred to or under the control of the Group, they have been excluded from merger accounting and accounted for as available-for-sale investments during the Track Record Period under IAS 39 *Financial Instruments: Recognition and Measurement*.

On the other hand, during the Track Record Period, the Shareholders had, through certain entities owned by them which do not form part of the Group, non-controlling equity interests in other entities engaged in the Core Business. During the Track Record Period, the Shareholders, through such entities owned by them which do not form part of the Group, as well as Automobile Group which is a group entity, acquired controlling interests in these entities engaged in the Core Business (the "Acquirees"). After obtaining control, the Shareholders have injected their equity interests in the Acquirees to the Group as part of the Reorganization. For the period prior to these acquisitions, as the Acquirees were not under the control of the Shareholders, they have not been included in the Financial Information. Instead, the acquisition method of accounting for business combinations, or the accounting for acquisitions of assets, as appropriate, have been applied to such acquisitions at the time when the Shareholders obtained control in the Acquirees and the consideration paid by the Shareholders' entities without charging the Group have been treated as deemed contributions to the Group. The Acquirees were consolidated by the Group from the date when they came under the control of the Shareholders. Please see note 30 for details.

In addition, upon the completion of the Reorganization, the Company issued ordinary shares to non-related investors, details of which are disclosed in note 28.

NOTES TO THE FINANCIAL INFORMATION (continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all the IFRSs which are effective for the Group's financial year beginning on January 1, 2011 consistently throughout the Track Record Period.

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

Amendments to IFRSs	Annual Improvement to IFRSs 2009-2011 Cycle ²
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
IFRS 1 (Amendments)	Government Loans ²
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
IFRS 9	Financial Instruments ³
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁵
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets ⁴
IAS 19 (Revised 2011)	Employee Benefits ²
IAS 27 (Revised 2011)	Separate Financial Statements ²
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁶
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ²

1 Effective for annual periods beginning on or after July 1, 2011

2 Effective for annual periods beginning on or after January 1, 2013

3 Effective for annual periods beginning on or after January 1, 2015

4 Effective for annual periods beginning on or after January 1, 2012

5 Effective for annual periods beginning on or after July 1, 2012

6 Effective for annual periods beginning on or after January 1, 2014

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end

NOTES TO THE FINANCIAL INFORMATION (continued)**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

The Directors anticipate that the adoption of IFRS 9 in the future may affect the classification and measurement of the Group's available-for-sale investments but not on the Group's other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation—Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

NOTES TO THE FINANCIAL INFORMATION (continued)**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies set out below which are in conformity with IFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods. These policies have been consistently applied throughout the Track Record Period.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, incomes and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Basis of consolidation (continued)**Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Business combinations (continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Merger accounting for business combination involving entities under common control (continued)*

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairment losses.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Jointly controlled entities*

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Financial Information only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Revenue recognition (continued)*

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are provided.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Vendor rebates

Incentive rebates provided by vendors are recognized on an accruals basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract. Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Property, plant and equipment (continued)*

for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statements of financial position and is amortized over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Taxation (continued)*

will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately and with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy on impairment of investment in a subsidiary, tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Impairment of investment in a subsidiary, tangible and intangible assets

At the end of the reporting period, the Group and the Company review the carrying amounts of its investment in a subsidiary and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Impairment of investment in a subsidiary, tangible and intangible assets (continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sales financial assets.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Financial instruments (continued)***Financial assets (continued)***Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a subsidiary, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables and amounts due from related parties, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Financial instruments (continued)***Financial assets (continued)***Impairment of financial assets (continued)*

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest.

NOTES TO THE FINANCIAL INFORMATION (continued)**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***Financial instruments (continued)***Financial liabilities and equity instruments (continued)***Financial liabilities*

Financial liabilities including trade and other payables, amount due to a subsidiary, amounts due to related parties and borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL INFORMATION (continued)

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash inflows from the outstanding trade receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2009, 2010 and 2011, the carrying amounts of trade receivables of the Group are approximately RMB77,746,000, RMB97,580,000 and RMB119,400,000, respectively.

Estimated rebate receivables

The Group receives incentive rebates from automobile manufacturers from time to time depending on the policies of the manufacturers. The amount of incentive rebates given by a manufacturer for a given period is generally determined with reference to the Group's purchase volume, sales volume, customer satisfaction and other performance indicators set by the manufacturer with respect to that period. As the Group records 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 Track Record Period, the Group determines certain of its incentive rebates accrued 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 assessment by the manufacturers of the Group's performance in various aspects during the Track Record Period. When the actual rebates received by the Group differ from the estimated amount, adjustment will be made and recognized in the period in which such event takes place. As at December 31, 2009, 2010 and 2011, the carrying amounts of rebate receivables are approximately RMB225,919,000, RMB456,484,000 and RMB533,467,000, respectively.

Estimated useful lives and impairment of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at December 31, 2009, 2010 and 2011, the carrying amounts of property, plant and equipment are approximately RMB582,816,000, RMB772,829,000 and RMB1,088,779,000, respectively.

NOTES TO THE FINANCIAL INFORMATION (continued)**5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)***Estimated residual value of leasing motor vehicles*

The Group is required to determine the residual value of its leasing motor vehicles by estimating the amount it would currently obtain from their disposal if they were already of the age and in the condition expected at the end of their useful life. In previous years, the estimated residual value of the leasing motor vehicles was 5% of cost. At the end of 2010, the management decided to change the estimated residual value of the leasing motor vehicles from 5% to 30% of cost on the basis of their experience and information developed from the pre-owned automobile market over the years. The management believes that such a change will better reflect the pattern in which the leasing motor vehicles' future economic benefits are expected to be consumed by the Group and the potential disposal value of the leasing motor vehicles available to the Group. This change in residual value has been accounted for prospectively as a change in accounting estimate and caused the depreciation of leasing motor vehicles for the year ended December 31, 2011 to decrease by approximately RMB24,959,000. The effect on future periods is not disclosed because it is impracticable to estimate that effect.

Income taxes

As at December 31, 2009, 2010 and 2011, a deferred tax asset of approximately RMB7,677,000, RMB5,233,000 and RMB16,941,000, respectively, in relation to unused tax losses has been recognized in the Group's consolidated statements of financial position. No deferred tax asset has been recognized on the tax losses of approximately RMB299,000, nil and nil as at December 31, 2009, 2010 and 2011, respectively due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Moreover, a significant portion of the Group's income tax liabilities at the end of each reporting period arose from the estimated rebate receivables as described above. As a result, when the actual rebates received by the Group differ from the estimated amount, adjustment to the income tax liabilities will be made and recognized in the period in which such event takes place.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 27, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on an on-going basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE FINANCIAL INFORMATION (continued)

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Group			The Company
	At December 31,			At December 31,
	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	940,301	1,387,321	2,850,727	494,873
Available-for-sale investments	5,820	6,032	1,000	—
	<u>1,892,423</u>	<u>2,470,433</u>	<u>5,578,417</u>	<u>9,279</u>
Financial liabilities				
Amortized cost	1,892,423	2,470,433	5,578,417	9,279

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, and borrowings. The Company's major financial instruments are mainly amount due from a subsidiary, bank balances and cash, other payables, amount due to a subsidiary and amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk***Currency risk***

The primary economic environment in which the Company and most of its principal subsidiaries operate is the PRC and their functional currency is RMB. However, certain bank balances, other payables and amount due to related parties are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Assets			
United States Dollars ("US\$")	—	—	27
Hong Kong Dollars ("HK\$")	—	—	303
	<u>—</u>	<u>—</u>	<u>303</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

7. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)**Market risk (continued)***Currency risk (continued)*

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Liabilities			
US\$	—	—	889
HK\$	—	—	2
	<u>—</u>	<u>—</u>	<u>2</u>

The carrying amounts of the Company's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Assets			
HK\$	—	—	199
	<u>—</u>	<u>—</u>	<u>199</u>

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Liabilities			
US\$	—	—	889
	<u>—</u>	<u>—</u>	<u>889</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. A sensitivity rate of 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates.

A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against the relevant foreign currencies, whereas a negative number indicates a decrease in post-tax profit. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

The Group

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
If RMB strengthens against US\$	—	—	42
If RMB strengthens against HK\$	—	—	(14)
	<u>—</u>	<u>—</u>	<u>(14)</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

7. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)**Market risk (continued)***Currency risk (continued)***The Company**

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
If RMB strengthens against US\$	—	—	42
If RMB strengthens against HK\$	—	—	(9)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and other borrowings (see note 27).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits, borrowings and interest-bearing amount due to Yongda CLS (see notes 25, 27 and 34). The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25). Such variable rates are mostly linked to the People's Bank of China benchmark rates.

The Group currently does not have a specific policy to manage their interest rate risk and has not entered into interest rate swaps to hedge its exposure, but will closely monitor its interest rate risk exposure in the future.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 5-basis point increase or decrease in deposit interest rates and a 50-basis point increase or decrease in lending interest rates represent management's assessment of the reasonably possible change in interest rates.

If the deposit interest rate had been 5 basis points higher/lower, the lending interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2009, 2010 and 2011 would have been increased/decreased by approximately RMB652,000, RMB1,024,000 and RMB1,722,000.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the statements of financial position at the end of each reporting period.

NOTES TO THE FINANCIAL INFORMATION (continued)**7. FINANCIAL INSTRUMENTS (continued)****b. Financial risk management objectives and policies (continued)****Credit risk (continued)**

For passenger vehicle sales, deposits and advances are received from customers in most cases before delivery of automobiles is made, except for certain corporate customers to which credit is granted. For the provision of after-sales services, payment is in most cases received from customers upon completion of the relevant services, except for certain corporate customers to which credit is granted. For automobile rental services, credit period is generally granted to customers. In order to further minimize the credit risk, the management of the Group determines credit limits and has credit approval and other monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's credit risk primarily relates to the Group's amounts due from related parties, trade and other receivables, bank balances and cash and pledged bank deposits. In addition, the credit risk in relation to the Group's bank balances and cash and pledged bank deposits is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality. The Group's trade receivables consist of a large number of customers located in the PRC.

The Group has concentration of credit risk as about 90% of the rebate receivables was due from the Group's five largest suppliers as at December 31, 2009, 2010 and 2011. In addition, the credit risk in relation to the Group's rebate receivables is not significant because the counterparties are the PRC subsidiaries and jointly ventures of large foreign automobile manufacturers with high credit quality.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE FINANCIAL INFORMATION (continued)

7. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)**Liquidity risk (continued)***Liquidity and interest risk tables (continued)*

The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

The Group

	Weighted average interest rate	Repayable on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At December 31, 2009</u>							
Trade and other payables	—	422,998	—	—	—	422,998	422,998
Amounts due to related parties	—	126,875	—	—	—	126,875	126,875
Interest-bearing amount due to Yongda CLS	6%	122,700	—	—	—	122,700	122,700
Borrowings	5.71%	280,011	364,924	602,899	6,535	1,254,369	1,219,850
		<u>952,584</u>	<u>364,924</u>	<u>602,899</u>	<u>6,535</u>	<u>1,926,942</u>	<u>1,892,423</u>
	Weighted average interest rate	Repayable on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At December 31, 2010</u>							
Trade and other payables	—	612,754	—	—	—	612,754	612,754
Amounts due to related parties	—	195,921	—	—	—	195,921	195,921
Interest-bearing amount due to Yongda CLS	5.83%	142,700	—	—	—	142,700	142,700
Borrowings	5.72%	271,580	474,936	695,137	124,515	1,566,168	1,519,058
		<u>1,222,955</u>	<u>474,936</u>	<u>695,137</u>	<u>124,515</u>	<u>2,517,543</u>	<u>2,470,433</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

7. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)**Liquidity risk (continued)***Liquidity and interest risk tables (continued)*

	Weighted average interest rate	Repayable on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At December 31, 2011</u>							
Trade and other payables	—	2,321,885	—	—	—	2,321,885	2,321,885
Amounts due to related parties	—	870,194	—	—	—	870,194	870,194
Interest-bearing amount due to Yongda CLS	7.90%	10,000	—	—	—	10,000	10,000
Borrowings	7.27%	204,844	912,563	1,324,800	25,803	2,468,010	2,376,338
		<u>3,406,923</u>	<u>912,563</u>	<u>1,324,800</u>	<u>25,803</u>	<u>5,670,089</u>	<u>5,578,417</u>

The Company

	Weighted average interest rate	Repayable on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>At December 31, 2011</u>							
Other payables	—	5,231	—	—	—	5,231	5,231
Amount due to a subsidiary	—	1,730	—	—	—	1,730	1,730
Amounts due to related parties	—	2,318	—	—	—	2,318	2,318
		<u>9,279</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,279</u>	<u>9,279</u>

c. Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

8. SEGMENT INFORMATION

Information reported to the Shareholders, being the Group's chief operating decision maker who reviews the segment revenues and results when making decisions about allocating resources and

NOTES TO THE FINANCIAL INFORMATION (continued)

8. SEGMENT INFORMATION (continued)

assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, the Shareholders review the financial information of each outlet, hence each outlet constitutes a separate operating segment. However, the outlets possess similar economic characteristics, and are similar in terms of products and services, customers, methods used to distribute products and provide services, and regulatory environment. Therefore, all outlets are aggregated into one reportable segment, namely “passenger vehicle sales and services”, for segment reporting purposes.

The Group’s reportable segments are as follows:

- Passenger vehicle sales and services—(i) sale of passenger vehicles; (ii) provision of after-sales services, including primarily repair and maintenance services; and (iii) provision of other automobile-related services, such as vehicle inspection services, title transfer and registration services and pre-owned vehicle agency services; and
- Automobile rental services.

Segment revenues and results

	<u>Passenger vehicle sales and services</u> RMB'000	<u>Automobile rental services</u> RMB'000	<u>Total</u> RMB'000
<i>For the year ended December 31, 2009:</i>			
Segment revenue	8,969,607	134,591	9,104,198
Segment profit	<u>674,855</u>	<u>17,499</u>	692,354
Other income and gains, net			60,406
Distribution and selling expenses			(240,512)
Administrative expenses			(181,735)
Finance costs			<u>(71,869)</u>
Profit before tax			<u>258,644</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

8. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

	Passenger vehicle sales and services	Automobile rental services	Total
	RMB'000	RMB'000	RMB'000
<i>For the year ended December 31, 2010:</i>			
Segment revenue	14,868,158	149,773	15,017,931
Segment profit	1,137,814	35,519	1,173,333
Other income and gains, net			87,509
Distribution and selling expenses			(330,495)
Administrative expenses			(298,203)
Finance costs			(73,383)
Profit before tax			558,761
<i>For the year ended December 31, 2011:</i>			
Segment revenue	20,123,395	180,724	20,304,119
Segment profit	1,534,754	65,732	1,600,486
Other income and gains, net			143,043
Other expenses			(9,278)
Distribution and selling expenses			(467,189)
Administrative expenses			(350,747)
Finance costs			(176,138)
Share of profits of jointly controlled entities			1,318
Share of losses of associates			(626)
Profit before tax			740,869

The accounting policies of the operating segments are similar to those of the Group as described in note 4. Segment profit represents the profit earned by each segment without allocation of other income and gains, other expenses, distribution and selling expenses, administrative expenses, finance costs, share of profits of jointly controlled entities and share of losses of associates. This is the measure reported to the Shareholders for the purposes of resource allocation and performance assessment. There were no inter-segment revenues during the Track Record Period. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the Shareholders.

Geographical information

All of the Group's revenue is generated from passenger vehicle sales and services and provision of automobile rental services in the PRC based on where goods are sold or services are rendered, and all of the Group's identifiable assets and liabilities are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue during each of the reporting periods.

NOTES TO THE FINANCIAL INFORMATION (continued)

8. SEGMENT INFORMATION (continued)

Revenue from major products and services

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Sale of passenger vehicles			
– Luxury and ultra-luxury brands (note 1)	5,339,127	9,718,812	14,305,698
– Mid- to high-end brands (note 2)	2,879,988	4,111,253	4,300,942
Sub-total	8,219,115	13,830,065	18,606,640
After-sales services	750,492	1,038,093	1,516,755
Automobile rental services	134,591	149,773	180,724
	<u>9,104,198</u>	<u>15,017,931</u>	<u>20,304,119</u>

Note 1: Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac and Volvo.

Note 2: Mid- to high-end brands include Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others.

9. OTHER INCOME AND GAINS, NET/OTHER EXPENSES

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Other income:			
Commission income (note a)	40,288	58,802	87,962
Advertisement support received from automobile manufacturers (note b)	8,206	11,746	20,249
Government grants (note c)	1,106	1,434	12,266
Interest income on bank deposits	2,372	2,530	5,408
Dividend income from available-for-sale investments	17	70	425
	<u>51,989</u>	<u>74,582</u>	<u>126,310</u>
Net gains and losses:			
Net gain on disposal of property, plant and equipment	1,915	4,953	9,446
Bargain purchase gain on acquisitions (note 30)	1,808	—	—
Loss on disposal of available-for-sale investments	—	—	(87)
Others	4,694	7,974	7,374
	<u>8,417</u>	<u>12,927</u>	<u>16,733</u>
Other income and gains, net	<u>60,406</u>	<u>87,509</u>	<u>143,043</u>
Other expenses:			
Listing expenses	—	—	(9,278)

Notes:

(a) Commission income was primarily derived from the distribution of automobile insurance products.

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

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

NOTES TO THE FINANCIAL INFORMATION (continued)

10. FINANCE COSTS

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Interest expense on bank loans wholly repayable within five years	68,909	70,124	118,470
Interest expense on borrowings from a related party (note 34 (c))	2,372	2,530	20,151
Interest expense on other borrowings	588	729	2,222
Other interest expenses reimbursed to a supplier (note)	—	—	37,695
Less: interest capitalized	—	—	(2,400)
Total borrowing costs	<u>71,869</u>	<u>73,383</u>	<u>176,138</u>

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

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Staff costs, including directors' remuneration (note 12):			
Salaries, wages and other benefits	120,631	154,934	331,160
Retirement benefits scheme contributions	8,183	12,007	28,686
Total staff costs	<u>128,814</u>	<u>166,941</u>	<u>359,846</u>
Auditors' remuneration	825	524	1,041
Cost of inventories recognized as an expense	8,265,094	13,697,018	18,600,177
Depreciation of property, plant and equipment	102,187	117,797	127,468
Operating lease rentals	40,283	53,493	63,554
Release of prepaid lease payments	3,156	3,275	3,516
Share of tax of associates and jointly controlled entities	—	—	(1,904)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the Directors of the Company for the Track Record Period are as follows:

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Directors' fees	—	—	—
Other emoluments			
Salaries and other benefits	976	983	990
Contributions to retirement benefits scheme	65	71	79
	<u>1,041</u>	<u>1,054</u>	<u>1,069</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the Directors on a named basis are as follows:

For the year ended December 31, 2009

	<u>Directors' fees</u>	<u>Salaries and other benefits</u>	<u>Contributions to retirement benefits scheme</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Cheung Tak On	—	385	25	410
Cai Yingjie	—	301	25	326
Non-Executive Directors				
Wang Zhigao	—	290	15	305
Wang Liqun	—	—	—	—
Independent Non-Executive Directors				
Wang Zhiqiang	—	—	—	—
Lu Wei	—	—	—	—
Chen Xianglin	—	—	—	—
	<u>—</u>	<u>976</u>	<u>65</u>	<u>1,041</u>

For the year ended December 31, 2010

	<u>Directors' fees</u>	<u>Salaries and other benefits</u>	<u>Contributions to retirement benefits scheme</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Cheung Tak On	—	388	28	416
Cai Yingjie	—	303	28	331
Non-Executive Directors				
Wang Zhigao	—	292	15	307
Wang Liqun	—	—	—	—
Independent Non-Executive Directors				
Wang Zhiqiang	—	—	—	—
Lu Wei	—	—	—	—
Chen Xianglin	—	—	—	—
	<u>—</u>	<u>983</u>	<u>71</u>	<u>1,054</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended December 31, 2011

	Directors' fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Cheung Tak On	—	390	31	421
Cai Yingjie	—	306	30	336
Non-Executive Directors				
Wang Zhigao	—	294	18	312
Wang Liqun	—	—	—	—
Independent Non-Executive Directors				
Wang Zhiqiang	—	—	—	—
Lu Wei	—	—	—	—
Chen Xianglin	—	—	—	—
	<u>—</u>	<u>990</u>	<u>79</u>	<u>1,069</u>

The five highest paid individuals of the Group for the Track Record Period included three directors for the years ended December 31, 2009, 2010 and 2011. The remunerations of the remaining two individuals for the years ended December 31, 2009, 2010 and 2011 are as follows:

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Employees			
Salaries and other benefits	405	487	492
Contributions to retirement benefits scheme	47	55	60
	<u>452</u>	<u>542</u>	<u>552</u>

The emoluments of each of the remaining two highest paid individuals in the Group for the years ended December 31, 2009, 2010 and 2011 were below HK\$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the Directors waived any emoluments during the Track Record Period.

NOTES TO THE FINANCIAL INFORMATION (continued)

13. INCOME TAX EXPENSE

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Current tax:			
PRC Enterprise Income Tax ("PRC EIT")	71,097	140,204	193,984
Under provision of PRC EIT in prior years	253	201	54
Deferred tax (note 22):			
Current year	(6,151)	(210)	(16,335)
	<u>65,199</u>	<u>140,195</u>	<u>177,703</u>

The tax charge for the Track Record Period can be reconciled to the profit before tax as follows:

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Profit before tax	258,644	558,761	740,869
Tax at the PRC EIT rate of 25%	64,661	139,690	185,217
Tax effect of expenses not deductible for tax purpose (note 1)	14,783	14,776	6,149
Tax effect of income not taxable for tax purpose	(453)	—	(106)
Reduction of tax effect in relation to Carve-out Items (note 2)	(5,330)	(4,635)	(10,533)
Tax effect of share of results of associates and jointly controlled entities	—	—	(173)
Tax effect of losses of offshore entities not subject to tax	—	—	2,319
Under provision of PRC EIT in prior years	253	201	54
Income tax concessions	(8,790)	(9,762)	(5,224)
Tax effect of tax losses not recognized	75	—	—
Utilization of tax losses previously not recognized	—	(75)	—
Income tax expense for the year	<u>65,199</u>	<u>140,195</u>	<u>177,703</u>

Note 1: Expenses not deductible for tax purpose primarily include expenses with invoices not valid for tax deduction purpose, welfare and entertainment expenses exceeding the tax deduction limits under the EIT law, write-off of receivables without tax authorities' approval.

Note 2: As discussed in note (c) to the consolidated statements of changes in equity, certain income and expenses relating to the Group's Core Business were recorded by Yongda CLS and Yongda Holding as the relevant business license from which the income was derived was held by Yongda CLS and certain expenses were incurred by Yongda CLS and Yongda Holding commonly for both the Core Business and Non-core Business. Since such income and expenses were assessed by the tax authorities together with the other operations of Yongda CLS and Yongda Holding, respectively, and that both Yongda CLS and Yongda Holding incurred tax losses for the Track Record Period, the allocation of such income and expenses to the Group has therefore been made without any income tax and the Group's assessable profit and resulting tax charge for the Track Record Period were reduced.

The Company and Sea of Wealth are tax exempted companies incorporated in the Cayman Islands and the BVI, respectively.

Grouprich International was incorporated in Hong Kong and has had no assessable profits subject to Hong Kong Profits Tax since its incorporation.

NOTES TO THE FINANCIAL INFORMATION (continued)

13. INCOME TAX EXPENSE (continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards.

The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries during the Track Record Period, except for certain subsidiaries. Pursuant to the relevant laws and regulations in the PRC, some subsidiaries are entitled to gradually increase their applicable income tax rates from a lower concessionary rate of 15% to 25% over a transitional period of 5 years ending December 31, 2012.

14. EARNINGS PER SHARE

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

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Earnings:			
Earnings for the purpose of basic earnings per share	185,046	385,586	504,782
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,097 million	1,363 million	1,431 million

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period has been retrospectively adjusted for the deemed bonus element relating to the issue of shares to the Shareholders in November 2011 and December 2011 as disclosed in note 28 and the capitalization issue as described in Section C of this report as if it had taken place on January 1, 2009.

Diluted earnings per share is not presented as no potential ordinary shares were outstanding during the Track Record Period.

NOTES TO THE FINANCIAL INFORMATION (continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2009	227,474	71,037	18,747	60,294	374,502	54,677	806,731
Additions	8,785	13,188	26,818	9,663	56,702	50,283	165,439
Acquired on acquisition of subsidiaries							
(note 30)	7,455	1,033	645	873	2,677	—	12,683
Transfer	42,317	3,094	—	2,152	—	(47,563)	—
Disposals	—	(1,568)	(5)	(518)	(106,488)	—	(108,579)
At December 31, 2009 . . .	286,031	86,784	46,205	72,464	327,393	57,397	876,274
Additions	9,326	43,466	42,357	21,370	127,238	76,435	320,192
Acquired on acquisition of a subsidiary							
(note 30)	—	—	—	—	—	6,076	6,076
Transfer	22,975	5,918	14,151	1,833	—	(44,877)	—
Disposals	(802)	(20,569)	(304)	(16,160)	(73,555)	—	(111,390)
Disposal of a subsidiary	(329)	(246)	—	(18)	—	—	(593)
At December 31, 2010 . . .	317,201	115,353	102,409	79,489	381,076	95,031	1,090,559
Additions	16,948	23,511	40,533	27,572	169,873	187,983	466,420
Transfer	155,515	2,873	25,091	959	—	(184,438)	—
Disposals	(1,037)	(662)	(1,839)	(2,502)	(72,708)	—	(78,748)
At December 31, 2011 . . .	488,627	141,075	166,194	105,518	478,241	98,576	1,478,231
DEPRECIATION							
At January 1, 2009	37,671	29,002	4,129	25,056	173,622	—	269,480
Provided for the year	11,231	11,555	5,159	10,384	60,708	—	99,037
Eliminated on disposals	—	(1,403)	—	(457)	(73,199)	—	(75,059)
At December 31, 2009 . . .	48,902	39,154	9,288	34,983	161,131	—	293,458
Provided for the year	13,989	16,266	11,662	13,627	58,834	—	114,378
Eliminated on disposals	(561)	(19,114)	(71)	(14,373)	(55,693)	—	(89,812)
Disposal of a subsidiary	(102)	(181)	—	(11)	—	—	(294)
At December 31, 2010 . . .	62,228	36,125	20,879	34,226	164,272	—	317,730
Provided for the year	18,188	21,006	20,484	19,121	46,989	—	125,788
Eliminated on disposals	(983)	(400)	(1,386)	(1,952)	(49,345)	—	(54,066)
At December 31, 2011 . . .	79,433	56,731	39,977	51,395	161,916	—	389,452
CARRYING VALUES							
At December 31, 2009 . . .	237,129	47,630	36,917	37,481	166,262	57,397	582,816
At December 31, 2010 . . .	254,973	79,228	81,530	45,263	216,804	95,031	772,829
At December 31, 2011 . . .	409,194	84,344	126,217	54,123	316,325	98,576	1,088,779

NOTES TO THE FINANCIAL INFORMATION (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land and useful life of buildings of 20 years
Plant and machinery	19% - 31.67%
Leasehold improvements	20%
Furniture, fixtures and equipment	19% - 31.67%
Motor vehicles	14% - 23.75%

As at December 31, 2009, 2010 and 2011, the Group pledged buildings with carrying values of approximately RMB40,684,000, RMB40,760,000 and RMB59,121,000, respectively, and motor vehicles with carrying values of approximately RMB70,336,000, RMB61,816,000 and RMB35,796,000, respectively, to secure bank loans granted to the Group.

As at December 31, 2009, 2010 and 2011, buildings with carrying values of approximately RMB113,968,000, RMB134,410,000 and RMB227,789,000, respectively, were without building ownership certificates and they were situated on land in the PRC leased from independent third parties under medium-term leases. As at December 31, 2009, 2010 and 2011, a building with carrying value of approximately RMB23,135,000, RMB21,777,000 and RMB20,373,000, respectively, was without building ownership certificate and was situated on land in the PRC held by Yongda CLS under medium-term lease. The Directors of the Company have represented that in their opinion, the Group can obtain the relevant building ownership certificates without incurring significant costs and that any significant losses that may be suffered by the Group as a result of the absence of building ownership certificates could be substantially recovered from indemnity provided by the relevant landlords.

As at December 31, 2009, 2010 and 2011, buildings with carrying values of approximately RMB46,228,000, RMB43,654,000 and RMB58,777,000, respectively, were registered in the name of Yongda CLS and situated on land in the PRC also registered in the name of Yongda CLS under medium-term leases. As represented by the Directors of the Company, Yongda CLS acquired these buildings on behalf of the Group and expected to transfer the legal title to the Group subsequently. Even though such buildings are registered under the name of Yongda CLS, they were paid for and have been used directly and exclusively by the Group and the Directors of the Company were of the view that Yongda CLS had no intention of reimbursing the Group for the costs incurred. As a result, the Directors of the Company consider that it is probable that the future economic benefits associated with such buildings would flow to the Group during the Track Record Period and they have been recognized as assets in the Financial Information. In February 2012, as represented by the Directors of the Company, upon further negotiation between the Group and Yongda CLS, the Group agreed to dispose of such buildings, together with the relevant lands to Yongda CLS and lease back such land and buildings under an operating lease. See also note 16 for details.

The remaining buildings are situated on lands in the PRC which are held by the Group under medium-term leases.

NOTES TO THE FINANCIAL INFORMATION (continued)

16. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At January 1, 2009	123,679
Additions	—
At December 31, 2009	123,679
Additions	9,027
At December 31, 2010	132,706
Additions	135,458
At December 31, 2011	268,164
AMORTIZATION	
At January 1, 2009	7,862
Provided for the year	2,905
At December 31, 2009	10,767
Provided for the year	3,024
At December 31, 2010	13,791
Provided for the year	3,234
At December 31, 2011	17,025
CARRYING VALUES	
At December 31, 2009	112,912
At December 31, 2010	118,915
At December 31, 2011	251,139

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:			
Current assets	2,817	3,043	5,089
Non-current assets	110,095	115,872	246,050
	<u>112,912</u>	<u>118,915</u>	<u>251,139</u>

The carrying amount represents the prepayment of rentals for medium-term land use rights situated in the PRC.

The land use rights with carrying values of approximately RMB47,600,000, RMB46,366,000 and RMB40,840,000 as at December 31, 2009, 2010 and 2011, respectively, were pledged against the short-term borrowings of the Group.

As at December 31, 2009, 2010 and 2011, land use rights with carrying values of approximately RMB58,365,000, RMB56,962,000 and RMB55,560,000, respectively, were registered in the name of Yongda CLS. As represented by the Directors of the Company, Yongda CLS acquired these land use rights on behalf of the Group and expected to transfer the legal title to the Group subsequently. Even though such land use rights are registered under the name of Yongda CLS, they were paid for and have been used directly and exclusively by the Group and the Directors of the Company were of the view that Yongda CLS had no intention of reimbursing the Group for the costs

NOTES TO THE FINANCIAL INFORMATION (continued)

16. PREPAID LEASE PAYMENTS (continued)

incurred. As a result, the Directors of the Company consider that it is probable that the future economic benefits associated with such land use rights would flow to the Group during the Track Record Period and they have been recognized as assets in the Financial Information.

In February 2012, as represented by the Directors of the Company, upon further negotiation between the Group and Yongda CLS, the Group agreed to dispose of such lands, together with the relevant buildings situated on them to Yongda CLS and lease such lands and buildings back under an operating lease.

As at December 31, 2011, the application for the land use rights certificates for certain lands with a net book value of approximately RMB99,776,000 was still in progress.

17. INTANGIBLE ASSETS

	Vehicle licence plates <u>RMB'000</u>
COST	
At January 1, 2009	10,477
Additions	308
Disposals	(454)
At December 31, 2009	10,331
Additions	171
Disposals	(22)
At December 31, 2010	10,480
Additions	4,081
At December 31, 2011	14,561
CARRYING VALUES	
At December 31, 2009	<u>10,331</u>
At December 31, 2010	<u>10,480</u>
At December 31, 2011	<u>14,561</u>

The vehicle licence plates were issued by the relevant authorities in Shanghai with no expiration dates. As such, the management considers such licence plates to have an indefinite useful life and they are carried at cost less any subsequent impairment losses, if any.

The licence plates will not be amortized until its useful life is determined to be finite. Instead, they will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. During the Track Record Period, the management of the Group determined that there was no impairment of licence plates as their market value exceeds their carrying amount as at the end of each reporting period.

NOTES TO THE FINANCIAL INFORMATION (continued)

18. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM/TO A SUBSIDIARY

	<u>The Company</u> <u>At December 31,</u> <u>2011</u> <u>RMB'000</u>
<u>Investment in a subsidiary</u>	
Unlisted investment, at cost	30,000
<u>Amount due from a subsidiary</u>	
Amount due from a subsidiary included in current assets (note)	100
<u>Amount due to a subsidiary</u>	
Amount due to a subsidiary included in current liabilities (note)	1,730

Note: The amounts are unsecured, interest-free and repayable on demand.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<u>At December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost of unlisted investments in jointly controlled entities	—	—	30,538
Share of post-acquisition profits	—	—	1,318
	—	—	31,856

As at December 31, 2011, the Group had interests in the following jointly controlled entities:

<u>Name of entity*</u>	<u>Form of entity</u>	<u>Country of registration</u>	<u>Principal place of operation</u>	<u>Class of capital</u>	<u>Proportion of nominal value of registered capital held by the Group</u>			<u>Proportion of voting power held</u>			<u>Principal activity</u>
					<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
					<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda") 上海巴士永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	50	N/A	N/A	50	4S dealership
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	50	N/A	N/A	50	4S dealership

* The English names of the above entities established in the PRC are translated for identification purpose only.

NOTES TO THE FINANCIAL INFORMATION (continued)

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarized financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Current assets	—	—	126,806
Non-current assets	—	—	8,321
Current liabilities	—	—	102,368
Non-current liabilities	—	—	903
	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Income recognized for the period since acquisition	—	—	30,946
Expenses recognized for the period since acquisition	—	—	(29,628)

20. INTERESTS IN ASSOCIATES

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cost of unlisted investments in associates	—	—	28,318
Share of post-acquisition losses	—	—	(626)
	—	—	27,692

NOTES TO THE FINANCIAL INFORMATION (continued)

20. INTERESTS IN ASSOCIATES (continued)

As at December 31, 2011, the Group had interests in the following associates:

Name of entity*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group			Proportion of voting power held			Principal activity
					2009	2010	2011	2009	2010	2011	
					%	%	%	%	%	%	
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	50	N/A	N/A	50	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. ("Nantong Oriental Yongda") 南通東方永達佳晨汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	49	N/A	N/A	49	4S dealership
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	49	N/A	N/A	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	20	N/A	N/A	20	4S dealership

* The English names of the above entities established in the PRC are translated for identification purpose only.

The summarized financial information in respect of the Group's associates is set out below:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Total assets	—	—	198,778
Total liabilities	—	—	(131,894)
Net assets	—	—	66,884
Group's share of net assets of associates	—	—	27,692
	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Revenue for the period since acquisition/establishment	—	—	126,443
Profit and total comprehensive income/(losses) for the period since acquisition/establishment	—	—	(1,241)
Group's share of profit and total comprehensive income/(losses) of associates for the period since acquisition/establishment	—	—	(626)

NOTES TO THE FINANCIAL INFORMATION (continued)

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Unlisted equity securities	5,820	6,032	1,000

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC, which were entities controlled by the Shareholders. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

Also, as at December 31, 2009 and 2010, the Group's equity interest in one of the investees, namely, 上海永達申南汽車銷售服務有限公司 (for identification purpose, in English, Shanghai Yongda Shennan Automobile Sales and Services Co., Ltd., "Yongda Shennan"), amounted to 20%. However, the terms of the Article of Association of Yongda Shennan does not enable the Group to exercise significant influence over the investee. Therefore, the Group's investment in Yongda Shennan has been accounted for as an available-for-sale investment.

As part of the Reorganization, the Group disposed of all but one of its available-for-sale investments (including the controlling equity interests in the Excluded Entities acquired from Yongda CLS as disclosed in note 2) in 2011 to Yongda CLS and independent third parties, as appropriate, at an aggregate consideration of RMB40,404,000, resulting in a net disposal loss of RMB87,000.

22. DEFERRED TAXATION

The following are the major deferred tax assets recognized and movements thereon during the Track Record Period:

	Tax losses	Accrued expenses	Payroll and welfare payable	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2009	6,123	3,029	694	1,616	11,462
Acquired on acquisition of subsidiaries (note 30)	903	—	184	165	1,252
Credit (charge) to profit or loss	651	5,623	79	(202)	6,151
At December 31, 2009	7,677	8,652	957	1,579	18,865
(Charge) credit to profit or loss	(2,444)	209	1,642	803	210
At December 31, 2010	5,233	8,861	2,599	2,382	19,075
Credit (charge) to profit or loss	11,708	(3,796)	5,413	3,010	16,335
At December 31, 2011	16,941	5,065	8,012	5,392	35,410

The deferred tax balances have reflected the tax rates that are expected to apply in the respective periods when the asset is realized or the liability is settled.

NOTES TO THE FINANCIAL INFORMATION (continued)**22. DEFERRED TAXATION (continued)**

The Group has unused tax losses of approximately RMB32,206,000, RMB21,006,000 and RMB67,766,000 as at December 31, 2009, 2010 and 2011, respectively. Deferred tax assets have been recognized in respect of approximately RMB31,907,000, RMB21,006,000 and RMB67,766,000 of such losses as at December 31, 2009, 2010 and 2011, respectively. No deferred tax assets have been recognized in respect of the remaining approximately RMB299,000, nil and nil as at December 31, 2009, 2010 and 2011, respectively due to the unpredictability of future profit streams. Pursuant to the rules and regulations in the PRC, the unrecognized tax losses at the end of each reporting period will expire in five years.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding rate of 5%. On February 22, 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at December 31, 2007 are exempted from the withholding tax.

The Group's subsidiaries established in the PRC are directly or indirectly held by Grouprich International.

Prior to the completion of the Reorganization in 2011, the Group was not subject to PRC withholding tax on the dividends distributed by subsidiaries to their then shareholders established 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 the Group's PRC entities. As a result, the Group is subject to the PRC dividend withholding tax when and if undistributed earnings of its PRC entities are declared to be paid as dividends out of profits that arose on or after January 1, 2008. RMB429,174,000 was declared in 2011 as dividends payable out of the undistributed earnings of the Group's PRC entities prior to the completion of the Reorganization. The undistributed earnings of the Group's PRC entities as at December 31, 2009, 2010 and 2011 amounted to approximately RMB207,533,000, RMB533,002,000 and RMB554,733,000, respectively. The Directors of the Company represent to set aside such earnings for expansion of operations, and therefore, the Group has not provided for deferred tax liabilities in respect of the withholding tax on the undistributed earnings of the PRC entities as the Group is able to control the timing of reversal of such temporary difference and it is probable that such temporary difference would not be reversed in the foreseeable future.

NOTES TO THE FINANCIAL INFORMATION (continued)

23. INVENTORIES

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Motor vehicles	742,947	1,015,849	1,944,924
Spare parts and accessories	74,251	102,275	134,883
Others	5,255	5,231	8,509
	<u>822,453</u>	<u>1,123,355</u>	<u>2,088,316</u>

Certain of the Group's inventories with a carrying amount of approximately RMB397,118,000, RMB523,327,000 and RMB763,601,000 as at December 31, 2009, 2010 and 2011, respectively, were pledged as security for the Group's short-term bank loans and other borrowings (note 27).

Certain of the Group's inventories with a carrying amount of approximately RMB98,604,000, RMB137,739,000 and RMB709,427,000 as at December 31, 2009, 2010 and 2011, respectively, were pledged as security for the Group's bills payable.

24. TRADE AND OTHER RECEIVABLES

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade receivables	77,746	97,580	119,400
Cash in transit (note a)	29,328	30,312	45,290
Prepayments and deposits to suppliers	516,487	777,221	1,649,994
Prepayments and rental deposits on properties	19,472	23,892	38,752
Rebate receivables from suppliers	225,919	456,484	533,467
Insurance commission receivables	—	624	249
Staff advances	3,340	3,233	7,645
Value Added Tax recoverable	25,505	53,856	95,476
Consideration receivables on disposal of available-for-sale- investments	—	—	36,759
Loans to independent third parties (note b)	—	—	44,300
Others	35,184	46,224	72,257
	<u>932,981</u>	<u>1,489,426</u>	<u>2,643,589</u>

Notes:

- (a) Cash in transit represents sales settled by credit cards, which have yet to be credited to the Group by the banks. The balances of cash in transit as at December 31, 2009, 2010 and 2011 are all aged within seven days.
- (b) Those independent third parties were entities formerly controlled by the Shareholders before they were transferred to independent third parties as part of the Reorganization. The balance was interest-free, unsecured and repayable on demand. The balance was subsequently settled in January 2012.

Trade receivables mainly arise from the sales of automobiles and provision of after-sales services and automobile rental services. No interest is charged on the trade receivables.

NOTES TO THE FINANCIAL INFORMATION (continued)

24. TRADE AND OTHER RECEIVABLES (continued)

Deposits and advances are in most cases received from customers before delivery of automobiles is made. After-sales services are typically settled on a cash basis upon completion of the relevant services. A credit period of no more than 90 days is typically granted to certain corporate customers for passenger vehicle sales and after-sales services. For automobile rental services, the Group typically allows a credit period of 30 to 60 days to its customers. The following is an aging analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
0 to 90 days	77,746	97,580	119,400

None of the trade receivables are past due as at the end of each reporting period. The Group did not notice any deterioration in the credit quality of its trade receivables. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Pledged bank deposits of the Group represents deposits pledged to banks as security for bills payable and short-term borrowings and carry variable-rate interest as follows:

	At December 31,		
	2009	2010	2011
Interest rate per annum	0.36% - 2.25%	0.36% - 2.75%	0.50% - 3.50%

The pledged bank deposits will be released upon the settlement of the relevant bills payable and short-term borrowings.

Bank balances and cash of the Group and the Company denominated in RMB, HK\$ and US\$ carry variable-rate interest as follows:

	At December 31,		
	2009	2010	2011
Interest rate per annum			
The Group			
- RMB	0.36%	0.36%	0.50% - 4.00%
- HK\$	—	—	1.00%
- US\$	—	—	1.15%
The Company			
- RMB	—	—	0.50% - 4.00%
- HK\$	—	—	1.00%

NOTES TO THE FINANCIAL INFORMATION (continued)

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS (continued)

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than RMB are set out below:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
HK\$	—	—	303
US\$	—	—	27
	—	—	330

The Company's bank balances and cash and pledged bank deposits that are denominated in currencies other than RMB are set out below:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
HK\$	—	—	199

26. TRADE AND OTHER PAYABLES

	The Group			The Company
	At December 31,			At December 31,
	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	62,585	80,861	95,214	—
Bills payable	300,160	458,759	2,121,998	—
	362,745	539,620	2,217,212	—
Other tax payables	3,393	26,515	23,558	—
Advances and deposits from customers	307,835	428,780	549,680	—
Payables for acquisition of property, plant and equipment	10,314	10,624	8,749	—
Payables on acquisition of a subsidiary (note 30) ...	1,556	—	—	—
Rental payables	1,444	3,124	6,989	—
Salary and welfare payables	7,533	14,679	36,002	—
Accrued interest	228	394	916	—
Other accrued expenses	13,290	19,554	19,505	5,231
Loans from independent third parties	4,664	2,078	1,000	—
Others	21,224	22,681	31,512	—
	734,226	1,068,049	2,895,123	5,231

NOTES TO THE FINANCIAL INFORMATION (continued)

26. TRADE AND OTHER PAYABLES (continued)

Prepayments and deposits are normally required to be paid to suppliers before making purchases. Trade payables mainly relate to purchases of spare parts and accessories. A credit period of no more than 90 days is granted by certain suppliers to the Group for purchases of spare parts and accessories. Bills payable primarily relates to the Group's use of bank acceptance notes to finance its purchases of passenger vehicles, with a credit period of one to three months. The following is an aged analysis of trade and bills payable presented based on the invoice date at the end of each reporting period:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
0 - 90 days	362,745	539,620	2,217,212

27. BORROWINGS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Bank loans	1,036,460	1,393,184	2,158,183
Other borrowings from entities controlled by suppliers	183,390	125,874	218,155
	<u>1,219,850</u>	<u>1,519,058</u>	<u>2,376,338</u>
Secured by the Group's assets*	538,903	706,204	1,041,594
Secured by related parties' assets (note 34(c))	220,000	247,870	194,000
Total secured borrowings	758,903	954,074	1,235,594
Total unsecured borrowings	460,947	564,984	1,140,744
	<u>1,219,850</u>	<u>1,519,058</u>	<u>2,376,338</u>
Guaranteed by related parties* (note 34(c))	261,725	354,977	1,274,382
Guaranteed and secured by related parties' assets (note 34(c)) ...	100,000	170,000	—
Guaranteed by an independent third party	5,000	—	6,000
Total guaranteed borrowings	366,725	524,977	1,280,382
Total unguaranteed borrowings	853,125	994,081	1,095,956
	<u>1,219,850</u>	<u>1,519,058</u>	<u>2,376,338</u>
Fixed-rate borrowings	1,112,225	1,313,822	1,720,582
Variable-rate borrowings	107,625	205,236	655,756
	<u>1,219,850</u>	<u>1,519,058</u>	<u>2,376,338</u>
Carrying amount repayable:			
Within one year	1,214,346	1,400,630	2,355,517
More than one year, but not exceeding two years	5,221	114,592	14,218
More than two years, but not exceeding five years	283	3,836	6,603
	<u>1,219,850</u>	<u>1,519,058</u>	<u>2,376,338</u>
Less: amounts due within one year shown under current liabilities	(1,214,346)	(1,400,630)	(2,355,517)
Amounts shown under non-current liabilities	<u>5,504</u>	<u>118,428</u>	<u>20,821</u>

* The amount as at December 31, 2011 included loans with a carrying amount of RMB241,733,000 secured by the Group's assets as well as guaranteed by a related party.

NOTES TO THE FINANCIAL INFORMATION (continued)

27. BORROWINGS (continued)

During the years ended December 31, 2009, 2010 and 2011, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Land use rights	47,600	46,366	40,840
Property, plant and equipment	111,020	102,576	94,917
Inventories	397,118	523,327	763,601
Pledged bank deposits	2,000	2,000	17,492
Total	<u>557,738</u>	<u>674,269</u>	<u>916,850</u>

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	Year ended December 31,		
	2009	2010	2011
Effective interest rate:			
Fixed-rate borrowings	4.38% to 8.64%	4.86% to 8.64%	6.40% to 8.75%
Variable-rate borrowings	5.40% to 7.56%	4.86% to 7.56%	5.81% to 6.56%

The Group has variable-rate bank borrowings which carry interest at the People's Bank of China benchmark rate plus a premium.

At the end of each reporting period, other borrowings (i) are of a term less than one year; (ii) are interest-free for the first two months after drawdown; (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period.

28. PAID-IN/ISSUED SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganization in the consolidated statements of financial position, the balance as at December 31, 2009 and 2010 represented the combined paid-in capital of the companies comprising the Group at those dates.

NOTES TO THE FINANCIAL INFORMATION (continued)

28. PAID-IN/ISSUED SHARE CAPITAL (continued)

Movement of the share capital of the Company since its incorporation is set out below:

	<u>Number of shares</u>	<u>Amount</u> HK\$	
Ordinary shares of HK\$0.01 each			
Authorized:			
At November 7, 2011 (date of incorporation) and December 31, 2011	38,000,000	380,000	
Issued and fully paid:			
	<u>Number of shares</u>	<u>Amount</u> HK\$	<u>Shown in the Financial Information as</u> RMB'000
At November 7, 2011 (date of incorporation)	1	0.01	—
Issue of new shares pursuant to the Reorganization	187,999	1,879.99	2
Issue of new shares to pre-IPO investors	12,000	120.00	—
At December 31, 2011	<u>200,000</u>	<u>2,000.00</u>	<u>2</u>

During the period ended December 31, 2011 since incorporation, the movements in issued share capital of the Company are as follows:

- On November 7, 2011, the date of incorporation of the Company, one ordinary share was allotted and issued to the then sole subscriber at par.
- On November 22, 2011, the Company issued 99,999 shares to the Shareholders (as defined in note 2) pursuant to the Reorganization at par. On December 29, 2011, the Company further allotted and issued 88,000 shares to the Shareholders at the price of HK\$418.69 share.
- On December 30, 2011, the Company issued 12,000 shares to the pre-IPO investors pursuant to the Runda Subscription Agreement at a price of HK\$ 50,661.36 per share.

The new shares allotted and issued rank pari passu in all respect with other shares in issue.

29. RESERVES

	<u>The Company</u>		
	<u>Share Premium</u> RMB'000	<u>Accumulated losses</u> RMB'000	<u>Total</u> RMB'000
At November 7, 2011 (date of incorporation)	—	—	—
Loss and total comprehensive expenses for the period	—	(9,406)	(9,406)
Issue of new shares pursuant to the Reorganization in excess of par value	29,998	—	29,998
Issue of new shares to pre-IPO investors in excess of par value	495,000	—	495,000
At December 31, 2011	<u>524,998</u>	<u>(9,406)</u>	<u>515,592</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

30. ACQUISITION OF SUBSIDIARIES

- (a) The following acquiree was formerly a jointly controlled entity of Yongda CLS which does not form part of the Group prior to the following acquisition as it was not under the control of the Shareholders. On July 31, 2009, Yongda CLS and Automobile Group acquired the remaining 40% and 10% equity interests, respectively, in Shanghai Yongda Bashi, which 50% equity interest was previously held by Yongda CLS, from Shanghai Haibo Hongtong Investment Development Co., Ltd. (上海海博宏通投資發展有限公司) for a consideration of RMB6,225,000 and RMB1,556,000, respectively. After the acquisition, Shanghai Yongda Bashi became an indirectly wholly owned subsidiary of the Company. The acquisition was accounted for using the acquisition method and an amount of RMB557,000, representing a bargain purchase gain, was recognized as income for the year ended December 31, 2009 after re-assessment. Shanghai Yongda Bashi operates a 4S dealership and was acquired as part of the Group's expansion.

The net assets acquired in the transaction, and the bargain purchase gain arising, are as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	491
Deposits paid for acquisition of property, plant and equipment	1,424
Deferred tax assets	1,086
Inventories	6,621
Trade and other receivables	5,523
Bank balances and cash	2,741
Trade and other payables	<u>(1,209)</u>
	<u>16,677</u>
Bargain purchase gain	<u>(557)</u>
Satisfied by:	
Contribution by Yongda CLS recognized in special reserve (note 1)	14,564
Cash paid in 2010 (note 2)	<u>1,556</u>
	<u>16,120</u>
Net cash inflow arising on acquisition:	
Cash consideration paid in 2009	—
Less: bank balances and cash acquired	<u>(2,741)</u>
	<u>2,741</u>

Notes:

- (1) The contribution by Yongda CLS represents the fair value of the net assets of Shanghai Yongda Bashi attributable to the 50% equity interest held by Yongda CLS at the date of acquisition described above and the consideration payable by Yongda CLS for the acquisition of the additional 40% equity interest.
- (2) The amount was unsecured, non-interest bearing and to be settled on demand. It has been included in other payables as at December 31, 2009.
- (3) On July 18, 2011, Yongda CLS transferred its 90% equity interest in Shanghai Yongda Bashi to Automobile Group for a consideration of RMB18,000,000 as part of the Reorganization.

The fair value and gross contractual amounts of trade and other receivables at the date of acquisition approximated their carrying amounts and were expected to be fully recovered in the future.

The Directors of the Company considered that the carrying amounts of the net assets acquired upon acquisition approximated to their fair values. The bargain purchase gain represented the excess of

NOTES TO THE FINANCIAL INFORMATION (continued)

30. ACQUISITION OF SUBSIDIARIES (continued)

the fair value of the net assets acquired over the consideration transferred. Shanghai Yongda Bashi had no significant contribution to the Group's revenue and profit for the period between the date of acquisition and December 31, 2009.

Had the acquisition been completed on January 1, 2009, the impact on total group revenue and profit for 2009 would have been insignificant.

- (b) The following acquiree was formerly an associate of Yongda CLS which does not form part of the Group prior to the following acquisition as it was not under the control of the Shareholders. On November 16, 2009, Yongda CLS acquired 20% equity interest in Fuzhou Yongda, which 41% equity interest was previously held by Yongda CLS, from an independent third party, for a consideration of RMB2,940,000. After the acquisition, Fuzhou Yongda became an indirectly 61%-owned subsidiary of the Company. The acquisition was accounted for using the acquisition method and an amount of RMB1,251,000, representing a bargain purchase gain, was recognized as income for the year ended December 31, 2009 after re-assessment. Fuzhou Yongda operates a 4S dealership and was acquired as part of the Group's expansion.

The net assets acquired in the transaction, and the bargain purchase gain arising, are as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	12,192
Deferred tax assets	166
Inventories	18,087
Trade and other receivables	15,995
Bank balances and cash	2,907
Trade and other payables	(6,688)
Income tax liabilities	(2,397)
Borrowings	(19,300)
	<u>20,962</u>
Non-controlling interests	(8,176)
Bargain purchase gain	<u>(1,251)</u>
Satisfied by:	
Contribution by Yongda CLS recognized in special reserve (note 1)	<u>11,535</u>
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Less: bank balances and cash acquired	<u>(2,907)</u>
	<u>2,907</u>

Notes:

- (1) The contribution by Yongda CLS represents the fair value of the net assets of Fuzhou Yongda attributable to the 41% equity interest held by Yongda CLS prior to the acquisition described above and the cash consideration payable by Yongda CLS for the acquisition of the additional 20% equity interest.
- (2) On September 28, 2011, Yongda CLS transferred its 61% equity interest in Fuzhou Yongda to Automobile Group for a consideration of approximately RMB4,496,000 as part of the Reorganization.

NOTES TO THE FINANCIAL INFORMATION (continued)

30. ACQUISITION OF SUBSIDIARIES (continued)

The fair value and gross contractual amounts of trade and other receivables at the date of acquisition approximated their carrying amounts and were expected to be fully recovered in the future.

The non-controlling interests (39%) in Fuzhou Yongda recognized at the acquisition date was measured by reference to their proportionate share of the fair value of identifiable net assets acquired.

The Directors of the Company considered that the carrying amounts of the net assets acquired upon acquisition approximated to their fair values. The bargain purchase gain on acquisition represented the excess of the fair value of the net assets acquired over the consideration transferred. Fuzhou Yongda had no significant contribution to the Group's revenue and profit for the period between the date of acquisition and December 31, 2009.

Had the acquisition been completed on January 1, 2009, the impact on total group revenue and profit for 2009 would have been insignificant.

- (c) On January 25, 2010, Yongda CLS and Automobile Group acquired 90% and 10% equity interests in Hainan Mengfa for a cash consideration of RMB9,000,000 and RMB1,000,000, respectively, from an independent third party. On the date of acquisition, Hainan Mengfa owned vacant properties and had not commenced operations.

In the opinion of the Directors of the Company, the above acquisition did not constitute a business combination in accordance with IFRS 3 (Revised 2008) *Business Combinations* and as such, the acquisition has been accounted for as an acquisition of assets.

The assets acquired in the transaction are as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	6,076
Other receivables	3,920
Bank balances and cash	4
	<u>10,000</u>
Satisfied by:	
Contribution by Yongda CLS recognized in special reserve (note 1)	9,000
Cash paid	1,000
	<u>10,000</u>
Net cash outflow arising on acquisition:	
Cash paid	1,000
Less: bank balances and cash acquired	(4)
	<u>(996)</u>

Notes:

- (1) It represents the consideration payable by Yongda CLS for acquisition of 90% equity interest in Hainan Mengfa.
 (2) On August 20, 2011, Yongda CLS transferred its 90% equity interest in Hainan Mengfa to Automobile Group for a consideration of RMB9,000,000 as part of the Reorganization.

NOTES TO THE FINANCIAL INFORMATION (continued)

31. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's outlets which fall due as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within one year	23,261	44,553	67,896
In the second to fifth years inclusive	65,507	134,222	194,318
After five years	81,118	109,381	180,965
	<u>169,886</u>	<u>288,156</u>	<u>443,179</u>

Operating lease payments represent rentals payable by the Group for certain properties and land. The leases typically run for an initial period of two to twenty years, with an option to renew the leases when all the terms are renegotiated. Certain leases also contain an escalation clause.

The Group as lessor

At the end of each reporting period, the Group had contracted with car renters for the following future minimum lease payments:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within one year	46,577	62,561	117,951
In the second to fifth years inclusive	16,729	27,588	109,234
	<u>63,306</u>	<u>90,149</u>	<u>227,185</u>

The Group provides automobile rental services under leases of a term of no more than three years and for fixed rentals.

32. CAPITAL COMMITMENTS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:			
Contracted for but not provided	<u>4,438</u>	<u>27,278</u>	<u>79,142</u>
Authorized but not yet contracted for	<u>25,947</u>	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION (continued)**33. RETIREMENT BENEFITS SCHEME**

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute 12% to 22% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statements of comprehensive income of approximately RMB8,183,000, RMB12,007,000 and RMB28,686,000 for the years ended December 31, 2009, 2010 and 2011, respectively, represent contributions payable to the scheme by the Group for the Track Record Period.

NOTES TO THE FINANCIAL INFORMATION (continued)

34. RELATED PARTY DISCLOSURES

(a) Amounts due from related parties

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Non-controlling shareholders with significant influence over the relevant subsidiaries	1,123	—	—
Associate held by Yongda CLS/the Group#			
Shanghai Oriental Yongda	—	606	2,540
Jointly controlled entity held by Yongda CLS/the Group#			
Shanghai Yongda Changrong	—	4	3,000
Entities controlled by the Shareholders			
Yongda CLS (note)	—	2,400	1,428
Lin'an Yongda Automobile Sales and Services Co., Ltd.* (“Lin'an Yongda Automobile”) 臨安市永達汽車銷售服務有限公司	143	143	—
Taixing Yongda Bencheng Automobile Sales and Services Co., Ltd.* (“Taixing Yongda Bencheng”) 泰興永達本誠汽車銷售服務有限公司	2,250	—	—
Jiaxing Jinyueda Automobile Sales and Services Co., Ltd.* (“Jiaxing Jinyueda Automobile”) 嘉興市金悅達汽車銷售服務有限公司	622	—	—
Shanghai Yongda Shennan Automobile Sales and Services Co., Ltd.* 上海永達申南汽車銷售服務有限公司	1,098	1,098	—
Shanghai Yongda Advertising Company* 上海永達廣告公司	—	40	—
	<u>5,236</u>	<u>4,291</u>	<u>6,968</u>
Analyzed as:			
Trade-related, aged within 1 year	622	650	3,968
Non trade-related	<u>4,614</u>	<u>3,641</u>	<u>3,000</u>
	<u>5,236</u>	<u>4,291</u>	<u>6,968</u>

The above balances are interest-free, unsecured and expected to be received within one year. The non-trade balances were fully settled subsequent to December 31, 2011.

Note:

In 2010, the Group disposed of a non-wholly owned subsidiary to Yongda CLS at a consideration of RMB2,400,000, resulting in a cash outflow of bank balance being disposed of amounting to RMB22,000 in 2010 and a settlement of consideration receivable in 2011. The excess of RMB146,000, representing net assets attributable to equity interest disposed of over the consideration receivable is charged to special reserve.

* The English names of the above entities established in the PRC are translated for identification purpose only.

These entities became an associate or a jointly controlled entity, as appropriate, of the Group in 2011 as part of the Reorganization.

NOTES TO THE FINANCIAL INFORMATION (continued)

34. RELATED PARTY DISCLOSURES (continued)

(b) Amounts due to related parties

	The Group			The Company
	At December 31,			At December 31,
	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-controlling shareholders with significant influence over the relevant subsidiaries				
(note (a))	5,500	30,933	32,746	—
Associate and its subsidiary held by Yongda CLS/the Group#				
Shanghai Yongda Fengdu Automobile	300	—	—	—
Shanghai Yongda Fengdu Automobile Consulting Service Co., Ltd.* 上海永達風度汽車信息諮詢有限公司	17	—	—	—
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				
Lin'an Yongda Automobile	293	—	—	—
Taixing Yongda Bencheng	—	191	—	—
Shanghai Yangpu Yongda Automobile Sales Co., Ltd.* (“Shanghai Yangpu”) 上海永達汽車楊浦銷售服務有限公司	—	1,500	—	—
Shanghai Shenbao	2,110	502	—	—
Yongda Holding	54,500	72,600	—	—
Yongda CLS (note(b))	166,983	231,831	844,021	2,318
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	—	—	—
	<u>249,575</u>	<u>338,621</u>	<u>880,194</u>	<u>2,318</u>
Analyzed as:				
Trade-related, aged within 1 year	2,670	1,757	3,827	—
Non trade-related	<u>246,905</u>	<u>336,864</u>	<u>876,367</u>	<u>2,318</u>
	<u>249,575</u>	<u>338,621</u>	<u>880,194</u>	<u>2,318</u>

The above balances are unsecured and repayable on demand. Except for an amount due to Yongda CLS of RMB122,700,000, RMB142,700,000 and RMB10,000,000 as at December 31, 2009, 2010 and 2011, respectively, with interest rates at 6%, 5.83% and 7.9% per annum as at December 31, 2009, 2010 and 2011, respectively, other balances are interest-free. The non-trade balances are expected to be settled prior to the Listing.

Notes:

(a) The balance as at December 31, 2011 included a dividend payable of RMB9,166,000.

(b) The balance as at December 31, 2011 included a dividend payable of RMB13,735,000, a consideration payable of RMB21,534,000 for the acquisition of the Core Business as a part of the Reorganization and a consideration payable of RMB5,309,000 for the acquisition of associates.

* The English names of the above entities established in the PRC are translated for identification purpose only.

These entities became an associate or a jointly controlled entity, as appropriate, of the Group in 2011 as part of the Reorganization.

NOTES TO THE FINANCIAL INFORMATION (continued)

34. RELATED PARTY DISCLOSURES (continued)

(c) Related party transactions

During the Track Record Period, the Group entered into the following transactions with related parties as part of the Reorganization:

	Year ended December 31, 2010 Consideration <u>RMB'000</u>
Disposal of equity interests in a subsidiary to:	
Yongda CLS (note (a))	2,400
	Year ended December 31, 2011 Consideration <u>RMB'000</u>
Acquisition of equity interests in entities engaged in the Core Business from:	
Yongda CLS	535,480
Yongda Holding	48,643
Yongda Transportation Equipment	5,405
	<u>589,528</u>
Acquisition of interests in associates from:	
Yongda CLS	14,505
Acquisition of interests in jointly controlled entities from:	
Yongda CLS	21,520
Acquisition of available-for-sale investments from:	
Yongda CLS	34,459
Disposal of available-for-sale investments to:	
Yongda CLS	507

NOTES TO THE FINANCIAL INFORMATION (continued)

34. RELATED PARTY DISCLOSURES (continued)

(c) Related party transactions (continued)

During the Track Record Period, the Group entered into the following transactions with related parties:

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Sales of motor vehicles			
Shengzhou Yongda Bencheng Automobile Sales and Services Co., Ltd. *^ (“Shengzhou Yongda Bencheng”) 嵊州市永達本誠汽車銷售服務有限公司	3,917	1,202	495
Lin'an Yongda Automobile^	3,833	1,586	177
Taixing Yongda Bencheng^	4,889	3,190	1,354
Jiaxing Jinyueda Automobile^	2,955	1,040	658
Shanghai Shenbao Yongda Automobile Sales Co., Ltd.* (“Shanghai Shenbao”) 上海永達汽車紳寶銷售服務有限公司	7,065	14,960	34,874
Shanghai Yongda Fengdu Automobile#	—	556	1,424
Yongda CLS#	—	577	1,220
Shanghai Bashi Yongda#	—	—	1,029
	<u>22,659</u>	<u>23,111</u>	<u>41,231</u>
Purchase of motor vehicles			
Shengzhou Yongda Bencheng^	7,239	10,782	7,516
Lin'an Yongda Automobile^	8,564	9,108	4,041
Taixing Yongda Bencheng^	3,007	2,090	2,267
Jiaxing Jinyueda Automobile^	8,583	7,594	2,589
Shanghai Yongda Fengdu Automobile#	367	3,602	3,610
Shanghai Shenbao	3,741	896	—
Shanghai Bashi Yongda#	120	1,809	9,021
Shanghai Yongda Changrong#	727	650	1,708
	<u>32,348</u>	<u>36,531</u>	<u>30,752</u>

Sales of motor vehicles via Shanghai Oriental Yongda

During the Track Record Period, the Group, through Shanghai Oriental Yongda's television shopping channel, sold motor vehicles to customers amounted to RMB12,061,000, RMB196,022,000 and RMB358,489,000 in 2009, 2010 and 2011, respectively. A commission of approximately RMB121,000, RMB1,960,000 and RMB3,703,000 was paid to Shanghai Oriental Yongda for the marketing and promotion activities it carried out for the Group during the Track Record Period.

NOTES TO THE FINANCIAL INFORMATION (continued)

34. RELATED PARTY DISCLOSURES (continued)

(c) Related party transactions (continued)

	Year ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Sales of spare parts			
Shengzhou Yongda Bencheng^	69	61	85
Lin'an Yongda Automobile^	13	57	59
Taixing Yongda Bencheng^	—	—	28
Shanghai Bashi Yongda#	62	20	8
Shanghai Yongda Changrong#	4	18	5
	<u>148</u>	<u>156</u>	<u>185</u>
Purchase of spare parts			
Shanghai Yongda Fengdu Automobile#	19	19	7
Taixing Yongda Bencheng^	—	—	16
Shanghai Yongda Changrong#	15	8	4
Shanghai Bashi Yongda#	—	8	11
	<u>34</u>	<u>35</u>	<u>38</u>
Provision of after-sales services			
Shanghai Yongda Fengdu Automobile#	153	144	85
Shanghai Yongda Changrong#	92	47	20
Shanghai Yangpu	15	—	—
	<u>260</u>	<u>191</u>	<u>105</u>
Interest expenses			
Yongda CLS	<u>2,372</u>	<u>2,530</u>	<u>20,151</u>

Operating lease of properties

During the Track Record Period, the Group leased certain properties from Yongda CLS and Yongda Transportation Equipment for free. On May 11, 2012, the Group has entered into new property leasing agreement with Yongda Holding and certain of its subsidiaries at the prevailing market rates in 2012.

NOTES TO THE FINANCIAL INFORMATION (continued)

34. RELATED PARTY DISCLOSURES (continued)

(c) Related party transactions (continued)

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Carrying amount of loans guaranteed by			
Yongda CLS (note)	261,725	348,977	1,155,086
Yongda Holding	—	—	119,296
A non-controlling shareholder with significant influence over the relevant subsidiary	—	6,000	—
	<u>261,725</u>	<u>354,977</u>	<u>1,274,382</u>

Note: The amount as at December 31, 2009 also includes a loan jointly guaranteed by Yongda Holding and Cheung Tak On of RMB20,000,000. The amount as at December 31, 2010 also includes loans guaranteed by Yongda Holding of RMB44,000,000. The amount as at December 31, 2011 also includes loans guaranteed by Yongda Holding of RMB435,500,000.

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Carrying amount of loans secured by investment properties held by			
Shanghai Yongda Property Development Co., Ltd.* (上海永達置業發展有限公司), an entity controlled by the Shareholders (note)	<u>195,000</u>	<u>247,870</u>	<u>194,000</u>

Note: The amount as at December 31, 2009 also includes loans of RMB85,000,000 secured by properties of Yongda Transportation Equipment, and loans guaranteed by Yongda CLS of RMB100,000,000. The amount as at December 31, 2010 also includes loans of RMB77,870,000 secured by properties of Yongda Transportation Equipment, and loans guaranteed by Yongda CLS of RMB170,000,000. The amount as at December 31, 2011 also includes loans of RMB85,000,000 secured by properties of Yongda Transportation Equipment.

* The English name of the above entity established in the PRC are translated for identification purpose only.

Carrying amount of loans secured by properties held by			
Yongda CLS	<u>25,000</u>	<u>—</u>	<u>—</u>

The Directors represented that the above guarantee and security arrangements provided by related parties would be released prior to the Listing and replaced by new guarantees provided by subsidiaries of the Company and pledges of certain assets of the Group.

The Directors are of the opinion that the above related party transactions were conducted according to the terms agreed with the counterparties.

The above related party transactions are expected to discontinue after the Listing except for those marked with #.

The entities marked with ^ were no longer identified as related parties after the Shareholders disposed of these entities to third parties in September 2011 as part of the Reorganization. The transaction amounts disclosed are for the period up to their respective dates of disposal.

NOTES TO THE FINANCIAL INFORMATION (continued)**34. RELATED PARTY DISCLOSURES (continued)**

(d) Compensation of key management personnel

The remuneration of directors, who are also key management, are disclosed in note 12.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period.

C. SUBSEQUENT EVENTS

Other than those disclosed elsewhere in the Financial Information, the following significant events took place subsequent to December 31, 2011:

Pursuant to the resolutions passed at duly convened general meetings of the shareholders on May 5, 2012 and June 21, 2012, it was resolved, among other things:

- (a) the authorized share capital of the Company be increased to HK\$25,000,000 divided into 2,500,000,000 shares of par value of HK\$0.01 each;
- (b) following the change in authorized share capital as referred to in paragraph (a) and conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of shares by the Company pursuant to a global offering, the board of directors of the Company be and is hereby authorized to capitalize HK\$12,798,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,279,800,000 shares to be allotted and issued to the shareholders whose names are on the register of members of the Company as at the close of business on the business day before the Listing date in proportion to their existing shareholdings in the Company.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2011.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong