CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

中國永達汽車服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：03669

2012 Annual Report


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Content

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Mr. WANG Zhigao *(Vice-Chairman)*
Mr. WANG Liqun

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

CORPORATE HEADQUARTERS

299 Ruijin Nan Road, Luwan District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5708, 57/F, The Center
99 Queen's Road Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS TO HONG KONG LAW

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

COMPANY SECRETARY

Ms. MOK Ming Wai (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. MOK Ming Wai

AUDIT AND COMPLIANCE COMMITEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

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

STOCK CODE

03669

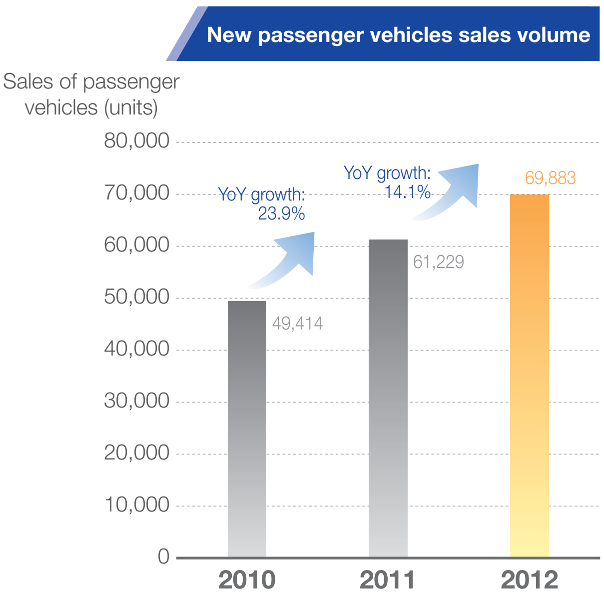
AUDITOR

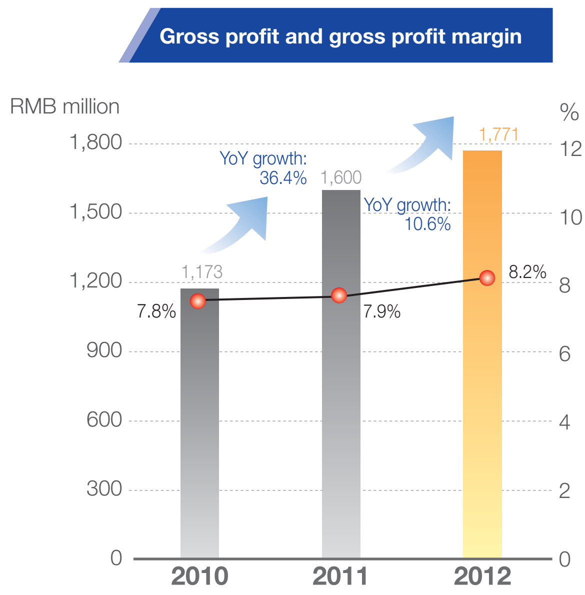
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

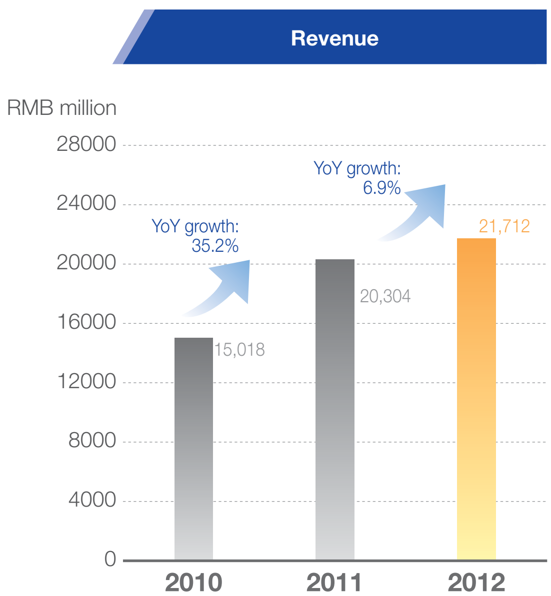
COMPANY WEBSITE

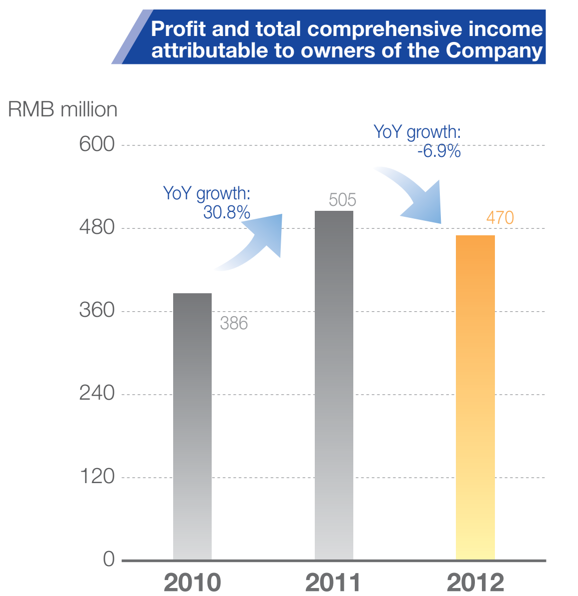
www.ydauto.com.cn

Financial Highlights









Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors and the management of China Yongda Automobiles Services Holdings Limited (the "Company"), I am pleased to present the 2012 annual report of the Company and its subsidiaries (collectively referred to as "the Group", "we", or "us").

2012 is a significant year for us. After 20 years of efforts and leveraging on the rapid growth of the automobile industry in China, the Group is recognized by the capital market through the successful listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on July 12, 2012, with its strong foundation laid in the automobile services industry, high brand awareness and splendid corporate management. The long-term development and the management of the Group will surely be enhanced following the listing. We look forward to sharing the harvests of the Company's future growth with our shareholders.

2012 is a challenging year for the automobile industry in China. The combination of slowdown in macroeconomic growth and industrial adjustment resulted in a keen competition in pricing. Facing the significant market adjustment, we demonstrated an excellent capability to accommodate the complex market. As of December 31, 2012, the Group recorded a revenue of Renminbi ("RMB") 21,712 million, representing a growth of 6.9% as compared with 2011; earnings before interest, taxes, depreciation and amortization ("EBITDA") of RMB1,108 million, representing a growth of 5.9% as compared with 2011; and earnings per share of RMB34 cents. In addition, the Company became a component of China enterprise of Morgan Stanley Capital International (MSCI) Index starting from November 30, 2012.

Expanding the network at our own pace

The Group is a leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury brands. Despite the uncertainty arising from the overall adjustment in automobile industry in China in 2012, we persist to develop as a service brand for luxury and ultra-luxury brands. In 2012, we successfully obtained authorizations to open over 20 new outlets, including luxury and ultra-luxury brands such as Porsche, BMW, Audi, Jaguar, Land Rover and Bentley, realizing an orderly expansion of our service network. We believe that these new outlets will bring us with a bright investment return in future.

Achieving good sales despite challenges

In 2012, the price battle of automobile industry in China is ferocious. Despite the market trend of difficulties in sales and downward profitability, we coped with the challenges. On one hand, our good reputation in the market and outstanding team have boosted our marketing capability; on the other hand, we ensured our targets are met by having closer communications and liaison with automobile manufacturers and optimization of our product structure. In 2012, the Group has realized an increase of 8,654 units (i.e.14.1%) to 69,883 units in passenger vehicle sales, among which, the sales of luxury and ultra-luxury passenger vehicles was 34,039 units, representing an increase of 4,918 units (i.e.16.9%) as compared with 2011. During the planning and implementation of sales strategy, the Group adhered to the target of maximizing sales profits, and adequately controlled the sales volume in individual model of each enterprise. As a result, we managed to maintain a higher operational efficiency.

Leveraging on our edge in after-sales services

As a leading passenger vehicle service provider with a long history, we have built up a strong customer base with long-term relationship. Our commitment to after-sales services and quality services has made us a leading after-sales service provider in the industry. In the past year, with the enhanced management in after-sales services and the introduction of new services, in particular strengthening our automobile decoration products and automobile care services, our gross profit margin for after-sales services was increased effectively. In 2012, our results in after-sales services are encouraging: our gross profit margin in after-sales services reached 44.5%, representing a rise of 6.3 percentage point from 38.2% in 2011; total revenue in after-sales services reached RMB2,048.6 million in 2012, which is 35.1% higher than that in 2011.

Striving for excellence and optimizing our management

We emphasize on standardized, procedural and systematic management, which has been well recognized in the industry. Our successful listing has further fostered our operation and management. We will continue to adhere to our philosophy of customer-oriented management, and strive for perfection and excellence, as well as optimization of our corporate management. In addition, our achievements also included proactive expansion in business channels, enhancement of our management of gross profit margin, implementation of stricter cost-control measures, strengthened accountability of general managers, emphasis on procedural management and controls, improvement in customers' satisfaction and management of operational risks. The capital market has brought along a new momentum to the development of the Group.

Chairman's Statement

Confident in the future

We believe the sales services industry in luxury and ultra-luxury passenger vehicles will remain in a relatively long period of rapid development in the future, and the adjustment we faced in 2012 is only a necessary stage in the course of such development. In this regard, we will continue to pursue high-end brand development and, at the same time, accelerate our network expansion. We are confident that our results in 2013 will be a fruitful one. For network building expansion, apart from focusing on the Eastern China region, we will start expanding to key cities in Central, Western, Southern and Northern China in an orderly manner. At the same time as we continue with our strategy of self-building, we will also undergo acquisition and merger when appropriate. Meanwhile, the Group will enhance the sustainable profitability of the Company by strengthening the development in automobile financing, automobile rental service and pre-owned vehicle businesses.

We understand that talent is the most valuable asset for our rapid growth in the long run. As such, we have carried out a comprehensive strategic plan throughout the Group to groom our talents. We believe this will be a core competitive edge for our long-term development.

In 2012, we have overcome numerous obstacles and challenges and achieved satisfactory results. Credits should go to the concerted effort of our staff and the tremendous support from shareholders. I, on behalf of the Board of the Company, would like to take this opportunity to express my sincere gratitude and appreciation. Looking ahead, we will continue to seize the opportunity of rapid growth in China with our endeavors and scientific management, so as to create a prosperous future for the Company.

CHEUNG Tak On
Chairman

March 28, 2013

Management Discussion and Analysis

Market Review

China's automobile market has experienced stable growth in 2012. According to the China Association of Automobile Manufacturers ("CAAM"), automobile sales volume in China was approximately 19,306,000 units in 2012, approximately 4% increase from 2011, among which, sales volume of new passenger vehicles was approximately 15,495,000 units, approximately 7% increase from 2011. The market for luxury and ultra-luxury passenger vehicles has continued its rapid pace with a high growth rate among all market segments of new passenger vehicle sales in China. McKinsey, a global management consulting firm, reported that, sales volume of luxury and ultra-luxury new passenger vehicles in China reached approximately 1.25 million units in 2012, making China the second largest luxury and ultra-luxury vehicle market worldwide, second only to America. According to the CAAM, mainstream brands of BMW, Audi, Jaguar and Land Rover presented a stronger growth rate of sales by approximately 40%, 30% and 73%, respectively, maintaining their leading positions among the luxury and ultra-luxury brands.

China's after-sales services' market has continued its fast pace in 2012, mainly due to the rise in passenger vehicle ownership and the aging of passenger vehicles in China. According to Roland Berger, after-sales services for the luxury and ultra-luxury segments are expected to maintain a compound annual growth rate ("CAGR") of approximately 30% over the next five years; for example, the current car parc in China for BMW, one of the major brands in our portfolio, has reached approximately one million units after a decade of development, and is expected to grow rapidly up to two million units over the next three years. Meanwhile, car parc of passenger vehicles aged four to seven years is ramping up rapidly, and is expected to contribute to the revenue growth of after-sales services business.

We have already established an extensive network in Eastern China and plan to further strengthen our leading position. The Eastern China is expected to continue to be a regional market offering the greatest growth potential for sales, maintenance and repair services of luxury and ultra-luxury vehicles, as well as the businesses of pre-owned vehicles, automobile extended products and services, insurance and financial products and automobiles rental business in China. According to Roland Berger, transaction volumes of pre-owned vehicles and automobile rental services in China are expected to reach a CAGR of approximately 25% and 20%, respectively, from 2011 to 2015. The Eastern China regional market is expected to continue growing at a faster pace compared to the national average growth rate. Meanwhile, we believe China's automobile industry will continue its fast growth driven by a number of factors, including the continuous increase in car parc and the gradually maturing market, which in turn may promote the fast growth of the businesses of automobile financing and leasing, innovative insurance business and automobile extended products and services, as well as further growth of maintenance and repair services, pre-owned vehicle business and automobile rental business.

Business Review

As a leading passenger vehicle retailer and comprehensive service provider in China, we have achieved steady growth in 2012. Our revenue and gross profit were RMB21,712.0 million and RMB1,770.6 million, respectively, representing an increase of 6.9% and 10.6%, respectively, from 2011. Our EBITDA was RMB1,108.0 million, a 5.9% increase from 2011. Set forth below is a summary of the major developments of our business in 2012.

Management Discussion and Analysis

Stable Growth of New Passenger Vehicle Sales and Fast-growing After-sales Business

- **New Passenger Vehicle Sales**. Despite a challenging market environment, our sales volume of new passenger vehicles reached 69,883 units in 2012, a 14.1% increase from 2011, and sales volume of luxury and ultra-luxury brands reached 34,039 units in 2012, a 16.9% increase from 2011. The weak consumer sentiment resulting from the growing economic instability has adversely affected market demand in 2012; however, a general recovery of economy is underway, particularly during the fourth quarter. Our management has prudently monitored changing market conditions and developed adaptive plans in passenger vehicle sales and new outlets development, which encouraged a sustainable and balanced growth of sales revenue and sales volume. We have strived to prioritize the profitability of our business and the management of inventory to a reasonable level by optimizing our sales structure and closely monitoring our inventory turnover.

- **Repair and Maintenance Services**. Our repair and maintenance services have achieved fast growth in 2012. This is resulted from our fast-growing customer base, in particular, our customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demand for our after-sales services; our "one-stop shop" comprehensive automobile-related quality services and the recognition of our well-known "Yongda" brand to achieve a high degree of customer satisfaction which has increased customer retention rates and continous consumption and attracted new customers through referrals; and our efforts to enhance our cooperation with insurance companies.

- **Automobile Extended Products and Services**. In addition to our repair and maintenance services, we are also committed to providing comprehensive automobile extended products and services through our "one-stop shop" services, which mainly include sales of automobile decoration products, automobile care services, agency services of vehicle title registration and vehicle inspection services. Our automobile extended products and services have achieved fast growth in 2012, mainly driven by our integrated sales with new passenger vehicle sales, provision of more incentives to our sales force and the introduction of products and suppliers catering for the needs of our customers. Revenues from sales of automobile decoration products and automobile care services were RMB202.1 million and RMB145.5 million, respectively, a 53.0% and 133.9% increase from 2011, respectively.

Our after-sales service business, which mainly includes the above-mentioned repair and maintenance services and automobile extended products and services, has achieved a revenue of RMB2,048.6 million, a 35.1% increase from 2011.

- **Agency Services for Automobile Insurance and Financial Products**. Through strengthened cooperation with insurance companies and other financial institutions, we have achieved a service income of RMB155.8 million in 2012 from our agency services for automobile insurance and financial products, a 77.1% increase from 2011.

- **Pre-owned Vehicle Business**. We have actively promoted pre-owned vehicle business in 2012 by increasing the proportion of brand certified pre-owned vehicles, upgrading information management system for pre-owned vehicles, as well as using a third-party auction system for pre-owned vehicles, which has greatly improved sales volumes and revenue of pre-owned vehicle business.

- **Automobile Rental Services**. In 2012, we proactively promoted our automobile rental services by excavating new and long-term customers and expanding our fleet size. As a result, our automobile rental services has achieved a revenue of RMB223.1 million, a 23.5% increase from 2011.

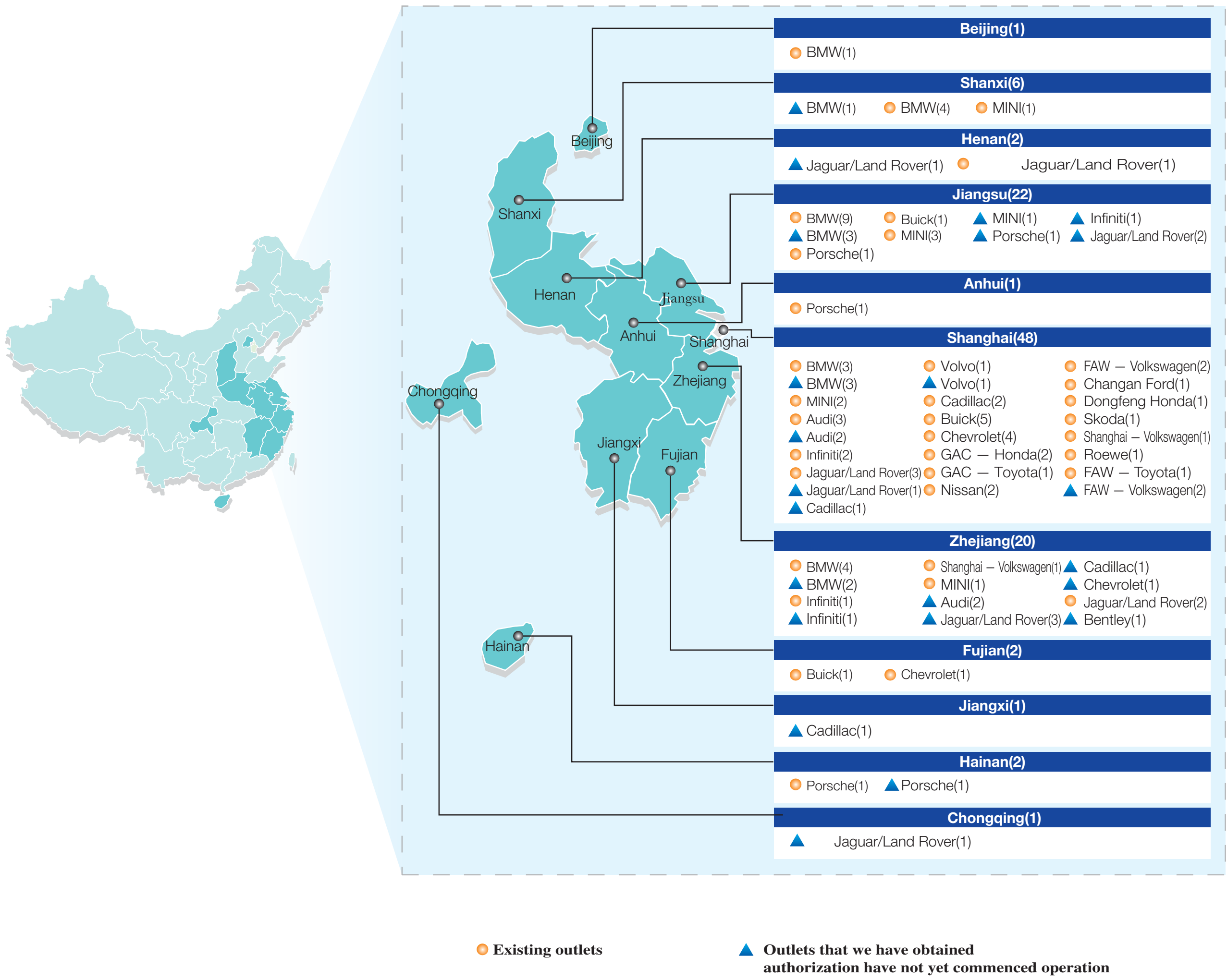
Continuous Expansion of Our Network

We have continued to build our strong and long-term relationships with leading manufacturers of luxury and ultra-luxury passenger vehicles. In 2012, we continued to focus on luxury and ultra-luxury brands, including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac, Volvo, and Bentley, a UK premium luxury brand that was newly added. In 2012, we have obtained authorization to open 21 new outlets from a number of luxury and ultra-luxury brands, including Porsche, BMW, Audi, Jaguar, Land Rover and Bentley, which has further enhanced our luxury and ultra-luxury brands portfolio. Moreover, we have operated 4S dealerships for a select portfolio of mid- to high-end brands, including Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others. The table below sets forth the number of our outlets as of December 31, 2012:

	Existing Outlets	New Outlets that We Have Obtained Authorization to Open	Total
Luxury and ultra-luxury brands 4S dealerships	25	27	52
Mid- to high-end brands 4S dealerships	26	3	29
Manufacturer-authorized service centers	5	—	5
Showrooms	15	3	18
Manufacturer authorized certified pre-owned vehicle center	1	1	2
Total	72	34	106

Management Discussion and Analysis

We have continued to operate an extensive network with a strong presence in Eastern China, particularly in Shanghai, and have expanded into other regions in China. As of December 31, 2012, our existing outlets were located across 31 cities in 11 provinces in China and 94 out of our 106 existing outlets were located in Eastern China and a vast majority of our new outlets are also planned to be strategically located in this region. In 2012, we established a number of new outlets for luxury and ultra-luxury brands, including Porsche, MINI, Jaguar, Land Rover and Cadillac, among which our Porsche outlet in Wuxi City, Jiangsu Province is the Asia's largest 4S Porsche center. In the first quarter of 2013, we have established one Porsche outlet, two BMW outlets, one Audi outlet and one Jaguar/Land Rover outlet. We have selectively expanded our network beyond Eastern China to enter strategic markets in other regions, such as Beijing, Shanxi, Hainan, Henan and Chongqing. As of December 31, 2012, the geographic coverage of our outlets which we were authorized by manufacturers to open and operate is illustrated below:



Continuous Upgrading of Our Management and Marketing Capability

While we have expanded our business through continued organic growth, we have continued standardizing and optimizing our management and operations, and these standardized management processes have resulted in an operational model that can be readily replicated to our future outlets and in new regions. In 2012, we have particularly focused on our management by objectives in gross profit margin and inventory turnover days, as well as the integration of a group-wide information technology system that helps institutionalize our best practices, monitor the overall consistency and transparency of our internal operations and enhance our operational efficiency. We have also engaged third-party consulting firms to identify areas of our business processes requiring improvement. As an illustration of our quality operation, three of our dealerships have been selected by BMW in its Top 10 list of "2012 BMW Best Performance Dealer Awards" in China in 2012.

We have continued to build our corporate brand "永達(Yongda)" and made continuous efforts in marketing innovation and customer retention through a variety of channels, including our customer-oriented strategy, such as encouraging customers' continuous consumption and consumption upgrade, our multi-media "96818" customer service platform, marketing through TV shopping channels and online shopping platform, as well as our partnership with banks and insurance companies. A high degree of awareness of our brand has become an important factor to enhance customer loyalty and differentiates us from our peers.

Financial Review

Revenue

Revenue was RMB21,712.0 million in 2012, a 6.9% increase from RMB20,340.1 million in 2011, primarily due to the growth from sales and after-sales services in relation to luxury and ultra-luxury passenger vehicles. The table below sets forth a breakdown of our revenue and relevant information for the years indicated:

	For the Year Ended December 31,					
	2011			**2012**		
	Amount (RMB in thousands)	Sales Volume (Units)	Average Selling Price (RMB in thousands)	**Amount (RMB in thousands)**	**Sales Volume (Units)**	**Average Selling Price (RMB in thousands)**
Passenger vehicle sales						
Luxury and ultra-luxury brands	14,305,698	29,121	491	**15,008,842**	**34,039**	**441**
Mid- to high-end brands	4,300,942	32,108	134	**4,431,383**	**35,844**	**124**
Subtotal	18,606,640	61,229	304	**19,440,225**	**69,883**	**278**
After-sales services	1,516,755	–	–	**2,048,629**	**–**	**–**
Automobile rental services	180,724	–	–	**223,144**	**–**	**–**
Total	20,304,119	–	–	**21,711,998**	**–**	**–**

Revenue from passenger vehicle sales was RMB19,440.2 million in 2012, a 4.5% increase from RMB18,606.6 million in 2011, primarily due to an increase in sales volume of passenger vehicles resulting from (i) the overall demand for passenger vehicles continuing to grow in China, particularly for luxury and ultra-luxury passenger vehicles; (ii) our dealerships opened in prior years quickly ramped up and generated an increasing amount of revenue; and (iii) an increase in the number of our 4S dealerships. The growth of revenue from passenger vehicle sales was partly offset by a decrease in average selling price, primarily due to the increased proportion of entry-level models and domestically manufactured models of luxury and ultra-luxury passenger vehicles.

Revenue from after-sales services was RMB2,048.6 million in 2012, a 35.1% increase from RMB1,516.8 million in 2011, primarily due to (i) our fast growing customer base, in particular, our customers for luxury and ultra-luxury passenger vehicles, which in turn increased the demands for our after-sales services; (ii) our "one-stop shop" comprehensive automobile-related quality services to achieve a high degree of customer satisfaction, which has increased customer retention rates and continuous consumption and attracted new customers through referrals; (iii) more referrals brought by insurance companies as a result of our strengthened cooperation; (iv) our efforts to innovate and launch various automobile extended products and services; and (v) our enhanced service efficiency.

Revenue from automobile rental services was RMB223.1 million in 2012, a 23.5% increase from RMB180.7 million in 2011, primarily due to an increase in market demand for automobile rental services and our expanded fleet size.

Cost of Sales and Services

Cost of sales and services was RMB19,941.4 million in 2012, a 6.6% increase from RMB18,703.6 million in 2011, which was generally in line with the growth of our revenue.

Cost of sales and services for passenger vehicle sales was RMB18,662.9 million in 2012, an increase of 5.7% from RMB17,651.8 million in 2011, which was generally in line with the growth of passenger vehicle sales.

Cost of sales and services for after-sales services was RMB1,136.8 million in 2012, a 21.4% increase from RMB936.8 million in 2011. The cost of sales and services for after-sales services increased at a slower pace compared to the increase in revenue of after-sales services.

Cost of sales and services for automobile rental services was RMB141.7 million in 2012, a 23.2% increase from RMB114.9 million in 2011, which was generally in line with the growth of our automobile rental services.

Gross Profit

As a result of the foregoing, gross profit was RMB1,770.6 million in 2012, a 10.6% increase from RMB1,600.5 million in 2011.

Gross profit from passenger vehicle sales was RMB777.4 million in 2012, a 18.6% decrease from RMB954.8 million in 2011. Gross profit margin for passenger vehicle sales decreased from 5.1% in 2011 to 4.0% in 2012, primarily due to the intensified competition in the passenger vehicle sales market and an imbalance between excess supply and slowdown in sales during the slowing economy.

Gross profit from after-sales services was RMB911.8 million in 2012, an increase of 57.2% from RMB579.9 million in 2011. Gross profit margin for after-sales services increased from 38.2% in 2011 to 44.5% in 2012, primarily due to (i) the increased proportion of after-sales services provided to luxury and ultra-luxury passenger vehicles, which have a higher gross profit margin; (ii) an increase of revenue from automobile extended products and services as a result of our continued focus on developing our after-sales services, which generally carry a higher gross profit margin compared to the sales of new passenger vehicles; (iii) an increase of revenue from referrals by insurance companies relating to accidental car repair; and (iv) our satisfactory cost control.

Gross profit from automobile rental services was RMB81.4 million in 2012, an increase of 23.9% from RMB65.7 million in 2011, primarily due to an increase in market demand for automobile rental services and our expanded fleet size. Gross profit margin for automobile rental services remained stable, which was 36.5% in 2012 and 36.4% in 2011.

Other Income and Gains, Net

Other income and gains were RMB275.9 million in 2012, a 92.9% increase from RMB143.0 million in 2011, primarily due to (i) an increase of income from distribution of automobile insurance and financial products through our outlets as a result of our strengthened cooperation with financial institutions and growth of passenger vehicle sales; (ii) an increase in government grants; and (iii) an increase in interest income.

Distribution and Selling Expenses

Distribution and selling expenses were RMB742.5 million in 2012, a 58.9% increase from RMB467.2 million in 2011, primarily due to (i) an increase in salaries and benefits for our sales team as a result of an increase in headcount for our network expansion, in particular, the expansion of luxury and ultra-luxury outlets; (ii) an increase in marketing expenses due to intensified market competition; and (iii) an increase in rental expenses and depreciation for our outlet premises as a result of our network expansion. As a percentage of revenue, our distribution and selling expenses increased to 3.4% in 2012 from 2.3% in 2011.

Administrative Expenses

Administrative expenses remained relatively stable at RMB370.2 million in 2012, compared to RMB350.7 million in 2011. As a percentage of revenue, administrative expenses remained at 1.7% in 2011 and 2012.

Finance Costs

Finance costs were RMB257.4 million in 2012, a 46.1% increase from RMB176.1 million in 2011, primarily due to (i) the higher average balance of our borrowings in 2012 compared to 2011; and (ii) the increased effective interest rate of our borrowings due to the general credit tightening financial environment in China, particularly in the first half of 2012.

Profit before Tax

As a result of the foregoing, profit before tax was RMB681.3 million in 2012, an 8.0% decrease from RMB740.9 million in 2011.

Income Tax Expenses

Income tax expenses remained relatively stable, which were RMB165.9 million in 2012, compared to RMB177.7 million. Our effective income tax rate was 24.3% in 2012 compared to 24.0% in 2011.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income was RMB515.5 million in 2012, an 8.5% decrease from RMB563.2 million in 2011.

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

Profit and total comprehensive income attributable to the owners of the Company was RMB470.0 million in 2012, a 6.9% decrease from RMB504.8 million in 2011.

Liquidity and Capital Resources

Cash Flow

Our primary uses of cash are payment for purchases of passenger vehicles, spare parts and automobile accessories, funding of our working capital and normal recurring expenses, funding of the capital expenditures in connection with the establishment of new dealerships, acquisition of additional dealerships and repayment of our indebtedness. We maintain our liquidity through a combination of cash flows generated from our operating activities, capital injections, bank loans and other borrowings. In the future, we believe that our liquidity requirements are expected to be satisfied by using a combination of cash flows generated from our operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time, including proceeds raised from our initial public offering in July 2012.

In 2012, our net cash from operating activities was RMB157.1 million, a 74.6% decrease from RMB618.5 million in 2011, primarily due to a higher level of repayment of bills payables in 2012.

In 2012, our net cash used in investing activities was RMB526.1 million, a 58.7% decrease from RMB1,273.4 million in 2011, primarily due to a reduction of the net increase in pledged bank deposits of RMB586.7 million from 2011 to 2012.

In 2012, our net cash from financing activities remained relatively stable at RMB1,184.1 million and RMB1,254.4 million in 2011.

Net Current Assets

As of December 31, 2012, we had net current assets of RMB1,443.9 million, a 3.7 times' increase from RMB309.0 million as of December 31, 2011, primarily due to an increase in cash and cash equivalents related to the proceeds we received from our initial public offering in July 2012.

Inventories

Our inventories mainly include passenger vehicles procured for passenger vehicle sales and, to a lesser extent, spare parts, accessories and other miscellaneous inventories. Our inventories were RMB2,678.2 million as of December 31, 2012, a 28.2% increase from RMB2,088.3 million as of December 31, 2011, primarily due to (i) our increased business scale; and (ii) our increased purchases of passenger vehicles in the end of 2012 to expect sales boom in the run-up to the Chinese New Year holiday, which was in the third week of February 2013, a much longer period compared to the previous year with the Chinese New Year holiday in the fourth week of January 2012. The following table sets forth our average inventory turnover days for the years indicated:

	For the Year Ended December 31,	
	2011	**2012**
Average inventory turnover days (1)	31.3	**43.6**

Note:

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

Our average inventory turnover days were 31.3 days and 43.6 days in 2011 and 2012, respectively. We have higher inventory turnover days in 2012 primarily due to (i) the commencement of operations of our new outlets in 2012, which resulted in more purchases of passenger vehicles; and (ii) a slowdown in sales of passenger vehicles during the first half of 2012. Nonetheless, we have implemented our adaptive business plans adjusted to the market environment to achieve an optimal level of inventory, which resulted in lower inventory turnover days of 43.6 days in 2012 compared to 48.4 days for the first half of 2012.

Loans and Borrowings

We obtain borrowings, consisting of bank loans and other borrowings from automobile manufacturers' captive finance companies, and prior to our initial public offering in July 2012, incurred amounts due to related parties to finance our working capital and network expansion needs. We have repaid all outstanding amounts due to related parties relating to our working capital financing prior to our initial public offering. As of December 31, 2012, our bank loans and other borrowings were RMB3,622.2 million, a 52.4% increase from RMB2,376.3 million as of December 31, 2011, primarily due to the capital needs for the expansion of our business and the repayment of amounts due to related parties. The following table sets forth the maturity profile as of December 31, 2012:

	As of December 31, 2012 ***(RMB in thousands)***
Within one year	**3,465,172**
One year to two years	**97,536**
Two years to five years	**59,517**
Total	**3,622,225**

Our net debt to total equity ratio was 26.3% as of December 31, 2012. The net debt to total equity ratio is the net debt, which includes the indebtedness net of cash and pledged bank deposits, divided by total equity.

As of December 31, 2012, certain of our bank loans were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2012 consisted of (i) inventories of RMB976.5 million; (ii) property, plant and equipment of RMB132.7 million; (iii) land use rights of RMB8.0 million; and (iv) pledged bank deposits of RMB10.0 million.

Capital Expenditures and Investment

Our capital expenditures comprised primarily expenditures on the purchase of property, plant and equipment, intangible assets and land use rights, and the acquisition of a subsidiary. In 2012, our total capital expenditures were RMB879.7 million.

Contingent Liabilities

As of December 31, 2012, we did not have any material contingent liabilities or guarantees.

Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our debt. Certain of our borrowings were variable-rate borrowings that are mostly linked to the benchmark rates of the People's Bank of China. Increases in interest rate could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our finance costs, profit and our financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. We do not currently use any derivative financial instruments to hedge our exposure to interest rate risk.

Substantially all of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We do not believe our operations are currently subject to any significant direct foreign exchange risk. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

Use of Proceeds

The net proceeds from the Company's initial public offering were approximately RMB1,013.2 million. The net proceeds have been utilized in the manner consistent with that disclosed in the prospectus of the Company dated June 29, 2012 under the section headed "Future Plans and Use of Proceeds."

Future Prospects and Strategies

China is expected to become the largest luxury and ultra-luxury passenger vehicles market in the world in 2016, according to McKinsey, a global management consulting firm. During the last decade, luxury and ultra-luxury passenger vehicles market in China has achieved a CAGR of approximately 36%. In 2012, the sales volume of luxury and ultra-luxury new passenger vehicles in China reached approximately 1.25 million units, making China the second largest market of luxury and ultra-luxury passenger vehicles in the world, second only to America. According to McKinsey, it is expected that China's luxury and ultra-luxury passenger vehicles market may maintain a CAGR of 12% up to 2020, while the CAGR for the passenger vehicles market is expected to be only approximately 8% during the same period, and the annual sales volume of luxury and ultra-luxury passenger vehicles in China is expected to reach 3.0 million units, generally in line with the Western Europe market, while the annual sales volume of luxury and ultra-luxury passenger vehicles in America market is expected to be approximately 2.3 million units. According to McKinsey, the annual sale volume of automobiles in China is expected to reach 2,250,000 units by no later than 2016, taking over the place of America and ranking first in the global luxury and ultra-luxury passenger vehicles markets. Meanwhile, maintenance and repair services, automobile extended products and services, pre-owned vehicles, insurance, automobiles rental and automobile financing and leasing businesses are also expected to increase rapidly, continuously increasing the profitability of the automobile industry.

To proactively capture market opportunities, we aim to continue strengthening our market position as a leading luxury and ultra-luxury passenger vehicles dealership group in China and seize the opportunities in one of the world's largest and fast-growing passenger vehicle's markets by pursuing the following strategies in 2013 and the future.

Network Expansion

- We plan to further strengthen our focus on the luxury and ultra-luxury passenger vehicles segments. We plan to continue to strengthen and enhance our established strong and long-term strategic and cooperative relationships with leading automobile manufacturers of luxury and ultra-luxury brands, focus on network expansion and introduce new brands into our brand portfolio in our luxury and ultra-luxury passenger vehicles segments;

- We plan to continue to strengthen our leading position in the Eastern China regional market (including Shanghai);

- We plan to consider particular market conditions in different regions and tiers when we selectively develop our centralized automobile parks, stand-alone automobile 4S dealership, automobile city showrooms, pre-owned vehicle centers, maintenance and repair service centers and city and town quick repair stores, so as to enrich the types of our outlets and tailor to the needs of different markets and customers; and

- We plan to focus on our network expansion mainly through our organic growth and supplemented by acquisition opportunities in appropriate size that we will proactively and selectively identify in order to expand our network to our strategic regions or new regions. We plan to focus on the luxury and ultra-luxury brands in any potential acquisitions and mergers.

Business Expansion

- **New Passenger Vehicles Sales**. We plan to further improve gross profit margin in new passenger vehicle sales by implementing an information system that provides dynamic management of sales price and turnovers of inventories. We plan to integrate our Group's advantage of economies of scale and take advantage of synergies from industrial, regional, brands, business, customers and channel linkages. We also plan to implement customers loyalty programs to encourage their continuous consumption and consumption upgrade;

- **Maintenance and Repair Services**. We plan to implement a differentiated and delicate management to our subsidiaries at different development stages. We plan to further tap growth potential of our mature stores and rapidly improve the business capability of new stores, to expand accidental car business, to promote production efficiency by the establishment of a refinishing center; to increase gross profit margin through strategic cooperation with insurance companies, to continue service innovation in order to develop maintenance related business, such as warranty extension, assembly repair and quick repair, as well as to strengthen training of key technical personnel;

- **Extended Products and Services.** We plan to take advantage of our Group's economies of scale to further control procurement costs of extended products, to improve product upgrades such as vehicle care products, engine oil and sales and marketing, to develop vehicle refitting OEM business, automobile coating and detailing services when market demands arise, and to enhance revenue streams from services for license registration, inspection, and trading by integrating our industrial chain;

- **Pre-owned Vehicles.** We plan to accelerate the development of manufacturer-authorized pre-owned 4S dealerships to achieve a leading industrial position by scale; to upgrade the replacement business through the development of our existing customers base; to further increase revenues from pre-owned vehicle business by strengthening business from manufacturer certified brands and also promoting business from brands certified by us; and enhance value-added pre-owned vehicle business by enhancing cross-selling efforts among pre-owned vehicles, warranty extension, decoration, insurance and financial products;

- **Insurance Business.** We plan to enhance our strategic cooperation with major insurance companies to promote the growth of accidental car business and gross profit margin; to take advantage of such cooperation to develop extended insurance business that is not covered by manufacturers; to maintain maintenance service resources in an effective manner in order to improve revenues from insurance business; and to take advantage of our economies of scale by integrating insurance business in the Eastern China and other areas that our outlets are concentrated in;

- **Automobile Rental.** We plan to expand our automobile rental outlets at a relatively low cost by taking advantage of our passenger vehicle sales and service outlets; we plan to study the possibility of establishing a temporary rental unit to develop a dual business model with both long-term and short-term rental business, and increase the turnover rate and rental rate of temporary rental business; to actively promote service innovation and also launch an online booking new business; and we plan to provide featured automobile rental services such as VIP arrivals in order to provide personalized services for high-end customers; and

- **Financing and Leasing Services.** We plan to enhance our business profitability of passenger vehicle sales by exploring a new business model of financing and leasing services, first among high-end brand companies in Shanghai in 2013, then gradually promoting such business nation-wide in 2014. We have engaged experts from America to help with product design and planning in order to cater for the needs of customers. We plan to promote such business by positioning finance managers and introducing the relevant monitoring system at our 4S dealership stores. We believe the financing and leasing business will provide us with business growth in relation to maintenance and repair, automobile extended products and services, and insurance, as well as resources for pre-owned vehicles.

Management Enhancement

- We plan to continue to optimize the use of internal and external resources and leverage on our Group's synergies to enhance the operational efficiency;

- We plan to strengthen the control of costs and expenses in order to improve our profitability;

- We plan to accelerate the cultivation of strategic talents, and set up the reasonable reserve and echelon of key managerial personnel in order to support our rapid growth;

- We plan to continue to make efforts to provide a system with competitive incentives and remunerations, comprehensive training programs and various career development opportunities for our employees; and

- We plan to take advantage of our information system, continue to promote standardization, streamlining processes and institutionalization of our operation and management so as to improve our operational efficiency.

We are committed to strengthening our position as a leading passenger vehicle retailer and comprehensive service provider in China, focusing on luxury and ultra-luxury brands, and we aim to continue to make decisions and investments that we believe will create long-term value for our shareholders.

Directors and Senior Management

Directors

Executive Directors

CHEUNG Tak On (張德安), age 46, is our Chairman and was appointed as our executive director on January 18, 2012. Mr. Cheung has substantial experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to present, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股(集團)有限公司) ("Yongda Holding") as well as its chief executive officer since November 1999, where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. Mr. Cheung is currently a director of Grouprich International. He is also currently a director of Shanghai Yongda Group Company Limited By Shares (上海永達(集團)股份有限公司) ("Yongda CLS") and Shanghai Shoujia Investment Co., Ltd. (上海首佳投資有限公司) ("Shanghai Shoujia") as well as the chairman of Shanghai Shouchuang Automobile Consultancy and Services Co., Ltd. (上海首創汽車咨詢服務有限公司) ("Shanghai Shouchuang"). From September 1991 to June 1998, Mr. Cheung was the general manager of Yongda CLS.

Mr. Cheung received numerous awards in recognition of his achievement. Set forth below are the details of the awards received by him:

Award	Awarding Institutions
2012 Business Outstanding Contribution Award (2012年度事業突出貢獻狀獎)	Shanghai Youth Federation (上海市青年聯合會)
2012 Outstanding Entrepreneur (2012傑出企業家)	Pudong New Area, Shanghai Businesses, Entrepreneurs Association (上海市浦東新區企業、企業家聯合會)
Person of the Year, 2012 China Automobile Dealing Industry (2012中國汽車流通行業風雲人物獎)	China Automobile Dealers Association (中國汽車流通協會)
2011 National May Day Labor Medal (2011全國五一勞動獎章)	All China Federation of Trade Union (中華全國總工會)
Outstanding Entrepreneur of China of 2009 (2009中國卓越企業家)	the research centre of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會研究中心) and China Enterprise News Agency (中國企業報社)
Shanghai Labor Model of 2007 to 2009 (2007–2009年度上海市勞動模範)	people's government of Shanghai City (上海市人民政府)

Mr. Cheung obtained an adult higher education training certificate in economic law jointly granted by The Open University of China (中央廣播電視大學) and China University of Political Science and Law (中國政法大學) through distance learning in 1996 and master of science in business administration (Leadership Studies) of Madonna University, Michigan in December 2001. Mr. Cheung also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from September 1999 to December 2001, and the China CEO Program jointly offered by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, IMD and London Business School in 2011.

CAI Yingjie (蔡英傑), age 45, is our Vice-Chairman, general manager and was appointed as our executive director on January 18, 2012. Mr. Cai is responsible for overseeing our operations, information technology, investment as well as managing our relationship with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai is also currently the general manager of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Automobile Group"), which is an indirect wholly owned subsidiary of our Company and is responsible for its operation and management as well as the chairman or a director of several of our subsidiaries. From November 1998 to December 2011, he was the director of Yongda CLS and its general manager from November 1999 to December 2011. Mr. Cai was the deputy chief executive officer and a director of Yongda Holding from November 1999 to December 2011. From September 1991 to June 1998, Mr. Cai was the deputy general manager of Yongda CLS, where he was responsible for its business development. From September 1984 to July 1990, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai is currently a vice-chairman of the Shanghai Association of Automobile Manufacture (上海市汽車銷售行業協會) and he had also been a vice president of the China Auto Dealers Chamber of Commerce (中華全國工商業聯合會汽車經銷商商會). Mr. Cai graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.

Non-executive Directors

WANG Zhigao (王志高), age 44, is our Vice-Chairman and was appointed as our non-executive director on January 18, 2012. Mr. Wang is responsible for overseeing the corporate finance, investors' relation and financial management of our Group. Mr. Wang has been a director of Yongda Holding since January 2005 and its deputy chief executive officer since January 2004, where he is responsible for its finance, audit, investment and legal affairs, and a director of Yongda CLS since December 2003. Mr. Wang is also currently a director of Sea of Wealth International Investment Company Limited and the chairman or a director of several of our subsidiaries. He also serves as a director of Shanghai Shoujia and Shanghai Shouchuang, the chairman of Shanghai Yongda Asset Management Company Limited (上海永達資產管理股份有限公司) and Shanghai Yongda Investment Management Co., Ltd. (上海永達投資管理有限公司), as well as an executive director of Shanghai Yongda Property Development Co., Ltd. (上海永達置業發展有限公司). From March 1998 to December 2003, Mr. Wang was a lawyer at Shanghai Jin Shi Law Firm (上海金石律師事務所) and from January 1997 to February 1998, a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所). Mr. Wang graduated from East China University of Politics and Law (華東政法大學) with a bachelor degree in economic law in 1992 and a master degree in law in 1999. Mr. Wang also received a master degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

Directors and Senior Management

WANG Liqun (王力群), age 59, was appointed as our non-executive director on January 18, 2012, and is responsible for formulating major policies of our Group. Mr. Wang is currently the president of, and an indirect holder of approximately 2.51% of the equity interests in, Shanghai Stone Capital, a China-based private equity fund, which is deemed to be interested in 5.20% of the Shares of our Company. Mr. Wang has been leading Shanghai Stone Capital in its investments and strategic development. He is also an independent director of Talkweb Information System Co., Ltd. (拓維信息系統股份有限公司) (Shenzhen Stock Exchange ("SZSE"): 002261). Mr. Wang has served a number of positions, including a director, general manager and senior consultant of Shanghai Bashi Industrial (Group) Co., Ltd. (上海巴士實業(集團)股份有限公司) (now known as Huayu Automotive Systems Company Limited (華域汽車系統股份有限公司)) (Shanghai Stock Exchange ("SSE") stock code: 600741). From 1999 to 2007, Mr. Wang was the chairman of Shanghai Urban Rail System Corporation (上海現代軌道交通股份有限公司). From 1999 to 2001, Mr. Wang was the general manager of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司). Mr. Wang was qualified as a senior economist (高級經濟師) in 1992 by the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) and was awarded as an Outstanding Young Entrepreneur (杰出青年企業家) by the Youth Communist League Committee of Shanghai (共青團上海市委員會) and Shanghai Youth Entrepreneurs Association (上海市青年企業家協會). Mr. Wang obtained a college diploma in economics management from the School of Construction and Management of the University of Shanghai Urban Construction College (上海城市建設學院) in 1987.

Independent Non-executive Directors

WANG Zhiqiang (王志强), age 55, was appointed as our independent non-executive director on January 18, 2012. Mr. Wang is currently the deputy general manager of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司), vice-chairman of Dazhong Insurance Co., Ltd. (大眾保險股份有限公司) and a director of Galaxy Asset Management Co., Ltd. (銀河基金管理有限公司).

Mr. Wang also has extensive experience of serving senior positions in listed companies:

Companies	Positions	Duration
Shanghai 3F New Materials Company Limited (上海三愛富新材料股份有限公司) (SSE stock code: 600636)	Independent Director	April, 2011–present
Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司) (SSE stock code: 600835)	Independent Director	May, 2009–May, 2012
Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (formerly known as Shanghai Raw Water Co., Ltd. (上海市原水股份有限公司)) (SSE stock code: 600649)	Chief Supervisor	June, 2005–June, 2011

Before assuming these senior managerial positions, Mr. Wang had also been the head of finance department and deputy chief accountant at Shanghai Chengtou Corporation (上海市城市建設投資開發總公司). Mr. Wang became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 1997. Mr. Wang graduated with a college diploma in industrial accounting from Shanghai College of Finance and Economics (上海財經學院) which is now known as Shanghai University of Finance and Economics (上海財經大學) in 1983 and obtained an adult higher education bachelor diploma in economics management from East China Normal University (華東師範大學) in 1995. In 2007, Mr. Wang obtained his master in business administration from China Europe International Business School (中歐國際工商學院).

LU Wei (呂巍), age 48, was appointed as our independent non-executive director on January 18, 2012. Mr. Lu began his career in academia. Since 2003, Mr. Lu has been the Associate Dean of the Antai College of Economics and Management (安泰管理學院經濟與工商管理學院) at Shanghai Jiao Tong University (上海交通大學) as well as a professor at its Department of Business Administration. Between February 1997 and March 2003, Mr. Lu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology.

Mr. Lu's academic qualifications and extensive experiences have led to his appointments in a number of listed companies:

Companies	Positions	Duration
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (陸家嘴金融貿易開發區股份有限公司) (SSE stock code: 600663)	Independent Director	May, 2008–present
Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電器(集團)股份有限公司) (SSE stock code: 601616)	Independent Director	December, 2007–present
Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司) (SZSE stock code: 002293)	Independent Director	November, 2007–present
Shanghai Yaohua Pilkington Glass Co., Ltd. (上海耀華皮爾金頓玻璃股份有限公司) (SSE stock code: 600819)	Independent Director	June, 2006–April, 2012
China Seven Star Shopping Limited (中國七星購物有限公司) (stock code: 245) (listed on the Hong Kong Stock Exchange)	Independent Non-executive Director	June, 2005–present
Giti Tire Corporation (佳通輪胎股份有限公司) (formerly known as Hualin Tire Corporation (樺林輪胎股份有限公司)) (SSE stock code: 600182)	Independent Director	July, 2003–May, 2009

Mr. Lu graduated with a bachelor degree in management science from Fudan University (復旦大學) in 1986 before obtaining his master degree in economics in 1989 and PhD in economics in 1996 at the same university.

Directors and Senior Management

CHEN Xianglin (陳祥麟), age 68, was appointed as our independent non-executive director on January 18, 2012. From 1995 to 2006, Mr. Chen had been the chairman of Shanghai Automobile Industry (Group) Limited (上海汽車工業(集團)總公司). Between April 2004 and June 2008, Mr. Chen was the chairman of the supervisory committee of Shanghai Automotive Co., Ltd. (上海汽車集團股份有限公司) (SSE stock code: 600104), where his main responsibilities included monitoring the board and management activities and the internal control of the company. Mr. Chen has held a number of senior positions in the government, including the deputy secretary general of the Shanghai People's Government (上海市人民政府), deputy head of the Shanghai First Electromechanical Bureau (上海市第一機電工業局) and director of Shanghai Planning Committee (上海市計劃委員會). He had also been the vice-chairman of the Shanghai Federation of Economic Organization (上海市經濟團體聯合會) and Shanghai Federation of Industrial Economics (上海市工業經濟聯合會). In 1989, Mr. Chen obtained accreditation as senior economist (高級經濟師) from the Shanghai Economic (Production Area) Senior Professional and Technical Qualifications Committee (上海市經濟系列 (生產領域) 高級專業技術職務任職資格評審委員會). Mr. Chen was admitted as a senior economist (高級經濟師) in 1994, and was later promoted as a senior international business engineer (高級國際商務師) in 1995 by the Shanghai Professional Titles Reform Work Leading Group (上海市職稱改革工作領導小組) and the Economic Professional Qualifications Committee of Shanghai University of Finance and Economics (上海財經大學經濟專業職務評審委員會). Mr. Chen graduated with a bachelor diploma in mathematics from Fudan University (復旦大學) in 1967, and has also completed a training course on independent directors organized by the SSE in 2008 and a training course on directors and supervisors of listed company organized by the Shanghai Securities Regulatory Bureau under the China Securities Regulatory Commission.

Senior Management

Our senior management team, in addition to our directors listed above, is as follows:

XU Yue (徐悅), age 37, was appointed as our executive deputy general manager on January 18, 2012 and is responsible for overseeing the development of marketing strategies and the establishment of new 4S dealership. Mr. Xu joined our Group in 1999 and has more than 12 years' experience in the passenger vehicle dealership sector. Mr. Xu is also currently the executive deputy general manager of Automobile Group and the chairman or a director of several of our subsidiaries. He has been the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司). Between February 2002 and March 2004, Mr. Xu was secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005.

YE Ming (葉明), age 34, was appointed as our deputy general manager on January 18, 2012 and is responsible for managing the internal operation of our Group. Mr. Ye is also currently the deputy general manager of Automobile Group and a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor degree in law from Shanghai University (上海大學) in 2001.

DONG Ying (董穎), age 43, was appointed as our deputy general manager on January 18, 2012 and is also the deputy general manager of the Automobile Group. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 18 years' experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control centre of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司) (stock code: 1886) from 2006 to 2011, a company whose shares are listed on the Hong Kong Stock Exchange. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Dong obtained a bachelor degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.

WEI Dong (衛東), age 43, was appointed as our deputy general manager on January 18, 2012 and is responsible for managing the sales, after-sale services, insurance and clients' relationship of our Group. Mr. Wei is also currently the deputy general manager of Automobile Group and a director of several of our subsidiaries. Mr. Wei has more than 13 years' experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

Company Secretary

MOK Ming Wai (莫明慧), aged 41, is a director of KCS Hong Kong Limited. She has over 15 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the joint company secretary of Shanghai Pharmaceuticals Holding Co., Ltd. (stock code: 02607), Huaneng Renewables Corporation Limited (stock code: 00958), New China Life Insurance Company Ltd (stock code: 1336), China Hanking Holdings Limited (stock code: 03788), Haitong Securities Co., Ltd (stock code: 6837), Huadian Fuxin Energy Corporation Limited (stock code: 816), Xiao Nan Guo Restaurants Holdings Limited (stock code: 3666), DYNAM JAPAN HOLDINGS Co., Ltd. (stock code: 6889), Future Land Development Holdings Limited (stock code: 1030) and Chinalco Mining Corporation International (stock code: 3668); and also acts as the sole company secretary of China NT Pharma Group Company Limited (stock code: 1011), C.banner International Holdings Limited (stock code: 01028), Tenfu (Cayman) Holdings Company Limited (stock code: 06868), SPT Energy Group Inc. (stock code: 1251) and Kai Shi China Holdings Company Limited (stock code: 1281).

Report of the Directors

The directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2012 (the "Financial Statements").

Principal Activities

We are a leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury brands. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury and ultra-luxury automobile brands including BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Infiniti, Cadillac, Volvo and Bentley, and mid-to-high end automobile brands including Buick, Chevrolet, Volkswagen, Toyota, Honda, Nissan and others.

The principal activities of the Company are as follows:

(i) new passenger vehicle sales;

(ii) repair and maintenance services;

(iii) automobile extended products and services, including sales of spare parts and accessories, automobile decoration products, automobile care services, agency services of vehicle title registration and vehicle inspection service;

(iv) agency services for automobile insurance and financial products;

(v) pre-owned vehicle business; and

(vi) automobile rental services.

There were no significant changes in the nature of the Group's principal activities during the reporting period.

Results

The results of the Group for the year ended December 31, 2012 are set out in the Financial Statements on pages 42 to 113 of this annual report.

Final Dividend

The Board resolved to propose to the shareholders of the Company in the forthcoming annual general meeting on May 28, 2013 (Tuesday) (the "AGM") for the distribution of a final dividend of RMB0.095 per share for the year ended December 31, 2012 payable to the shareholders of the Company whose names are listed in the register of the Company on June 3, 2013 (Monday), in an aggregate of RMB140.6 million. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the AGM of the Company.

Capital

Details of the capital of the Group during the reporting period are set out in note 27 to the Financial Statements.

Reserves

Details of the movements in reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity on page 45 to page 46 of this annual report.

Distributable Reserves

As at December 31, 2012, the Company has distributable reserves of RMB1,531.6 million in total available for distribution, of which RMB140.6 million has been proposed as final dividend for the year.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 114 of this annual report.

Donations
The Company made a donation of RMB530,000 to various PRC charity projects or organizations during the reporting period.

Property, Plant and Equipment
Details of movements in the property, plant and equipment of the Group during the reporting period are set out in note 15 to the Financial Statements.

Bank Loans and Other Borrowings
Details of bank loans and other borrowings of the Group during the reporting period are set out in note 26 to the Financial Statements.

Contingent Liabilities
As at December 31, 2012, our Group had no significant contingent liabilities.

Sufficiency of Public Float
Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as at the date of this annual report.

Pre-emptive Rights
There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors
The directors of the Company during the reporting period and up to the date of this annual report are:

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

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

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

In accordance with article 99(3) of the Articles of Association, all directors of the Company will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' and Senior Management's Biographies
Biographical details of the directors of the Company and the senior management of the Group are set out on pages 18 to 23 of this annual report.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company under which they agreed to act as executive directors for an initial term of three years commencing from their respective date of appointment, which may be terminated by not less than one month's notice in writing served by either the executive director or the Company. Each of the non-executive directors and the independent non-executive directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments of the executive directors are subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive directors, namely Mr. WANG Zhiqiang, Mr. LU Wei and Mr. CHEN Xianglin, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these directors. We consider that our independent non-executive directors have been independent from the date of their appointment to December 31, 2012 and remain so as of the date of this annual report.

Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at April 18, 2013, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report (the "Latest Practicable Date"), the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On(1)	Founder of a discretionary trust	384,000,000 (long position)	25.94
	Interest of controlled corporation	302,080,000 (long position)	20.40
Mr. CAI Yingjie(2)	Beneficial owner and interest of Controlled Company	108,356,000 (long position)	7.32
Mr. WANG Zhigao(3)	Interest of Controlled Company	60,160,000 (long position)	4.10

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

(ii) CHEUNG Tak On holds 100% of the issued share capital of Asset Link Investment Limited ("Asset Link") and he is deemed to be interested in the 302,080,000 Shares held by Asset Link.

(2) CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited ("Ample Glory") and he is deemed to be interested in the 108,288,000 Shares held by Ample Glory. He also holds 68,000 shares of the Company as the beneficial owner.

(3) WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited ("Golden Rock") and he is deemed to be interested in the 60,160,000 Shares held by Golden Rock.

Save as disclosed above, none of the directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

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

Long position in the Shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Palace Wonder [(1)]	Beneficial owner	384,000,000 (long position)	25.94
Regency Valley [(1)]	Interest of controlled corporation	384,000,000 (long position)	25.94
HSBC International Trustee Limited [(1)]	Trustee	384,000,000 (long position)	25.94
Asset Link [(2)]	Beneficial owner	302,080,000 (long position)	20.40
Ample Glory [(3)]	Beneficial owner	108,288,000 (long position)	7.30
Sun Moon China Investment Company Limited ("**Sun Moon**") [(4)]	Beneficial owner	108,288,000 (long position)	7.30
Mr. GU Mingchang [(4)]	Interest of controlled corporation	108,288,000 (long position)	7.30
Baring Private Equity Asia V Holding (7) Limited[(5)]	Beneficial owner	94,136,500 (long position)	6.36
The Baring Asia Private Equity Fund V LP[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.36
Baring Private Equity Asia GP V LP[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.36
Baring Private Equity Asia GP V Limited[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.36
Mr. Jean Eric Salata[(5)]	Interest of controlled corporation	94,136,500 (long position)	6.36

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. WAN Zhanggen [6]	Beneficial owner and interest of controlled corporation	88,896,500 (long position)	6.00
Runda Holdings Limited ("**Runda Holdings**") [7]	Beneficial owner	76,800,000 (long position)	5.20
Stone (Hong Kong) International Co., Limited ("**Hong Kong Stone Capital**") [7]	Interest of controlled corporation	76,800,000 (long position)	5.20
Shanghai Stone Capital Co., Ltd. ("**Shanghai Stone Capital**") [7]	Interest of controlled corporation	76,800,000 (long position)	5.20

Notes:

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

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

(3) Ample Glory is wholly owned by Mr. CAI Yingjie. Mr. CAI Yingjie is deemed to be interested in the 108,288,000 shares held by Ample Glory and he also holds 68,000 shares of the Company as the beneficial owner.

(4) Sun Moon is wholly owned by Mr. GU Mingchang, the brother of Ms. GU Lifang (being the wife of Mr. CHEUNG Tak On) and he is deemed to be interested in the 108,288,000 shares held by Sun Moon.

(5) Baring Private Equity Asia V Holding (7) Limited is held as to approximately 99.35% of its issued share capital by The Baring Asia Private Equity Fund V LP, with Baring Private Equity Asia GP V LP as general partner. Baring Private Equity Asia GP V Limited, which is wholly owned by Mr. Jean Eric Salata, is the general partner of Baring Private Equity Asia GP V LP. Baring Asia Private Equity Fund V LP, Baring Private Equity Asia GP V LP, Baring Private Equity Asia GP V Limited and Mr. Jean Eric Salata are deemed to be interested in the 94,136,500 Shares held by Baring Private Equity Asia V Holding (7) Limited.

(6) Eternal Wealth Global Investment Company Limited ("Eternal Wealth") is wholly owned by Mr. WAN Zhanggen. Mr. WAN Zhanggen is deemed to be interested in the 54,770,500 shares held by Eternal Wealth, and he also holds 34,126,000 shares of the Company as the beneficial owner.

(7) Runda Holdings is held as to approximately 52.53% of its issued share capital by Hong Kong Stone Capital, which is wholly owned by Shanghai Stone Capital. Hong Kong Stone Capital and Shanghai Stone Capital are deemed to be interested in the 76,800,000 Shares held by Runda Holdings.

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

Directors' Rights to Acquire Shares or Debentures

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

Directors and Controlling Shareholders' Interests in Competing Business

Save as disclosed in the section headed "Our History and Reorganisation — Onshore Reorganisation" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2012 and up to the date of this annual report.

We have received an annual written confirmation from our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, in respect of the compliance by and with the provisions of the deed of non-competition entered into between the Company and our controlling shareholders (the "Deed of Non-competition").

Our independent non-executive directors have reviewed the compliance with the Deed of Non-competition during the financial year ended December 31, 2012 and up to the date of this annual report based on information and confirmation provided by or obtained from controlling shareholders, and were satisfied that our controlling shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

Connected and Continuing Connected Transactions

Among the related party transactions disclosed in note 28 to the Financial Statements, the following transactions constitute connected transaction/continuing connected transaction for the Company under Rules 14A.32 and 14A.34 of the Listing Rules respectively and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

On August 28, 2012, Automobile Group, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Yongda CLS ("the Equity Transfer Agreement"), pursuant to which Automobile Group agreed to acquire, and Yongda CLS agreed to sell, the entire equity interest in Yangzhou Yongda Automobile Sales and Services Co., Ltd. (揚州永達汽車銷售服務有限公司) at a consideration of RMB10 million. Since Mr. CHEUNG Tak On, one of our controlling shareholders and directors, is indirectly interested in more than 30% of the voting power at the general meetings of Yongda Holding and that Yongda CLS is its subsidiary, Yongda CLS is our connected person, and the transactions contemplated under the Equity Transfer Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. Please refer to the announcement published by the Company on August 28, 2012 and note 29 to the financial statement for details.

On May 11, 2012, we entered into a properties leasing agreement with Yongda Holding and certain of its subsidiaries (the "Properties Leasing Agreement") pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain owned properties and properties rented from independent third parties to us. Both Yongda Holding and Yongda CLS are our connected persons for the reason set out above and therefore the transaction under the Properties Leasing Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules. The term of lease of the properties under the Properties Leasing Agreement will expire on December 31, 2014 (or such earlier date when the leases entered into between Yongda Holding or its subsidiaries and the Independent Third Parties expire or terminate, where applicable). The Properties Leasing Agreement is renewable for a term of three years, subject to compliance with all applicable requirements under the PRC laws and the Listing Rules (and the term of the leases entered into between Yongda Holding or its subsidiaries and the independent third parties, where applicable). Please refer to the section headed "Connected Transaction" in our prospectus dated June 29, 2012 for details.

The annual caps on the rental payable under the Properties Leasing Agreement for the year ended December 31, 2012 and each of the years ending December 31, 2013 and 2014 are RMB23,464,000, RMB23,853,000 and RMB24,286,000, respectively. Please also refer to note 15 and note 28 to the Financial Statements on pages 83 and 102 for details.

The independent non-executive directors have confirmed that the above connected transaction and continuing connected transaction for the year ended 31 December 2012 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the shareholders as a whole.

In addition, certain sales of motor vehicles disclosed in note 28(III)(a) to the Financial Statements also constitute continuing connected transactions under the Listing Rules. For details, please refer to the section headed "Connected Transactions" of our prospectus dated June 29, 2012. During the year, the Group has increased the relevant annual caps for the year ended December 31, 2012 and each of the years ending December 31, 2013 and 2014 to RMB2,500,000, RMB5,000,000 and RMB8,000,000 respectively in view of the increase in demand for motor vehicles from our connected persons. The applicable percentage ratios (except profits ratio) for the sale of motor vehicles are under 0.1% and therefore the transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

Save for the above, during the reporting period, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.45 and 14A.46 of the Listing Rules.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of our Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2012 and up to the date of this annual report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period and up to the date of this annual report.

Remuneration Policy and Directors' Remuneration

As at December 31, 2012, we had 7,344 employees. The remuneration to our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Our Group offers competitive remuneration packages to our directors, and the directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's Board with reference to directors' duties, responsibilities and performance and the results of our Group.

Details of the directors' remuneration during the reporting period are set out in note 12 to the Financial Statements.

Employee Pre-IPO Incentive Scheme

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

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

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

During the reporting period and up to the date of this annual report, no award has been made pursuant to the Employee Pre-IPO Inventive Scheme.

Major Customers and Suppliers

During the reporting period, the percentage of the aggregate sales attributable to the Group's five largest customers was 0.8%, of the Group's total sales. We do not have any single major customer. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 30.2% and 81.2%.

None of our directors or any of their associates or any shareholders (which to the best knowledge of our directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, or any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2012.

Events After the Reporting Period

There were no significant events after the reporting period requiring disclosure in this annual report.

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. Since its listing on the Hong Kong Stock Exchange on July 12, 2012, the Company has complied with the code provisions in the CG Code.

Auditor

The consolidated financial statements of the Group for the year ended December 31, 2012 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

Deloitte Touche Tohmatsu shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming annual general meeting.

Closure of Register of Members

The register of members of the Company will be closed from May 24, 2013 (Friday) to May 28, 2013 (Tuesday), both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on May 28, 2013 (Tuesday). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 23, 2013 (Thursday).

The register of members of the Company will also be closed from June 3, 2013 (Monday) to June 5, 2013 (Wednesday), both days inclusive, in order to determine the entitlement of the shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 31, 2013 (Friday).

By order of the Board
CHEUNG Tak On
Chairman of the Board

Hong Kong, March 28, 2013

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2012.

Corporate Governance Practices of the Company

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules.

The CG Code contained in Appendix 14 to the Listing Rules sets out the principles of good corporate governance and two levels of corporate governance practices, as follows:

a) Code provisions, which listed issuers are expected to comply with or to give considered reasons for deviation.

b) Recommended best practices for guidance only, which listed issuers are encouraged to comply with.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the reporting period.

A. The Board

1. Responsibilities

The Board is responsible for the leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the websites of the Hong Kong Stock Exchange and the Company.

All directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its shareholders at all times.

2. Delegation of Management Function

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group and overall strategies, internal control and risk management systems, notifiable and connected transactions, nomination of directors, Company Secretary and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into.

3. **Board Composition**

The Board of the Company comprises the following directors:

Executive Directors	Mr. CHEUNG Tak On *(Chairman)* Mr. CAI Yingjie *(Vice-chairman, General Manager)*
Non-executive Directors	Mr. WANG Zhigao *(Vice-chairman)* Mr. WANG Liqun
Independent Non-Executive Directors	Mr. WANG Zhiqiang Mr. LU Wei Mr. CHEN Xianglin

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed in our prospectus dated June 29, 2012 and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board and at least one independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence requirements set out in the Listing Rules.

4. **Appointment and re-election of directors**

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Each of the executive directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the executive directors or the Company. Each of the non-executive director and independent non-executive directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association.

In accordance with the Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the first general meeting after appointment.

5. **Induction and Continuing Development for Directors**

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his appointment, so as to ensure that he understands the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

The directors are continually provided with information related to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefing and professional development for the directors were arranged by the Company and its legal adviser.

Each of our directors have attended training sessions arranged by our Company on the continuing obligations of listed companies and its directors, disclosure obligations of listed companies and amendments to the Listing Rules and SFO in relation to "inside information".

On top of the above mentioned trainings, some directors and members of the senior management have also attended several presentations organized by our Company on case studies of compliance of listed companies.

6. Board Meetings and General Meetings

Number of Meetings and Directors' Attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board met twice during the period from July 12, 2012, being the listing date of our Company, to December 31, 2012 for discussing and approving the overall strategies and policies of the Company, reviewing and approving the unaudited interim results for the six months ended June 30, 2012 and the financial and operating results during the period, discussing the reports and suggestions from all Board Committees, reviewing the shareholders' communication policy and approving the connected transaction of the Group, namely the acquisition of Yangzhou Yongda from Yongda CLS.

The attendance records of each director at the Board meetings are set out below:

Name of Directors	Attendance/ Number of Board Meetings
Mr. CHEUNG Tak On	2/2
Mr. CAI Yingjie	2/2
Mr. WANG Zhigao	2/2
Mr. WANG Liqun	2/2
Mr. WANG Zhiqiang	2/2
Mr. LU Wei	2/2
Mr. CHEN Xianglin	2/2

The Company has not held any general meeting during the year ended December 31, 2012.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice will generally be given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The senior management (including the general manager) attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. CHEUNG Tak On is the Chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of our Group and he participated in our Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. He holds meetings with the non-executive directors (including independent non-executive directors) without the executive directors present at least annually. Mr. CAI Yingjie is our Vice-chairman and General Manager, who performs the functions of the chief executive and is responsible for overseeing our operations, information technology, investment as well as managing our relationship with automobile manufacturers and exploring new business opportunities for our Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman co-ordinate with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

C. Board Committees

The Board has established three committees, namely, the remuneration committee (the "Remuneration Committee"), audit and compliance committee (the "Audit and Compliance Committee") and nomination committee (the "Nomination Committee"), for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the websites of the Hong Kong Stock Exchange and the Company.

The majority of the members of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are independent non-executive directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1. Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The Remuneration Committee consists of two independent non-executive directors, being Mr. WANG Zhiqiang and Mr. LU Wei, and one non-executive director, being Mr. WANG Zhigao. The chairman of the Remuneration Committee is Mr. WANG Zhiqiang.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the directors on our policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining the terms of the remuneration package of our directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive directors and the senior management and other related matters.

The Remuneration Committee held one meeting during the period from July 12, 2012, being the listing date of the Company, to December 31, 2012 to review the remuneration policy and structure of the Company, the remuneration packages of the directors and senior management for 2012 in light of their performance, and the performance management system and regime of the Group.

The attendance records of the Remuneration Committee are set out below:

Name of Directors	Attendance/ Number of Meeting
Mr. WANG Zhiqiang	1/1
Mr. LU Wei	1/1
Mr. WANG Zhigao	1/1

Details of the directors' remuneration are set out in note 12 to the Financial Statements. In addition, the remuneration of each member of our senior management for the year ended December 31, 2012 is below HK$700,000.

2. **Audit and Compliance Committee**

We have established an audit and compliance committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. The Audit and Compliance Committee consists of two independent non-executive directors, being Mr. WANG Zhiqiang and Mr. LU Wei, and one non-executive director, being Mr. WANG Zhigao. The chairman of the Audit and Compliance Committee is Mr. WANG Zhiqiang, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit and Compliance Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and directors.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2012 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held two meetings during the period from July 12, 2012, being the listing date of the Company, to December 31, 2012 to review the unaudited interim results and report, the financial reporting and the compliance procedures, reviewed the corporate governance policy and practice, the training for and the continuing professional developments of the directors and senior management, the policies and practices regarding compliance with laws and regulations, the code of conduct and the compliance manuals for employees and directors, the financial, operational and compliance monitoring, the risk management control, the work of the internal and external auditor, the service fees due to the external auditor as well as the misconduct-related reporting measures.

The attendance records of the Audit and Compliance Committee are set out below:

Name of Directors	Attendance/ Number of Meetings
Mr. WANG Zhiqiang	2/2
Mr. LU Wei	2/2
Mr. WANG Zhigao	2/2

The Company's annual results for the year ended December 31, 2012 have been reviewed by the Audit and Compliance Committee on March 28, 2013.

3. **Nomination Committee**

We have established a nomination committee with written terms of reference in compliance with paragraph A.4 of the CG Code. The Nomination Committee consists of one executive director, being Mr. CHEUNG Tak On, and two independent non-executive directors, being Mr. CHEN Xianglin and Mr. LU Wei. The chairman of the Nomination Committee is Mr. CHEUNG Tak On. The nomination committee reviews the structure, size and composition of the Board at least once per year and make recommendations on any proposed changes (if any) to it.

The primary duties of the nomination committee include, but are not limited to (i) identifying, selecting and recommending to our Board appropriate candidates to serve as directors and general manager of our Company, and identify candidates for succession planning; (ii) overseeing the process for evaluating the performance of the Board; (iii) developing, recommending to the Board and monitoring nomination guidelines for our Company; and (iv) assessing the independence of independent non-executive directors.

The Nomination Committee held one meeting during the period from July 12, 2012, being the listing date of our Company, to December 31, 2012 to review the structure, size and composition (including the independence of the independent non-executive directors) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of our Company.

The attendance records of the Nomination Committee are set out below:

Name of Directors	Attendance/ Number of Meeting
Mr. CHEUNG Tak On	1/1
Mr. CHEN Xianglin	1/1
Mr. LU Wei	1/1

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, our Company's needs and other relevant statutory requirements and regulations.

D. Model Code for Securities Transactions

Our Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code since the listing of the Company on July 12, 2012 up to the date of this annual report.

Our Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

E. Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2012.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. External Auditor and Auditor Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 41.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year, the remuneration paid to the external auditor of the Company in respect of audit services for the year ended December 31, 2012 amounted to RMB5,500,000.

G. Internal Controls

During the year, the Board has reviewed the effectiveness of the internal control system of our Company. The review covered the financial, operational, compliance and risk management aspects of the Group.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the Audit and Compliance Committee.

H. Communications with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

To promote effective communication, the Company maintains a website at **www.ydauto.com.cn**, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

I. Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Meanwhile, the procedures for shareholder to (i) convene an extraordinary general meeting; (ii) direct their enquiries to the Board; and (iii) put forward proposals at shareholders' meetings are available.

General meetings shall be convened on the written requisition of any two or more shareholders of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one shareholder of the Company which is a recognised clearing house (or its nominee(s)) deposited at the place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting shall be reimbursed to them by the Company.

Shareholders holding not less than one-tenth of the total number of the Company's voting shares shall be entitled to propose new proposals in writing to the Company. The Company shall include in the agenda for the meeting the matters in the proposals that fall within the scope of duties of the shareholders' meeting. The written request/statements must be signed by the shareholders concerned and deposited at the Company's principal place of business in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office for the attention of the Company, not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company at Unit 5708, 57/F., The Center, 99 Queen's Road Central, Hong Kong.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In addition, the poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after the shareholder meeting.

J. Primary Contact Person

Mr. Dong Ying, our deputy general manager and Ms. Zhang Hong, our head of legal department, are the key contact persons for our Company Secretary.

K. Going Concern

Our 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.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

L. Corporate Changes

The address of the registered office and principal share registrar of the Company in the Cayman Islands has been changed with effect from December 10, 2012 to 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands, and the principal place of business of the Company in Hong Kong has been changed to Unit 5708, 57/F, The Center, 99 Queen's Road Central, Hong Kong with effect from January 11, 2013.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 113, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2012, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 28, 2013

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	7	**21,711,998**	20,304,119
Cost of sales and services		**(19,941,400)**	(18,703,633)
Gross profit		**1,770,598**	1,600,486
Other income and gains	8	**275,920**	143,043
Other expenses	8	**(9,167)**	(9,278)
Distribution and selling expenses		**(742,477)**	(467,189)
Administrative expenses		**(370,164)**	(350,747)
Finance costs	9	**(257,357)**	(176,138)
Share of profits of jointly controlled entities		**12,539**	1,318
Share of profits (losses) of associates		**1,425**	(626)
Profit before tax	10	**681,317**	740,869
Income tax expense	11	**(165,850)**	(177,703)
Profit and total comprehensive income for the year		**515,467**	563,166
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**470,016**	504,782
Non-controlling interests		**45,451**	58,384
		515,467	563,166
Earnings per share — basic and diluted	14	**RMB0.34**	RMB0.35

Consolidated Statement of Financial Position

At December 31, 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,503,363**	1,088,779
Prepaid lease payments	16	**282,856**	246,050
Intangible assets	17	**26,709**	14,561
Deposits for acquisition of property, plant and equipment		**83,421**	4,570
Deposits for acquisition of land use right		**27,307**	—
Interests in jointly controlled entities	18	**39,928**	31,856
Interests in associates	19	**28,387**	27,692
Available-for-sale investments	20	**—**	1,000
Deferred tax assets	21	**39,827**	35,410
		2,031,798	1,449,918
Current assets			
Prepaid lease payments	16	**6,509**	5,089
Inventories	22	**2,678,189**	2,088,316
Trade and other receivables	23	**2,524,678**	2,643,589
Amounts due from related parties	28	**4,739**	6,968
Pledged bank deposits	24	**854,469**	884,658
Bank balance and cash	24	**1,895,266**	1,080,178
		7,963,850	6,708,798
Current liabilities			
Trade and other payables	25	**2,790,104**	2,895,123
Amounts due to related parties	28	**26,474**	880,194
Income tax liabilities		**238,246**	268,994
Borrowings	26	**3,465,172**	2,355,517
		6,519,996	6,399,828
Net current assets		**1,443,854**	308,970
Total asset less current liabilities		**3,475,652**	1,758,888
Non-current liabilities			
Borrowings	26	**157,053**	20,821
Net assets		**3,318,599**	1,738,067

Consolidated Statement of Financial Position

At December 31, 2012

	NOTE	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	27	**12,065**	2
Reserves		**3,050,518**	1,579,118
Equity attributable to owners of the Company		**3,062,583**	1,579,120
Non-controlling interests		**256,016**	158,947
Total equity		**3,318,599**	1,738,067

The consolidated financial statements on pages 42 to 113 were approved and authorised for issue by the Board of directors on March 28, 2013 and are signed on its behalf by:

CHEUNG Tak On
DIRECTOR

WANG Zhigao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2012

	Attributable to owners of the Company							
	Paid-in/ Issued share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Special reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2011	478,671	–	52,310	(26,809)	611,667	1,115,839	80,401	1,196,240
Profit for the year	–	–	–	–	504,782	504,782	58,384	563,166
Capital injection by equity holders	63,200	–	–	–	–	63,200	32,280	95,480
Deemed distribution to Yongda Holding and Yongda CLS *(note b)*	–	–	–	(42,132)	–	(42,132)	–	(42,132)
Partial disposal of equity interests in subsidiaries without losing control	–	–	–	(12,713)	–	(12,713)	12,713	–
Conversion into capital *(note a(ii))*	19,112	–	(19,112)	–	–	–	–	–
Deemed distribution to equity holders pursuant to the Reorganization *(note c)*	(560,983)	–	–	415,301	–	(145,682)	–	(145,682)
Issue of shares	2	524,998	–	–	–	525,000	–	525,000
Transfer to statutory reserve	–	–	54,471	–	(54,471)	–	–	–
Dividends recognized as distribution *(note d)*	–	–	–	–	(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
Profit for the year	**–**	**–**	**–**	**–**	**470,016**	**470,016**	**45,451**	**515,467**
Capitalization of share premium *(Note 27(e))*	**10,433**	**(10,433)**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares at premium through initial public offerings *(Note 27(f))*	**1,630**	**1,074,552**	**–**	**–**	**–**	**1,076,182**	**–**	**1,076,182**
Transaction costs attributable to issue of new shares	**–**	**(63,027)**	**–**	**–**	**–**	**(63,027)**	**–**	**(63,027)**
Capital injection	**–**	**–**	**–**	**–**	**–**	**–**	**48,600**	**48,600**
Partial disposal of equity interests in subsidiaries without losing control	**–**	**–**	**–**	**292**	**–**	**292**	**6,957**	**7,249**
Transfer to statutory reserve	**–**	**–**	**55,289**	**–**	**(55,289)**	**–**	**–**	**–**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3,939)**	**(3,939)**
At December 31, 2012	**12,065**	**1,526,090**	**142,958**	**333,939**	**1,047,531**	**3,062,583**	**256,016**	**3,318,599**

notes:

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

b. Certain income and expenses relating to the Group's Core Business (as defined in Note 1) were recorded in the books of Shanghai Yongda Group Company Limited By Shares ("Yongda CLS"), the then holding company of the Core Business not forming part of the Group after the completion of the Reorganization (as defined in Note 1), and Shanghai Yongda Holding (Group) Limited ("Yongda Holding", Yongda CLS's immediate parent) as:

   (i) the relevant business licence for car insurance from which insurance commission income was derived was held by Yongda CLS; and

   (ii) certain expenses were incurred commonly for Core Business and non-Core Business (as defined in Note 1) under Yongda Holding.

   These income and expenses were collected without reimbursing and settled without charging the Group. In order to present a complete picture of the Core Business, the income and expenses relevant to the Core Business were identified and allocated to the Group whilst the resulting increase and decrease in net assets of Yongda CLS and Yongda Holding were accounted for as distribution to and contribution from the Shareholders (as defined in Note 1), having regard to the Shareholders' control over Yongda CLS and Yongda Holding prior and subsequent to the Reorganization. These income and expenses are collectively referred to as the "Carve-out Items" thereafter.

   The relevant PRC subsidiaries of the Company engaged in car insurance had obtained relevant business licences subsequent to the Reorganization.

c. Pursuant to the Reorganization,

   (i) the Group acquired the equity interests in the entities engaged in the Core Business whilst the difference between the aggregate consideration paid by the Group and the aggregate registered capital of such entities was accounted for as deemed distribution to the equity holders and presented as special reserve;

   (ii) the Group acquired the equity interests in jointly controlled entities and associates whilst the difference between the aggregate consideration paid by the Group and its aggregate share of the fair value of the net assets of such entities was accounted for as deemed contribution to the equity holders and presented as special reserve; and

   (iii) certain investment holding companies were interspersed between the Shareholders and the Core Business and the net asset value of these investment holding companies was accounted for as special reserve.

d. Dividends recognized as distributions represent dividends payable to Yongda CLS before the Reorganization.

Consolidated Statement of Cash Flows

For the year ended December 31, 2012

	2012 *RMB'000*	2011 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**681,317**	740,869
Adjustments for:		
Finance costs	**257,357**	176,138
Interest income	**(31,894)**	(5,408)
Dividends from available-for-sale investments	**–**	(425)
Loss on disposal of available-for-sale investments	**–**	87
Depreciation of property, plant and equipment	**162,717**	125,788
Release of prepaid lease payments	**3,216**	3,234
Gain on disposal of property, plant and equipment	**(4,303)**	(9,446)
Carve-out Items of Core Business incurred by Yongda Holding and Yongda CLS	**–**	(42,132)
Share of (profits) losses of associates	**(1,425)**	626
Share of profits of jointly controlled entities	**(12,539)**	(1,318)
Operating cash flows before movements in working capital	**1,054,446**	988,013
Increase in inventories	**(589,873)**	(964,961)
Decrease (increase) in trade and other receivables	**42,038**	(1,073,104)
(Decrease) increase in trade and other payables	**(147,402)**	1,829,505
Decrease (Increase) in amounts due from related parties	**2,241**	(3,318)
(Decrease) increase in amounts due to related parties	**(3,297)**	2,070
Cash from operations	**358,153**	778,205
Income taxes paid	**(201,015)**	(159,739)
NET CASH FROM OPERATING ACTIVITIES	**157,138**	618,466

Consolidated Statement of Cash Flows

For the year ended December 31, 2012

	NOTE	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES			
Additions to and deposits paid for property, plant and equipment		**(740,528)**	(450,508)
Purchase of intangible assets		**(12,148)**	(4,081)
Additions to and deposits paid for prepaid land lease payments		**(117,269)**	(135,458)
Proceeds on disposal of property, plant and equipment and land use rights		**208,128**	43,609
Proceeds on disposal of available-for-sales investments		**37,759**	3,645
Payment for acquisition of jointly controlled entities and an associate		**(5,309)**	(30,716)
Investment in an associate		**—**	(9,800)
Purchase of available-for-sale investments		**—**	(35,459)
Advance to related parties		**(28,012)**	(33,840)
Advance to independent third parties		**—**	(44,300)
Receipt from independent third parties		**44,300**	—
Collection of advance to related parties		**28,000**	32,081
Acquisition of a subsidiary	29	**(9,778)**	—
Proceeds on disposal of a subsidiary		**—**	2,400
Dividend received from available-for-sale investments		**—**	425
Interest received		**31,894**	5,408
Withdrawl of pledged bank deposits		**884,658**	267,804
Placement of pledged bank deposits		**(854,469)**	(884,658)
Dividend received from jointly controlled entities		**4,467**	—
Dividend received from associates		**2,174**	—
NET CASH USED IN INVESTING ACTIVITIES		**(526,133)**	(1,273,448)

Consolidated Statement of Cash Flows

For the year ended December 31, 2012

	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**8,427,581**	4,749,358
Repayment of bank borrowings	**(7,181,694)**	(3,892,078)
Capital injection by non-controlling shareholders	**48,600**	32,280
Capital injection by Yongda CLS	**–**	63,200
Proceeds from issue of shares of the Company	**1,076,182**	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)
Advance from related parties	**498,227**	3,692,483
Repayment of advance from related parties	**(1,324,850)**	(3,202,724)
Repayment of advance from independent third party	**–**	(1,078)
Interest paid	**(276,155)**	(175,616)
Dividends paid to non-controlling shareholders	**(896)**	(15,665)
Dividends paid to Yongda CLS	**–**	(412,744)
Dividend paid to Yongda Holding	**–**	(2,425)
Dividend paid to Yongda Transportation Equipment*	**–**	(270)
Share issue expenses	**(63,027)**	–
Proceed on partial disposal of subsidiaries without losing control	**1,649**	–
Payment to Yongda CLS for acquisition of the Core Business as part of the Reorganization	**(21,534)**	–
NET CASH FROM FINANCING ACTIVITIES	**1,184,083**	1,254,391
NET INCREASE IN CASH AND CASH EQUIVALENTS	**815,088**	599,409
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**1,080,178**	480,769
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**1,895,266**	1,080,178

* Shanghai Yongda Transportation Equipment Co., Ltd ("Yongda Transportation Equipment") was established in the PRC and controlled by the Shareholders.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is Unit 5708, 57/F, The Center, 99 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services primarily through its 4S (sales, spare parts, service and survey) dealerships, distribution of automobile insurance products and automobile rental services in the PRC (the "Core Business"). The Company and its subsidiaries are collectively referred to as the "Group" thereafter.

Historically, the Core Business was legally and/or beneficially owned by a group of individuals including Mr. Cheung Tak On, Mr. Wan Zhanggen, Mr. Cai Yingjie, Mr. Gu Mingchang, Mr. Wang Zhigao and Mr. Qiao Suixiang (collectively the "Shareholders"), and investment holding vehicles set up by them.

Pursuant to a group reorganization (the "Reorganization" as detailed below) to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (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 year ended December 31, 2011. Instead, they were disposed of to independent third parties in 2011 (the "Disposals"). During a substantial part of 2011, Yongda CLS had controlling equity interests in the Excluded Entities, while Shanghai Yongda Automobile Group Co., Ltd. ("Automobile Group"), which was also an investment holding company owned by the Shareholders, had non-controlling equity interests in the Excluded Entities. Although Yongda CLS' legal titles 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 2011. 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 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; (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.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

The shares of the Company were listed on the Stock Exchange on July 12, 2012.

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 consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the year ended December 31, 2011 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout that year or since the respective dates of incorporation/establishment of the relevant entities now comprising the Group where this is a shorter period.

As mentioned above, during the year ended December 31, 2011, 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 2011 under IAS 39 *Financial Instruments: Recognition and Measurement*.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs applied in the current year

In the current year, the Group has applied the following revised IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures — Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The application of the amendment to IFRS 7 has no impact on the Group as the Group had no financial assets transferred.

The application of the amendments to IAS 12 in the current year has had no material impact on the Group's financial performance and positions either for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs issued but not yet effective

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle[1]
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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

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

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

Annual Improvements to IFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to IFRSs *2009–2011 Cycle* include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include the amendments to IAS 1 *Presentation of Financial Statements*, IAS 16 *Property, Plant and Equipment* and the amendments to IAS 32 *Financial Instruments: Presentation*.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Annual Improvements to IFRSs 2009–2011 Cycle issued in June 2012 (continued)

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements as the Group's spare parts are inventory by nature.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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:

All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are 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 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 Financial Instruments (continued)

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The directors are of the opinion that 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 June 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. SIC-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, 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*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. 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 consolidation.

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.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors do not anticipate that the application of the standards and amendments will have a material effect on the Group's consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate 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.

Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

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, income 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined 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 statement of comprehensive income includes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control (continued)

The comparative amounts in the consolidated financial statements 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.

Investments in associates

An associate is an entity over which the Group 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 these consolidated financial statements 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 exceeds the Group's 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.

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 Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

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 consolidated financial statements 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

Jointly controlled entities *(continued)*

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 Group' consolidated financial statements 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 titles have 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;
- 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 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction 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 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.

Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual 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 vehicles 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortization of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 state-managed retirement benefit schemes are recognized as an expense when employees have rendered service 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 before tax' as reported in the consolidated statement 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 by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or 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 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 utilise 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 each 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 rate (and tax laws) that have been enacted or substantively enacted by the end of the 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 are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on 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 losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with indefinite useful lives 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. When 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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. Costs of inventories are calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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 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 as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument 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 and points 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 debt instrument, 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.

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, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit and loss, 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 investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on 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 considered to be impaired when 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-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are 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.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 trade 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 collateralised 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 and accumulated in equity 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, 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 on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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.

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, 2012 and 2011, the carrying amounts of trade receivables of the Group are approximately RMB155,541,000 and RMB119,400,000, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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. The Group accrues incentive rebates based on management's best estimates and judgments as of the relevant reporting date while the actual amount of a portion of the incentive rebates is determined by the manufacturers after the end of the reporting period. These estimates and judgments involve, among other factors, the estimated results of assessment by the manufacturers for the Group's performance in various aspects during the reporting 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, 2012 and 2011, the carrying amounts of rebate receivables are approximately RMB945,094,000 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, 2012 and 2011, the carrying amounts of property, plant and equipment are approximately RMB1,503,363,000 and RMB1,088,779,000, respectively.

Income taxes

As at December 31, 2012 and 2011, a deferred tax asset of approximately RMB24,274,000 and RMB16,941,000, respectively, in relation to unused tax losses has been recognized in the Group's consolidated statements of financial position. The realisability 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.

In addition, 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.

5. 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 maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 26, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012 ***RMB'000***	2011 *RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,969,441**	2,850,727
Available-for-sale investments	**–**	1,000
Financial liabilities		
Amortized cost	**5,745,693**	5,578,417

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. 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.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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 financial assets (principally bank balances) and financial liabilities 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:

	2012 *RMB'000*	2011 *RMB'000*
Assets		
United States Dollars ("US$")	–	27
Hong Kong Dollars ("HK$")	**76,369**	303

	2012 *RMB'000*	2011 *RMB'000*
Liabilities		
US$	–	889
HK$	–	2

Sensitivity analysis

The Group's sensitivity of fluctuation in US$ is low as US$ denominated monetary assets and liabilities are insignificant in amount.

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

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

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk *(continued)*

Sensitivity analysis (continued)

	HK$ Impact	
	2012	2011
	RMB'000	*RMB'000*
Increase in post-tax profit for the year	**3,818**	11

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and other borrowings. The directors consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest bearing bank deposits are within short maturity period.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and borrowings (2011: variable-rate bank balances, pledged bank deposits, borrowings and interest-bearing amount due to Yongda CLS). It is the Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances, pledged bank deposits and borrowings. The analysis is prepared assuming the variable-rate financial assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 5-basis point (2011: 5-basis point) increase or decrease in deposit interest rates and a 10-basic point (2011: 50-basis point) increase or decrease in lending interest rates are the sensitivity rate used when reporting foreign currency risk internally to key management personal and represent management's assessment of the reasonably possible change in interest rates.

If the deposit interest rate had been 5-basis point (2011: 5-basis point) higher/lower, the lending interest rate had been 10-basis point (2011: 50-basis point) higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2012 and 2011 would have been decreased/increased by approximately RMB8,248,000 and RMB1,722,000.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group'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.

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 period 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 period is granted. For automobile rental services, credit period is generally granted to customers. In order to further minimise 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 trade and other receivables (including rebate receivables from suppliers), amounts due from related parties, 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 which poses insignificant concentration of credit risk.

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, 2012 and 2011. Nevertheless, 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 renowned 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 remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

6. 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.

	Weighted average interest rate %	Repayable on demand or less than 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2012						
Trade and other payables	–	2,096,994	–	–	2,096,994	2,096,994
Amounts due to related parties	–	26,474	–	–	26,474	26,474
Borrowings	7.17%	1,620,687	1,941,685	167,059	3,729,431	3,622,225
		3,744,155	1,941,685	167,059	5,852,899	5,745,693

	Weighted average interest rate %	Repayable on demand or less than 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2011						
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%	1,117,407	1,324,800	25,803	2,468,010	2,376,338
		4,319,486	1,324,800	25,803	5,670,089	5,578,417

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair value of financial assets and financial liabilities 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 consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Information reported to the board of the directors, being the Group's chief operating decision maker who reviews the segment revenues and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, the board of the directors, reviews 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.

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results

	Passenger vehicle sales and services RMB'000	Automobile rental services RMB'000	Total RMB'000
For the year ended December 31, 2012			
Segment revenue	**21,488,854**	**223,144**	**21,711,998**
Segment profit	**1,689,154**	**81,444**	**1,770,598**
Other income and gains			**275,920**
Other expenses			**(9,167)**
Distribution and selling expenses			**(742,477)**
Administrative expenses			**(370,164)**
Finance cost			**(257,357)**
Share of profits of jointly controlled entities			**12,539**
Share of profits of associates			**1,425**
Profit before tax			**681,317**

	Passenger vehicle sales and services RMB'000	Automobile rental services RMB'000	Total RMB'000
For the year ended December 31, 2011			
Segment revenue	20,123,395	180,724	20,304,119
Segment profit	1,534,754	65,732	1,600,486
Other income and gains			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

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

The accounting policies of the operating segments are similar to those of the Group as described in note 3. 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 profits (losses) of associates. This is the measure reported to the board of the directors for the purposes of resource allocation and performance assessment. There were no inter-segment revenues during both years. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the board of the directors.

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 and all of the Group's principal assets and liabilities for operation are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for both the years.

Revenue from major products and services

	2012 *RMB'000*	2011 *RMB'000*
Sale of passenger vehicles:		
— Luxury and ultra-luxury brands *(note a)*	**15,008,842**	14,305,698
— Mid- to high-end brands *(note b)*	**4,431,383**	4,300,942
Sub-total	**19,440,225**	18,606,640
After-sales services	**2,048,629**	1,516,755
Automobile rental services	**223,144**	180,724
	21,711,998	20,304,119

notes:

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

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

8. OTHER INCOME AND GAINS/OTHER EXPENSES

	2012 *RMB'000*	2011 *RMB'000*
Other income comprises:		
Service income *(note a)*	**155,776**	87,962
Advertisement support received from automobile manufacturers *(note b)*	**28,557**	20,249
Government grants *(note c)*	**45,802**	12,266
Interest income on bank deposits	**31,894**	5,408
Dividend income from available-for-sale investments	**—**	425
	262,029	126,310
Other gains comprise:		
Gain on disposal of property, plant and equipment	**4,303**	9,446
Others	**9,588**	7,287
	13,891	16,733
Other income and gains	**275,920**	143,043
Other expenses:		
Listing expenses	**(9,167)**	(9,278)

notes:

a. Service income was primarily derived from certain auxiliary automobile sales related services such as 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 in compensation for expenses incurred by the Group.

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interests on borrowings wholly repayable within five years:		
— bank loans	**212,649**	118,470
— borrowings from related parties *(Note 28(III)(g))*	**1,066**	20,151
— other borrowings from entities controlled by suppliers	**2,911**	2,222
— reimbursement to suppliers *(note a)*	**60,479**	37,695
Less: interests capitalized *(note b)*	**(19,748)**	(2,400)
	257,357	176,138

note:

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

b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.53% (2011: 7.90%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAX

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

	2012 RMB'000	2011 RMB'000
Staff costs, including directors' remuneration *(Note 12)*:		
Salaries, wages and other benefits	**475,819**	331,160
Retirement benefits scheme contributions	**40,602**	28,686
Total staff costs	**516,421**	359,846
Auditor's remuneration	**7,366**	1,041
Cost of inventories recognized as an expense	**19,853,275**	18,600,177
Depreciation of property, plant and equipment	**162,717**	127,468
Operating lease rentals	**96,283**	63,554
Release of prepaid lease payments	**3,216**	3,516
Share of tax of associates and jointly controlled entities	**(5,505)**	(1,904)

11. INCOME TAX EXPENSE

	2012 *RMB'000*	2011 *RMB'000*
Current tax:		
PRC Enterprise Income tax ("EIT")	**170,280**	193,984
(Over) under provision of PRC EIT in prior year	**(13)**	54
	170,267	194,038
Deferred tax		
Current period	**(4,417)**	(16,335)
	165,850	177,703

The tax charge for the year can be reconciled to the profit before tax as follows:

	2012 *RMB'000*	2011 *RMB'000*
Profit before tax	**681,317**	740,869
Tax at the PRC EIT rate of 25%	**170,329**	185,217
Tax effect of expenses not deductible for tax purpose	**2,749**	6,149
Tax effect of income not taxable for tax purpose	**–**	(106)
Tax effect of Carve-out Items	**–**	(10,533)
Tax effect of share of results of associates and jointly controlled entities	**(3,491)**	(173)
Tax effect of losses of offshore entities not subject to tax	**–**	2,319
(Over) under provision of PRC EIT in prior years	**(13)**	54
Income tax concessions	**(3,724)**	(5,224)
Income tax expense for the year	**165,850**	177,703

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

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

11. INCOME TAX EXPENSE (continued)

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Group's PRC subsidiaries, except for certain subsidiaries, which, pursuant to the relevant laws and regulations in the PRC, are entitled to a progressive income tax rates from 15% to 25% over a transitional period of 5 years ended December 31, 2012.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the chief executive and the directors of the Company for the year are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Fees	–	–
Other emoluments		
Salaries and other benefits	**3,028**	990
Contributions to retirement benefits scheme	**87**	79
	3,115	1,069

The emoluments of the the chief executive and the directors on a named basis are as follows:

For the year ended December 31, 2012

	Fees *RMB'000*	**Salaries and other benefits** *RMB'000*	**Contributions to retirement benefits scheme** *RMB'000*	**Total** *RMB'000*
Executive Directors				
Cheung Tak On	–	1,234	33	1,267
Cai Yingjie	–	754	33	787
Non-Executive Directors				
Wang Zhigao	–	740	21	761
Wang Liqun	75	–	–	75
Independent Non-Executive Directors				
Wang Zhiqiang	75	–	–	75
Lu Wei	75	–	–	75
Chen Xianglin	75	–	–	75
	300	2,728	87	3,115

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended December 31, 2011

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Total *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	—	—	—	—
	—	990	79	1,069

Mr. Cheung Tak On is the Chief Executive and one of the directors of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The five highest paid individuals of the Group for the year included three directors for the years ended December 31, 2011 and 2012. The remunerations of the remaining two individuals for the years ended December 31, 2011 and 2012 are as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Employees		
Salaries and other benefits	**906**	492
Contributions to retirement benefits scheme	**67**	60
	973	552

Of the five highest paid individuals in the Group for the years ended December 31, 2012, one director's (2011: Nil) emolument falls within the band of HK$1,000,001 to HK$2,000,000 whilst the remaining 4 (2011: 5) fall within the band below HK$1,000,000.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

During the year, no emoluments were paid by the Group to the Chief Executive, nor any of the directors and the two highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, neither the Chief Executive nor any of the directors waived any emoluments during the two years.

13. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.095 (2011: Nil) per share	**140,602**	—

The amount of the proposed final dividend for 2012 was based on 1,480,022,000 shares in issue and is subject to approval by the shareholders of the Company in the upcoming general meeting.

14. EARNINGS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**470,016**	504,782

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,374,363**	1,431,216

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended December 31, 2011 has been adjusted retrospectively for the

i) deemed bonus element relating to the issue of shares to the Shareholders in November 2011 and December 2011 as disclosed in note 27(c); and

ii) issue of 1,279,800,000 new shares by way of capitalization as set out in note 27(e), as if they had taken place on January 1, 2011.

The over-allotment option of the Company did not have a dilutive effect to the Company's earnings per share during the year ended December 31, 2012 because the exercise price of such option was higher than the average market prices of the Company's share during the period when the option was exercisable. Dilute earnings per share is the same as basic earnings per share as no potential ordinary shares were outstanding for the year ended December 31, 2011.

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 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**
Addition	**27,739**	**20,354**	**28,496**	**13,717**	**265,652**	**368,261**	**724,219**
Acquired on acquisition of a subsidiary *(Note 29)*	**–**	**–**	**–**	**–**	**–**	**1,783**	**1,783**
Transfer	**134,674**	**23,322**	**85,727**	**13,533**	**25,269**	**(282,525)**	**–**
Disposals	**(115,921)**	**(2,766)**	**(10,461)**	**(3,140)**	**(117,584)**	**–**	**(249,872)**
At December 31, 2012	**535,119**	**181,985**	**269,956**	**129,628**	**651,578**	**186,095**	**1,954,361**
DEPRECIATION							
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**
Provided for the year	**20,634**	**22,476**	**26,842**	**14,090**	**78,675**	**–**	**162,717**
Eliminated on disposals	**(37,207)**	**(2,100)**	**(1,042)**	**(2,044)**	**(58,778)**	**–**	**(101,171)**
At December 31, 2012	**62,860**	**77,107**	**65,777**	**63,441**	**181,813**	**–**	**450,998**
CARRYING VALUES							
At December 31, 2011	409,194	84,344	126,217	54,123	316,325	98,576	1,088,779
At December 31, 2012	**472,259**	**104,878**	**204,179**	**66,187**	**469,765**	**186,095**	**1,503,363**

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	11.88%–31.67%
Leasehold improvements	10%–20%
Furniture, fixtures and equipment	19%
Motor vehicles	14%–19%

As at December 31, 2012, buildings without building ownership certificates having carrying values of approximately RMB327,516,000 (2011: RMB227,789,000) were situated on land in the PRC leased from independent third parties under medium-term leases.

As at December 31, 2011, buildings with carrying amount of approximately RMB58,777,000 were registered in the name of Yongda CLS and a building without building ownership certificate and having a carrying value of approximately RMB20,373,000 was situated on land in the PRC held by Yongda CLS under medium-term lease. During the year ended December 31, 2012, such buildings, together with land use rights (see Note 16), were disposed of to Yongda CLS at an aggregate consideration of RMB134,711,000 and were subsequently leased back by the Group under operating leases in May, 2012 (See Note 28III(o)).

The Group's buildings are situated on lands in the PRC held by the Group under medium-term leases. Details of the Group's buildings and motor vehicles pledged to secure bank borrowings granted to the Group are set out in note 26.

16. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At December 31, 2010	132,706
Additions	135,458
At December 31, 2011	**268,164**
Addition	**89,962**
Acquired on acquisition of a subsidiary *(Note 29)*	**9,965**
Disposal	**(64,775)**
At December 31, 2012	**303,316**
AMORTIZATON	
At December 31, 2010	13,791
Provided for the year	3,234
At December 31, 2011	**17,025**
Provided for the year	**6,576**
Eliminated on disposal	**(9,650)**
At December 31, 2012	**13,951**
CARRYING VALUES	
At December 31, 2012	**289,365**
At December 31, 2011	251,139

	2012 ***RMB'000***	2011 *RMB'000*
Analyzed for reporting purpose as:		
Current assets	**6,509**	5,089
Non-current assets	**282,856**	246,050
	289,365	251,139

16. PREPAID LEASE PAYMENTS (continued)

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

As at December 31, 2011, parcels of land with carrying amount of approximately RMB55,560,000 were registered in the name of Yongda CLS. During the year ended December 31, 2012, such parcels of land were disposed of to Yongda CLS and subsequently leased back by the Group under operating leases.

As at December 31, 2011, the Group was in the progress of applying land use rights certificates for certain lands with a carrying amount of approximately RMB99,776,000. As at December 31, 2012, all the Group's lands have obtained land use rights certificates.

Details of the Group's land use rights pledged to secure bank borrowings granted to the Group are set out in note 26.

17. INTANGIBLE ASSETS

	Vehicle licence plates *RMB'000*
COST	
At December 31, 2010	10,480
Additions	4,081
At December 31, 2011	**14,561**
Additions	**12,148**
At December 31, 2012	**26,709**
CARRYING VALUES	
At December 31, 2012	**26,709**
At December 31, 2011	14,561

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.

17. INTANGIBLE ASSETS (continued)

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. 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 the reporting periods.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in jointly controlled entities	**30,538**	30,538
Share of post-acquisition profits, net of dividend received	**9,390**	1,318
	39,928	31,856

As at December 31, 2012, the Group had interests in the following jointly controlled entities:

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 2012 %	2011 %	Proportion of voting power held 2012 %	2011 %	Principal activity
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	**50**	50	**50**	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	**50**	50	**50**	50	4S dealership

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

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarized financial statements of the Group's jointly controlled entities accounted for using the equity method are set out below:

	2012 RMB'000	2011 RMB'000
Current assets	99,777	126,806
Non-current assets	6,989	8,321
Current liabilities	65,858	102,368
Non-current liabilities	980	903

	2012 RMB'000	2011 RMB'000
Income recognized for the year/period since acquisition	464,293	30,946
Expenses recognized for the year/period since acquisition	(451,754)	(29,628)

19. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in associates	28,318	28,318
Share of post-acquisition profits (losses), net of dividend received	69	(626)
	28,387	27,692

19. INTERESTS IN ASSOCIATES (continued)

As at December 31, 2012, 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 registed capital held by the Group 2012 %	2011 %	Proportion of voting power held 2012 %	2011 %	Principal activity
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	**50**	50	**50**	50	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. 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	**49**	49	**49**	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	**49**	49	**49**	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	**20**	20	**20**	20	4S dealership

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

19. INTERESTS IN ASSOCIATES (continued)

The summarized financial statements of the Group's associates are set out below:

	2012 RMB'000	2011 RMB'000
Total assets	**296,833**	198,778
Total liabilities	**(229,301)**	(131,894)
Net assets	**67,532**	66,884
Group's share of net assets of associates	**28,387**	27,692

	2012 RMB'000	2011 RMB'000
Revenue for the year/period since acquisition	**1,155,350**	126,443
Profit and total comprehensive income for the year/(loss) since acquisition	**2,138**	(1,241)
Group's share of profit and total comprehensive income (losses) of associates for the year	**1,425**	(626)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Unlisted equity securities	**–**	1,000

The unlisted equity securities were established in the PRC and controlled by the Shareholders. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably.

The unlisted equity securities were disposed of subsequently in 2012 at a proceed of RMB1 million.

21. DEFERRED TAXATION

The following are the major deferred tax assets recognized and movements thereon during the current and prior years:

	Tax losses RMB'000	Accrued expenses RMB'000	Payroll and welfare payable RMB'000	Others RMB'000	Total RMB'000
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**
Credit (charge) to profit or loss	**7,333**	**(3,185)**	**1,678**	**(1,409)**	**4,417**
At December 31, 2012	**24,274**	**1,880**	**9,690**	**3,983**	**39,827**

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.

The Group's unused tax losses of approximately RMB67,766,000 and RMB97,096,000 as at December 31, 2011 and 2012, respectively have been recognized as deferred tax assets as at the end of the reporting periods.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB940,073,000 (2011: RMB554,733,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	2012 ***RMB'000***	2011 *RMB'000*
Motor vehicles	**2,483,741**	1,944,924
Spare parts and accessories	**194,448**	143,392
	2,678,189	2,088,316

Certain of the Group's inventories with a carrying amount of approximately RMB976,525,000 and RMB763,601,000 as at December 31, 2012 and 2011, respectively, were pledged as security for the Group's short-term bank loans and other borrowings (Note 26).

Certain of the Group's inventories with a carrying amount of approximately RMB1,025,578,000 and RMB709,427,000 as at December 31, 2012 and 2011, respectively, were pledged as security for the Group's bills payable.

23. TRADE AND OTHER RECEIVABLES

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

a. In general, deposits and advances are required for sales of automobiles while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicles sales and after-sales services, a credit period not exceeding 90 days is granted; and

b. For automobile rental services, the Group typically allows a credit period of 30 to 60 days to its customers.

	2012 ***RMB'000***	2011 *RMB'000*
Trade receivables	**155,541**	119,400
Other receivables comprise:		
Cash in transit *(note a)*	**52,295**	45,290
Payments and deposits to suppliers	**1,128,699**	1,649,994
Payments and rental deposits on properties	**37,233**	38,752
Rebate receivables from suppliers	**945,094**	533,467
Insurance commission receivables	**11,928**	249
Staff advances	**4,547**	7,645
Value-Added-Tax recoverable	**143,779**	95,476
Consideration receivables on disposal of available-for-sale investments	**—**	36,759
Loans to independent third parties *(note b)*	**—**	44,300
Others	**45,562**	72,257
	2,369,137	2,524,189
	2,524,678	2,643,589

notes:

a. Cash in transit represents sales settled by credit cards, which have yet to be credited to the Group by banks. The balance of cash in transit as at December 31, 2012 aged seven days (2011: Seven days).

b. The 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 as at December 31, 2011 was settled in January 2012.

23. TRADE AND OTHER RECEIVABLES (continued)

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

	2012 RMB'000	2011 RMB'000
0 to 90 days	**155,541**	119,400

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

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group pledged certain of its bank deposits to banks as security for bills payable and short-term borrowings and the pledged bank deposits carry variable-rate interest ranging from 0.35%–3.05% (2011: 0.50%–3.50%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bills payable and short-term borrowings.

The Group's bank balances and cash denominated in RMB, HK$ and US$ carry variable-rate interest as follows:

	2012	2011
	Interest rate per annum	
The Group		
— RMB	**0.35%–4.50%**	0.50%–4.00%
— HK$	**–**	1.00%
— US$	**–**	1.15%

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

	2012 RMB'000	2011 RMB'000
HK$	**76,369**	303
US$	**–**	27
	76,369	330

25. TRADE AND OTHER PAYABLES

	2012 *RMB'000*	2011 *RMB'000*
Trade payables	**102,311**	95,214
Bills payables	**1,846,648**	2,121,998
	1,948,959	2,217,212
Other payables		
Other tax payables	**25,236**	23,558
Advances and deposits from customers	**667,874**	549,680
Payable for acquisition of property, plant and equipment	**48,182**	8,749
Rental payables	**13,944**	6,989
Salary and welfare payables	**38,957**	36,002
Accrued interest	**1,866**	916
Accrued listing expenses	**7,663**	5,231
Accrued audit fee	**3,500**	—
Other accrued expenses	**2,666**	19,505
Others	**31,257**	32,512
	841,145	677,911
	2,790,104	2,895,123

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

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

	2012 *RMB'000*	2011 *RMB'000*
0 to 90 days	**1,948,959**	2,217,212

26. BORROWINGS

	2012 *RMB'000*	2011 *RMB'000*
Bank loans	**3,260,973**	2,158,183
Other borrowings from entities controlled by suppliers	**361,252**	218,155
	3,622,225	2,376,338
Secured by the Group's assets*	**1,159,031**	1,041,594
Secured by related parties' assets *(Note 28(III)(n))*	**–**	194,000
Total secured borrowings	**1,159,031**	1,235,594
Total unsecured borrowings	**2,463,194**	1,140,744
	3,622,225	2,376,338
Guaranteed by related parties* *(Note 28(III)(m))*	**–**	1,274,382
Guaranteed by an independent third party	**6,000**	6,000
Total guaranteed borrowings	**6,000**	1,280,382
Total unguaranteed borrowings	**3,616,225**	1,095,956
	3,622,225	2,376,338
Fixed-rate borrowings	**1,136,201**	1,720,582
Variable-rate borrowings	**2,486,024**	655,756
	3,622,225	2,376,338
Carrying amount repayable:		
Within one year	**3,465,172**	2,355,517
More than one year, but not exceeding two years	**97,536**	14,218
More than two years, but not exceeding five years	**59,517**	6,603
	3,622,225	2,376,338
Less: amounts due within one year shown under current liabilities	**(3,465,172)**	(2,355,517)
Amounts shown under non-current liabilities	**157,053**	20,821

* 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. The guarantee by the related party was released subsequently in 2012.

26. BORROWINGS (continued)

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

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**5.88% to 8.75%**	6.40% to 8.75%
Variable-rate borrowings	**5.04% to 8.20%**	5.81% to 6.56%

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

At the end of the reporting periods, 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.

During the years ended December 31, 2012 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:

	2012 ***RMB'000***	2011 *RMB'000*
Land use rights	**7,950**	40,840
Property, plant and equipment (buildings and motor vehicles)	**132,739**	94,917
Inventories	**976,525**	763,601
Pledged bank deposits	**10,000**	17,492
Total	**1,127,214**	916,850

27. SHARE CAPITAL

	Number of share *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At November 7, 2011 (date of incorporation) and December 31, 2011	38,000	380
Increase in authorized share capital *(note a)*	2,462,000	24,620
At December 31, 2012	2,500,000	25,000

27. SHARE CAPITAL (continued)

	Number of shares *'000*	Amount *HK$'000*	Shown in financial statements as *RMB'000*
Issued and fully paid:			
Allotted and issued on November 7, 2011 (date of incorporation) *(note b)*	—	—	—
Issue of new shares pursuant to the Reorganization *(note c)*	188	2	2
Issue of new shares to investors *(note d)*	12	—	—
At December 31, 2011	200	2	2
Issue of shares by capitalization of share premium account *(note e)*	1,279,800	12,798	10,433
Issue of shares by initial public offerings *(note f)*	200,022	2,000	1,630
At December 31, 2012	**1,480,022**	**14,800**	**12,065**

notes:

a) Pursuant to resolutions passed at a general meeting of the Company's shareholders on May 5, 2012, it was resolved, inter alia, the authorized share capital of the Company was increased to HK$25,000,000 as divided into 2,500,000,000 shares at par value of HK$0.01 each;

b) 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;

c) On November 22, 2011, the Company issued 99,999 ordinary shares at par to the Shareholders pursuant to the Reorganization. On December 29, 2011, the Company further allotted and issued 88,000 ordinary shares to the Shareholders at a price of HK$418.69 per share;

d) On December 30, 2011, the Company issued 12,000 ordinary shares to an investor at a price of HK$50,661.36 per share;

e) Following the change in authorized share capital (Note 27(a)) and upon Listing, HK$12,798,000 standing to the credit of the share premium account of the Company was capitalized for issue of 1,279,800,000 new shares at par on July 12, 2012 to the then shareholders of the Company in proportion to their shareholdings; and

f) On July 12, 2012, the Company issued a total of 200,022,000 new ordinary shares of HK$0.01 each at the price of HK$6.60 per share by means of initial public offerings.

The new shares allotted and issued rank pari passu in all respects with the then existing shares in issue.

28. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	2012 RMB'000	2011 RMB'000
Associate held by the Group		
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda")	825	2,540
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile")	3,513	—
Jointly controlled entity held by the Group		
Shanghai Bashi Yongda Automobile Sales Co., Ltd. ("Shanghai Bashi Yongda")	401	—
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong ")	—	3,000
Entity controlled by the Shareholders		
Yongda CLS	—	1,428
	4,739	6,968
Analyzed as:		
Trade-related, aged within 90 days	1,727	3,968
Non trade-related	3,012	3,000
	4,739	6,968

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

28. RELATED PARTY DISCLOSURES (continued)

II. Amounts due to related parties

	2012 RMB'000	2011 RMB'000
Non-controlling shareholders *(note a)*	12,739	32,746
Jointly controlled entity held by the Group		
Shanghai Bashi Yongda	–	3,427
Entity controlled by the Shareholders		
Yongda CLS *(note b)*	13,735	844,021
	26,474	880,194
Analyzed as:		
Trade-related, aged within 90 days	530	3,827
Non trade-related	25,944	876,367
	26,474	880,194

The above balances are unsecured and repayable on demand. Except for RMB10,000,000 included in the amount due to Yongda CLS as at December 31, 2011 that carried an interest rates of 7.9% per annum (the amount of which was fully settled in 2012), other balances are interest-free for both years.

notes:

a. The non-controlling shareholders have significant influence over the relevant subsidiaries of the Group and the balance included a dividend payable of approximately RMB12,209,000 (2011: RMB9,166,000).

b. Included in the the balance as at December 31, 2011 were a dividend payable of approximately RMB13,735,000, a professional fee payable of approximately RMB2,318,000 which Yongda CLS paid on behalf of the Group, a consideration payable of approximately RMB21,534,000 for the acquisition of the Core Business as part of the Reorganization and a consideration payable of approximately RMB5,309,000 for the acquisition of jointly controlled entities and associates. Except for the dividend payable of approximately RMB13,735,000, all the remaining balances were settled in 2012.

   Included in the balance as at December 31, 2012 were a dividend payable of approximately RMB13,735,000.

28. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions

	2012 RMB'000	2011 RMB'000
a) Sales of motor vehicles		
^Shengzhou Yongda Bencheng Automobile Sales and Services Co.,Ltd ("Shengzhou Yongda Bencheng ")	–	495
^Lin'an Yungda Automobile sales and Services Co., Ltd ("Lin'an Yongda Automobile")	–	177
^Taixing Yongda Bencheng Automobile Sales and Services Co.,Ltd. ("Taixing Yongda Bencheng")	–	1,354
^Jiaxing Jinyueda Automobile Sales and Services Co., Ltd. ("Jiaxing Jinyueda Automobile")	–	658
Shanghai Shenbao	–	34,874
Shanghai Yongda Fengdu Automobile	6,943	1,424
Yongda CLS	2,085	1,220
Shanghai Bashi Yongda	14,279	1,029
	23,307	41,231

Sales of motor vehicles via Shanghai Oriental Yongda

The Group, through Shanghai Oriental Yongda's television shopping channel, sold motor vehicles to customers amounting to RMB358,489,000 and RMB516,462,000 for the year ended December 31, 2011 and 2012, respectively. A commission of approximately RMB3,703,000 and RMB4,762,000 was paid to Shanghai Oriental Yongda for the marketing and promotion activities it carried out for the Group for the year ended December 31, 2011 and 2012, respectively.

	2012 RMB'000	2011 RMB'000
b) Purchase of motor vehicles		
^Shengzhou Yongda Bencheng	–	7,516
^Lin'an Yongda Automobile	–	4,041
^Taixing Yongda Bencheng	–	2,267
^Jiaxing Jinyueda Automobile	–	2,589
Shanghai Yongda Fengdu Automobile	3,575	3,610
Shanghai Bashi Yongda	8,719	9,021
Shanghai Yongda Changrong	228	1,708
	12,522	30,752

28. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

	2012 RMB'000	2011 RMB'000
c) Sales of spare parts		
^Shengzhou Yongda Bencheng	—	85
^Lin'an Yongda Automobile	—	59
^Taixing Yongda Bencheng	—	28
Shanghai Shenbao	84	—
Shanghai Yongda Fengdu Automobile	1,020	—
Shanghai Bashi Yongda	20	8
Shanghai Yongda Changrong	2,324	5
	3,448	185
d) Purchase of spare parts		
Taixing Yongda Bencheng	—	16
Shanghai Yongda Fengdu Automobile	1	7
Shanghai Yongda Changrong	—	4
Shanghai Bashi Yongda	—	11
	1	38
e) Provision of after-sales services		
Shanghai Yongda Fengdu Automobile	—	85
Shanghai Yongda Fengdu Automobile Consulting Service Co., Ltd	282	—
Shanghai Yongda Changrong	—	20
	282	105
f) Purchase of properties, plant and equipment from		
Shanghai Yongda Fengdu Automobile	414	—
Shanghai Bashi Yongda	5,628	—
Shanghai Yongda Changrong	2,387	—
	8,429	—

28. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

	2012 *RMB'000*	2011 *RMB'000*
g) Interest expenses		
Yongda CLS	–	20,151
A non-controlling shareholder with significant influence over the relevant subsidiary	1,066	—
	1,066	20,151
h) Proceed from disposal of properties and prepaid lease payments to		
Yongda CLS	134,711	—
i) Proceed from disposal of available-for-sale investments to		
Yongda CLS	1,000	—
j) Acquisition of equity interests in entities engaged in Core Business from		
Yongda CLS	–	535,480
Yongda Holding	–	48,643
Yongda Transportation Equipment	–	5,405
	–	589,528
k) Acquisitions from Yongda CLS in relation to		
Yangzhou Yongda *(Note 29)*	10,000	—
Associates	–	14,505
Jointly controlled entities	–	21,520
Available-for-sale investments	–	34,459
l) Disposal of available-for-sale to		
Yongda CLS	–	507

28. RELATED PARTY DISCLOSURES (continued)

III. Related party transactions (continued)

	2012 RMB'000	2011 RMB'000
m) Carrying amount of loans guaranteed by		
Yongda CLS *(note)*	–	1,155,086
Yongda Holding	–	119,296
	–	1,274,382

note: Included were loans amounting RMB435,500,000 jointly guaranteed by Yongda CLS and Yongda Holding.

	2012 RMB'000	2011 RMB'000
n) Carrying amount of loans secured by investment properties held by		
Shanghai Yongda Property Development Co., Ltd., an entity controlled by the Shareholders *(note)*	–	194,000

note: Included were loans of RMB85,000,000 jointly secured by properties held by Shanghai Yongda Transportation Equipment.

	2012 RMB'000	2011 RMB'000
o) Rental expense paid to		
Yongda CLS and Shanghai Yongda Transportation Equipment *(note)*	5,648	–

note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected and Continuing Connected Transactions" in this annual report.

	2012 RMB'000	2011 RMB'000
p) Compensation of key management personnel		
Short-term benefits	3,028	990
Post-employment benefits	87	79
	3,115	1,069

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

28. RELATED PARTY DISCLOSURES (continued)

The entities marked with ^ were no longer identified as related parties after the Shareholders disposed of these entities to independent third parties in September 2011 as part of the Reorganization.

The above guarantees (Note 28(III)(m)) and security arrangements (Note 28(III)(n)) were released subsequently in 2012 as replaced by new guarantees and pledge of assets by certain group subsidiaries, as appropriate.

29. ACQUISITION OF A SUBSIDIARY

In August 2012, the Group acquired 100% equity interests of Yangzhou Yongda Automobile Sales and Services Co., Ltd. ("Yangzhou Yongda") from Yongda CLS at a consideration of RMB10 million.

Yangzhou Yongda was established in January 2011 in the PRC with a registered capital of RMB10 million for the purpose of operating 4S dealership in Yangzhou, Jiangsu Province. At the date of the acquisition, Yangzhou Yongda had not commenced operation with its major asset being a piece of land located in Yangzhou. The acquisition is therefore accounted for as an acquisition of the assets and the assumption of associated liabilities of Yangzhou Yongda.

The assets and the associated liabilities acquired are as follows:

	RMB'000
Properties, plant and equipment	1,783
Prepaid lease payment	9,965
Other receivables	30
Bank balances	222
Other payables	(2,000)
	10,000
Net cash outflow arising on acquisition	
Bank balances acquired	222
Consideration	(10,000)
	(9,778)

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

30. MAJOR NON-CASH TRANSACTION

During the year ended December 31, 2012, the Group issued 1,279,800,000 new ordinary shares by way of capitalization, details of which are set out in note 27(e).

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:

	2012 RMB'000	2011 RMB'000
Within one year	87,174	67,896
In the second to fifth years inclusive	213,712	194,318
After five years	185,013	180,965
	485,899	443,179

Operating lease payments represent rentals payable by the Group for certain properties and land. The leases in general 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:

	2012 RMB'000	2011 RMB'000
Within one year	125,444	117,951
In the second to fifth years inclusive	54,939	109,234
	180,383	227,185

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

32. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	176,891	79,142

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 a certain percentage 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 under the scheme.

The total cost charged to the consolidated statements of comprehensive income of approximately RMB28,686,000 and RMB40,602,000 for the years ended December 31, 2011 and 2012, respectively, represent contributions payable to the scheme by the Group for the respective years.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2012 is as follows:

	NOTE	**2012** ***RMB'000***	2011 *RMB'000*
Investments in subsidiaries and amounts due from subsidiaries		**1,200,102**	30,100
Other assets		**351,557**	494,773
Total assets		**1,551,659**	524,873
Total liabilities		**(8,012)**	(9,279)
		1,543,647	515,594
Capital and reserves			
Share capital		**12,065**	2
Reserves	*(a)*	**1,531,582**	515,592
		1,543,647	515,594

(a):

	Share premium *RMB'000*	**(Accumulated losses)/ Retained profits** *RMB'000*	**Total** *RMB'000*
As at January 1, 2011	—	—	—
Issue of shares	524,998	—	525,000
Loss for the year	—	(9,406)	(9,406)
As at December 31, 2011	524,998	(9,406)	515,594
Issue of shares by way of capitalization of share premium account	(10,433)	—	(10,433)
Issue of shares by initial public offerings	1,074,552	—	1,074,552
Transaction costs attributable to issue of shares	(63,027)	—	(63,027)
Profit for the year	—	14,898	14,898
As at December 31, 2012	1,526,090	5,492	1,531,582

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2012 and December 31, 2011 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 At December 31, 2011 %	2012 %	Principal activities@
Directly held:						
Sea of Wealth International Investment Company Limited 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	1 share of US$1.00 each	100	100	Investment holding
Indirectly held:						
Grouprich International Investment Holdings Limited 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	100	100	Investment holding
Shanghai Yongda Investment Co., Ltd. 上海永達投資有限公司 (formerly known as Shanghai Yongda International Trade & Development Co., Ltd. 上海永達國際貿易發展有限公司)	PRC	September 25, 2003	RMB290,000,000	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. 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	Investment holding
Shanghai Yongda Automobile Leasing Co., Ltd. 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB50,000,000	100	100	Automobile rental services
Shanghai Baozen Automobile Sales and Services Co., Ltd. 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB15,000,000	100	100	4S dealership
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB10,760,000	100	100	4S dealership
Shanghai Putuo Baozen Automobile Sales and Services Co., Ltd. 上海普陀寶誠汽車銷售服務有限公司	PRC	June 4, 2010	RMB10,000,000	100	100	4S dealership
Beijing Baozen Baiwang Automobile Sales and Services Co., Ltd. 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	4S dealership

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
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	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**	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**	4S dealership
Linfen Baozen Automobile Sales and Services Co., Ltd. 臨汾寶誠汽車銷售服務有限公司	PRC	July 10, 2009	RMB10,000,000	100	**100**	4S dealership
Changzhi Baozen Lufu Automobile Sales and Services Co., Ltd. 長治寶誠潞府汽車銷售服務有限公司	PRC	January 29, 2010	RMB10,000,000	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	100	**100**	After-sales services
Taiyuan Baozen Automobile Sales and Services Co., Ltd. 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	60	**60**	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB20,000,000	90	**90**	4S dealership
Jiangyin Baozen Automobile Sales and Services Co., Ltd. 江陰寶誠汽車銷售服務有限公司	PRC	August 15, 2007	RMB10,270,000	88	**88**	4S dealership
Wenzhou Baozen Automobile Sales and Services Co., Ltd. 溫州寶誠汽車銷售服務有限公司	PRC	September 3, 2008	RMB15,000,000	78	**78**	4S dealership
Taizhou Baozen Automobile Sales and Services Co., Ltd. 台州寶誠汽車銷售服務有限公司	PRC	November 12, 2008	RMB15,000,000	60	**60**	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB11,500,000	82	**82**	4S dealership

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
Yancheng Baozen Automobile Sales and Services Co., Ltd. 鹽城寶誠汽車銷售服務有限公司 (formerly known as Yancheng Baozen Automobile Co., Ltd. 鹽城寶誠汽車服務有限公司)	PRC	December 9, 2008	RMB1,500,000	90	**71** *(Note 1)*	4S dealership
Linhai Baozen Automobile Sales and Services Co., Ltd. 臨海寶誠汽車銷售服務有限公司	PRC	November 24, 2009	RMB5,000,000	60	**60**	After-sales services
Yongjia Baozen Automobile Sales and Services Co., Ltd. 永嘉寶誠汽車銷售服務有限公司	PRC	January 19, 2010	RMB5,000,000	62.4	**62.4**	After-sales services
Wuxi Baozen Gaohui 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	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	88	**88**	Title transfer and registration and automobile consultation services
Jiangyin Xiangyue Baozen Automobile Sales and Services Co., Ltd. 江陰享悦寶誠汽車銷售服務有限公司	PRC	November 4, 2011	RMB10,000,000	100	**88** *(Note 1)*	4S dealership
Shanghai Baozen Shenjiang Sales and Services Co., Ltd. 上海寶誠申江汽車銷售服務有限公司	PRC	November 9, 2011	RMB10,000,000	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	RMB10,000,000	82	**82**	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	RMB10,000,000	—	**100** *(Note 2)*	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	—	**100** *(Note 2)*	Operation to be commenced

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
Shanghai Baozen Zunyue Automobile Sales and Services Co., Ltd. 上海寶誠尊悅汽車銷售服務有限公司	PRC	September 27, 2012	RMB10,000,000	—	**100** *(Note 2)*	Operation to be commenced
Hainan Yongda Automobile Sales and Services Co., Ltd 海南永達汽車銷售服務有限公司 (formerly known as Hainan Mengfa Trade and Development Co., Ltd. 海南盟發貿易發展有限公司)	PRC	August 23, 2007	RMB30,000,000	100	**100**	4S dealership
Anhui Yongda Baoyi Automobile Sales and Services Co., Ltd. 安徽永達寶易汽車銷售服務有限公司	PRC	January 6, 2011	RMB20,000,000	100	**72** *(Note 1)*	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	51	**51**	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. 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**	4S dealership
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	RMB20,000,000	85	**85**	4S dealership
Shanghai Yongda Lujie Automobile Sales and Services Co., Ltd. 上海永達路捷汽車銷售服務有限公司	PRC	September 6, 2010	RMB10,000,000	51	**51**	4S dealership
Shanghai Yongda Lusheng Automobile Sales and Services Co., Ltd. 上海永達路勝汽車銷售服務有限公司	PRC	June 30, 2011	RMB10,000,000	51	**51**	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	RMB20,000,000	70	**70**	4S dealership

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
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	RMB10,000,000	–	100 (Note 2)	4S dealership
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	RMB10,000,000	–	100 (Note 2)	4S dealership
Shanghai Yongda Dongwo Automobile Sales and Services Co., Ltd. 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	4S dealership
Shanghai Yongda Shenlong Automobile Sales and Services Co., Ltd. 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	4S dealership
Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. 上海永達汽車浦東銷售服務有限公司	PRC	December 6, 1999	RMB18,750,000	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	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	RMB15,000,000	100	100	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	RMB15,000,000	100	100	4S dealership
Shanghai Yongda Automobile Businesses and Services Co., Ltd. 上海永達汽車經營服務有限公司	PRC	December 11, 1998	RMB10,000,000	100	100	4S dealership
Shanghai Yongda Guangshen Automobile Sales and Services Co., Ltd. 上海永達廣申汽車銷售服務有限公司	PRC	December 21, 2006	RMB10,000,000	100	100	4S dealership
Shanghai Yongda Automobile Trade Center Co., Ltd. 上海永達汽車貿易中心有限公司	PRC	November 27, 1998	RMB11,100,000	100	100	4S dealership

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
Shanghai Yongda Tongmei Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Automobile Nanhui Sales and Services Co., Ltd. 上海永達汽車南匯銷售服務有限公司	PRC	December 19, 2002	RMB5,000,000	100	**100**	4S dealership
Shanghai Yongda Automobile Songjiang Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Tongtu Automobile Sales and Services Co., Ltd. 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**	4S dealership
Fuzhou Yongda Automobile Sales and Services Co., Ltd. 福州永達汽車銷售服務有限公司	PRC	July 9, 2004	RMB6,100,000	61	**61**	4S dealership
Shanghai Yongda Baoyunlai Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Tongning Automobile Sales and Services Co., Ltd. 上海永達通寧汽車銷售服務有限公司	PRC	February 20, 2009	RMB5,000,000	100	**100**	4S dealership
Shanghai Yongda Tongsheng Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Tonghao Automobile Sales and Services Co., Ltd. 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**	Sale of passenger vehicles
Fujian Yongda Automobile Sales and Services Co., Ltd. 福建永達汽車銷售服務有限公司	PRC	May 15, 2009	RMB5,000,000	61	**61**	4S dealership
Shanghai Yongda Zhonghuan Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Automobile Puxi Sales and Services Co., Ltd. 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**	Sale of passenger vehicles

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
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	60	**60**	4S dealership
Shanghai Yongda Automobile Pudong Trade Co., Ltd. 上海永達汽車浦東貿易有限公司	PRC	February 21, 2001	RMB5,160,000	100	**100**	4S dealership
Shanghai Yongda Haojie Automobile Sales and Services Co., Ltd. 上海永達豪捷汽車銷售服務有限公司	PRC	January 7, 2010	RMB5,000,000	100	**100**	4S dealership
Huzhou Yongda Automobile Sales and Services Co., Ltd. 湖州永達汽車銷售服務有限公司	PRC	June 3, 2008	RMB13,000,000	75	**75**	4S dealership
Shanghai Qingpu Yongda Automobile Sales and Services Co., Ltd. 上海青浦永達汽車銷售服務有限公司	PRC	April 8, 2010	RMB10,000,000	100	**100**	4S dealership
Shanghai Yongda Weirong Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Bashi Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Toyota Automobile Sales and Services Co., Ltd. 上海永達豐田汽車銷售服務有限公司	PRC	April 25, 2002	RMB10,000,000	100	**100**	4S dealership
Shanghai Yongda Xingtian Automobile Sales and Services Co., Ltd. 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**	4S dealership
Shanghai Yongda Tongbao Automobile Sales and Services Co., Ltd. 上海永達通寶汽車銷售服務有限公司	PRC	April 18, 2008	RMB10,000,000	100	**100**	4S dealership
Shanghai Yongda Automobile Safety Testing Center Co., Ltd. 上海永達機動車安全檢測中心有限公司	PRC	December 18, 1998	RMB3,650,000	100	**100**	After-sales and vehicle inspection services

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 At December 31, 2011 %	2012 %	Principal activities@
Shanghai Yongda Automobile Complementary Consulting Services Co., Ltd. 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**	After-sales services
Shanghai Pudong Used Automobile Trading Management Co., Ltd. 上海市浦東舊機動車交易市場經營管理有限公司	PRC	July 13, 1999	RMB5,340,000	75	**75**	Pre-owned vehicle business

\# Except for Sea of Wealth International Investment Company Limited and Grouprich International Investment Holdings Limited 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.

notes:

1. The Group partially disposed of its equity interests in these three companies in 2012.

2. These companies were newly set up during the year ended December 31, 2012.

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended December 31,			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
REVENUE	**21,711,998**	20,304,119	15,017,931	9,104,198
Profit before tax	**681,317**	740,869	558,761	258,644
Income tax expense	**(165,850)**	(177,703)	(140,195)	(65,199)
Profit and total comprehensive income for the year	**515,467**	563,166	418,566	193,445
Attributable to:				
Owners of the Company	**470,016**	504,782	385,586	185,046
Non-controlling interests	**45,451**	58,384	32,980	8,399
	515,467	563,166	418,566	193,445
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS				
TOTAL ASSETS	**9,995,648**	8,158,716	4,324,814	3,080,377
TOTAL LIABILITIES	**(6,677,049)**	(6,420,649)	(3,128,574)	(2,310,504)
NON-CONTROLLING INTERESTS	**(256,016)**	(158,947)	(80,401)	(47,592)
	3,602,583	1,579,120	1,115,839	722,281