中升集團控股有限公司

ZHONGSHENG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 881

Annual Report 2009

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(Vice-Chairman and CEO)*
Mr. Du Qingshan
Mr. Yu Guangming

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

Mr. Shigeno Tomihei
Mr. Ng Yuk Keung
Mr. Shen Jinjun

Corporate Headquarters

9th Floor, Zhongnan Building
18 Zhonghua West Road
Ganjingzi District
Dalian City
Liaoning Province
PRC

Principal Place of Business In Hong Kong

Room 3504–12
35th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Island

Company Secretary

Mr. Lai Hau Yin, FCPA, CPA(Aust)

Authorized Representatives

Mr. Huang Yi
Mr. Lai Hau Yin

Audit Committee

Mr. Ng Yuk Keung *(Chairman)*
Mr. Shen Jinjun
Mr. Leng Xuesong

Remuneration Committee

Mr. Shigeno Tomihei *(Chairman)*
Mr. Li Guoqiang
Mr. Shen Jinjun

Nomination Committee

Mr. Shen Jinjun *(Chairman)*
Mr. Huang Yi
Mr. Shigeno Tomihei

Compliance Committee

Mr. Du Qingshan *(Chairman)*
Mr. Huang Yi
Mr. Li Guoqiang

Compliance Adviser

Taifook Capital Limited
25th Floor, New World Tower
16–18 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

881

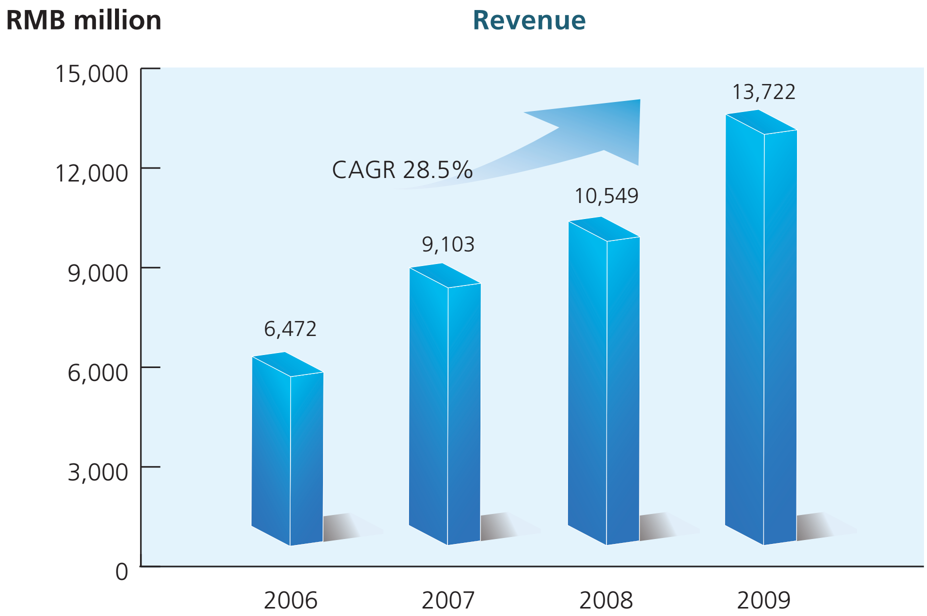
Legal Advisers to Hong Kong Law

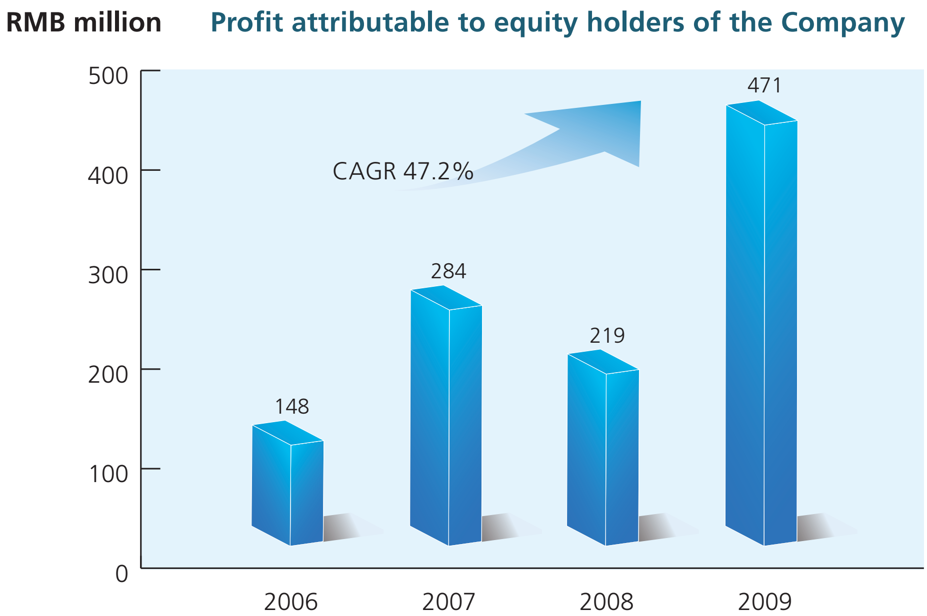
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

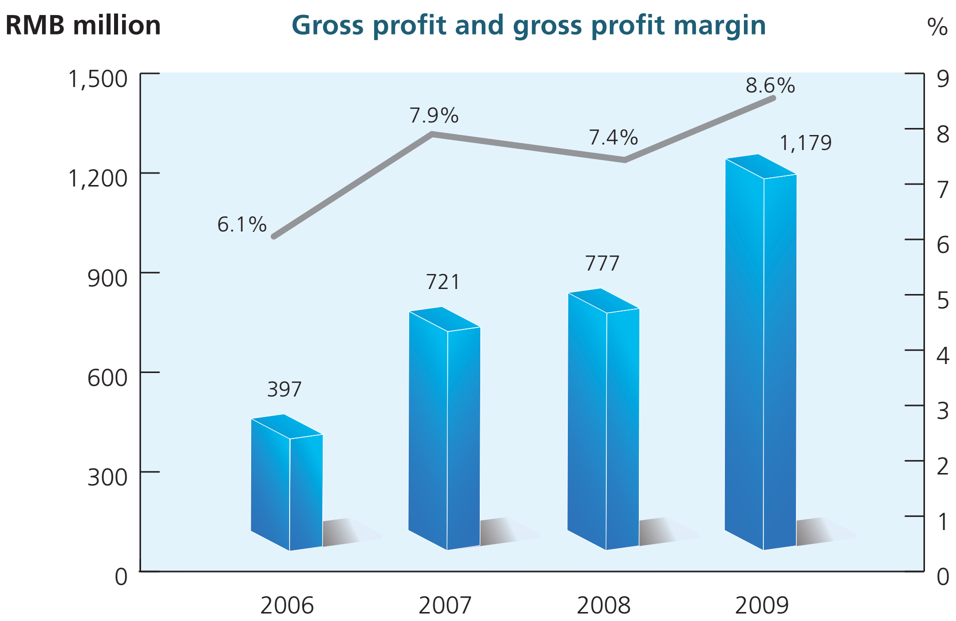
Auditors

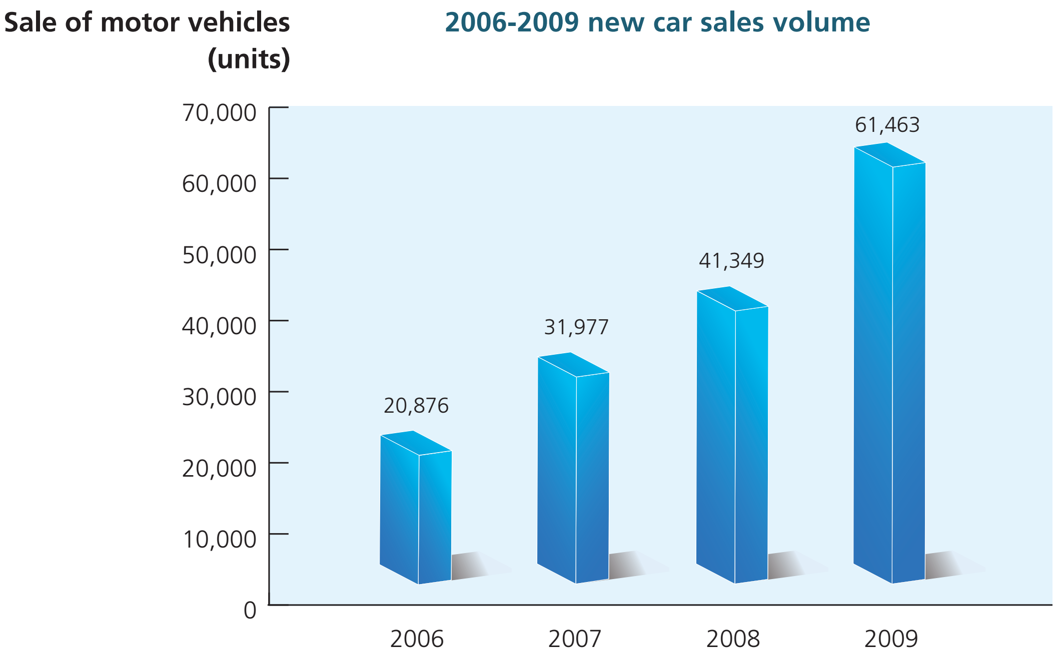
Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Financial Hightlights






RMB million
Gross profit and gross profit margin
%
1,500
1,200
900
600
300
0
9
8
7
6
5
4
3
2
1
0
6.1%
7.9%
7.4%
8.6%
397
721
777
1,179
2006
2007
2008
2009


Sale of motor vehicles (units)
2006-2009 new car sales volume
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
20,876
31,977
41,349
61,463
2006
2007
2008
2009

Chairman's Statement

Huang Yi
Chairman

Dear Shareholders,

On behalf of the board of directors ("Board") of Zhongsheng Group Holdings Limited ("Zhongsheng" or "Company"), it is my pleasure to present the first annual results of the Company and its subsidiaries ("Group") after its listing.

By fully capitalizing on the opportunities arising from the rapid development of passenger vehicle market in China, Zhongsheng achieved swift growth in its business during the year ended 31 December 2009 through further expansion of our 4S dealership network, continuous improvement of our services as well as the strengthening of our internal administration and human resources training. Our various performance indicators showed remarkable and encouraging results. During the year, the Company recorded a revenue of RMB13,722.2 million, representing an increase of 30.1% from RMB10,548.6 million in 2008. Our profit reached RMB493.0 million, representing an increase of 110.3% from RMB234.4 million in 2008.

By adhering to our motto of "Zhongsheng – Lifetime Partner" and our corporate culture of "Pursuing for Excellence", "Being Determined and Devoted", "Being Trustworthy and Reliable", "Being Innovative and Creative", our business continues to grow. On 26 March 2010, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), with the endeavours made by all staff and support from all parties, and due to the support of investors, as well as the market's recognization of our competitive advantages in terms of after-sales services, productivity and profitability enjoyed by our 4S dealerships. With a prosperous outlook in the mid-to-high end and luxury automobiles business, our successful listing did not only bolster our capital, but also further improved our corporate governance. Our position as the leading national automobile dealership group in China was consolidated and we are glad to share our operating results with the investors.

Capture huge opportunities from passenger vehicle market in China

Fuelled by strong growth of Chinese economy, the number of middle-class increase rapidly. More Chinese households become affluent and transporation infrastructure are upgraded. The passenger vehicle market in China has expanded rapidly as a result of these factors as well as preferential policies introduced by the Chinese government. China has become the major passenger vehicle market in the world in terms of production output and sales. In 2006, China ranked the third largest passenger vehicle market in terms of the sales volume of new passenger vehicles of approximately 4,500,000 units, which was behind United States and Japan. In 2009, the sales volumes of new passenger vehicles in China exceeded approximately 8,800,000 units, and ranked first in terms of passenger vehicle market in the world.

In the course of expansion for the passenger vehicle market in China, the market size at coastal regions is the largest as well as has recorded faster rate of growth. In addition, the rate of growth in mid-to-high end automobiles and luxury automobiles was higher than that of the industry average. 4S dealerships become a major retail platform for the sale of passenger automobiles.

The strategic positioning of "One-stop Automobile Shop"

In order to proactively capture the huge opportunities from passenger vehicle market in China, we focused on mid-to-high end and luxury automobiles brands, and established a broad 4S dealership network in affluent coastal regions to provide one-stop automobile services to our customers. We were the first dealership in China being awarded with the dealership of Toyota. We were also one of the first few dealership being awarded with the dealership of Lexus and Audi. In terms of sales and the number of 4S dealerships, we are one of the largest automobile dealership groups for Toyota and Lexus in China.

As at 31 December 2009, the Company had a total of 47 4S dealerships, operating diversified brands of automobiles, covering the best received brands by consumers in China, including luxury automobile brands such as Mercedes-Benz, Lexus and Audi, as well as mid-to-high end automobile brands such as Toyota, Nissan, Honda and General Motor ("GM"). By leveraging on the strategic positioning of "One-stop Automobile Shop", we have achieved great success in our after-sales business in addition to our new automobile sales business. We are devoted to provide quality after-sales services to our customers. The proportion of revenue contribution from after-sales services is increasing, and it is believed that the after-sales service will become a sustainable source of our earnings in the future.

Improving corporate governance structure

In 2008, we introduced an international reputable private equity firm who made an investment in our Company. This laid a solid foundation for our substantial growth. Following our successful listing on in the Stock Exchange, the Company will further improve its corporate governance to a level commensurate with the international requirements. Through the establishment of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee, our internal control mechanisms were enhanced and standardized, which improved our ability for risk control. On the other hand, we will adhere to the culture of equality, trustworthy and responsibility, and maintain an efficient communication channel with our investors in an active, prompt and effective manner to allow our investors to have comprehensive knowledge of our Company. We will deliver our latest information to our investors in a timely manner, and will respond to enquiries from the investors with an aim to increase our transparency and to protect the interests of the investors.

Future Outlook

Looking ahead, we believe China has a huge potential in passenger vehicle market. We will fully capitalize on our leading position in the industry, and continue to adhere to our motto "Zhongsheng – Lifetime Partner". Cooperation with partners will be strengthened and Zhongsheng will proactively capture the huge opportunities in mid-to-high end automobiles market brought by the ever-growing middle-class in China. We will further lift the Group's position in the industry and provide products and services that can best fulfill the satisfaction of our customers. We will maximize business opportunities for our business partners and bring best return to our equity holders. Moreover, we will also create an environment for our employees to improve their own value and economic return, thereby maximizing the value of customers, investors, shareholders and our team members as a whole.

The remarkable results we achieved in 2009 were attributable to the efforts of all employees of the Company. On behalf of the Board, I wish to express my sincere gratitude to the loyal services and contribution of employees from all departments of the Group and my great appreciation for the support and encouragement from all shareholders and business partners.

Huang Yi
Chairman

Hong Kong, 20 April 2010

Chief Executive Officer's Statement

Li Guoqiang
Vice-Chairman and Chief Executive Officer

Dear Shareholders,

The year of 2009 was a remarkable year for the Group. After years of efforts, we became the leading national automobile dealership group in China through rapid and strong growth. We endeavour to pursue for excellence. By leveraging on a mix of brands of luxury and mid-to-high end automobiles, and our strategic positioning as a "One-stop Automobile Shop", Zhongsheng is determined to establish itself as a leader in the automobile dealership industry in China and has gained considerable share in the market.

Income and consumption power of the middle class in China continue to increase. Fuelled by the rapid development in urbanization, the market demand for passenger vehicles in China continues to boom, and becomes the driving force for a strong growth in the Group's revenue during the year. In the meantime, our profitability also improved and we saw remarkable achievements during the year. Our business development demonstrated a moving trend unbeatable in every aspect, which were attributable to our dedication to network expansion, new automobile sales and after-sales services. Hence, we are able to achieve such remarkable results.

Comprehensive 4S Services National Network Coverage

We have a 4S dealership network of national coverage which provides four standard automobile related businesses, i.e. sales, spare parts, service and survey. During the past year, we strategically selected to locate at the coastal cities in northeastern China, eastern China and southern China as well as selected inland regions, covering 11 provincial regions and 20 cities including Liaoning, Shandong, Yunnan, Guangdong, Zhejiang and Fujian, which are more affluent regions in China. The deployment of this strategic network also led to a leading position occupied by us at the markets we operate, for which we enjoy regional competitive advantages. The scale of our network also expanded through our organic growth and acquisitions. During the year, we acquired 15 4S dealerships in Shandong Province, Zhejiang Province, Liaoning Province, Jilin Province and Heilongjiang Province, and opened the first GM dealership as well as the first Mercedes-Benz dealership in Dalian. As at 31 December 2009, the Group's 4S network had 47 dealership, representing an increase of approximately 56.7% from 30 dealerships in the same period last year.

Powered from Brands Diversification

During the year, we continued to focus on luxury and mid-to-high end brands to meet the increasing demands from the growing middle class in China. We have a diversified brand mix, including luxury brands such as Mercedes-Benz, Lexus and Audi, as well as mid-to-high end brands, such as Toyota, Nissan, Honda and GM. These brands are the most popular and leading brands in China. This diversified brand mix allows the Group to effectively capitalize from the expansion of the passenger vehicle market in China. During the year, outstanding results were achieved by the Group's new automobile sales segment. For the year ended 31 December 2009, revenue from the Group's new automobile sales increased from approximately RMB9,695 million from last year by 28.6% to approximately RMB12,466 million, representing approximately 90.8% of total revenue.

Customer Orientation Commitment for Profit Maximization

We provide one-stop automobile services. Apart from new automobile sales, we also provide after-sales services. As to after-sales services, we provide services and products to our customers comprising maintenance, repair, detailing services and automobile accessories. Revenue from after-sales services increased from approximately RMB853 million from last year by 47.2% to approximately RMB1,256 million during the year, representing approximately 9.2% of total revenue. In addition, the profitability level of our after-sales services was high, which demonstrated a rapid growth in terms of growth and earnings. During the year, the rate of growth in gross profit from after-sales services was much faster than that of new automobile sales business, which reaches a considerable level of 62.1% for the year ended 31 December 2009. After-sales business also gradually became an integral portion to the overall gross profit of the Group, with a contribution of approximately 47.2% to total gross profit for the year ended 31 December 2009.

Far-sighted Vision Determination to Build Distinguish Results

Looking ahead, we will continue to advance and are determined to consolidate our position as the leading automobile dealership group in China. In order to reach this goal, we will fully capitalize from the knowledge we have about the local market from our existing 4S dealerships, the relationships we have established with our business partners and our in-depth expertise for the industry, and to swiftly establish new 4S dealerships. Moreover, we will also identify acquisition targets with strategic potential in order to expand the scale of our 4S dealership network. As such, we will be well-positioned to capture the rapid growing opportunities arising from the passenger vehicle market in China. By further leveraging on the edge in economies of scale, we will improve our deployment of resources within the Group and exercise more effective administration. Overall profitability will be enhanced through the improvement of productivity, profitability and service quality at individual 4S dealership.

Our customer-oriented service has brought great satisfaction to our customers in our new automobile sales business. This is not only the driving force for the growth in the Group's revenue, but is also propelling the growth in our after-sales services. Through our business model of "One-stop Automobile Shop", we will apply our existing resources and strong customer base in new automobile sales to further develop our after-sales service and tap into the used automobile sales and quick repair businesses to optimize our business.

People is critical to our success. Our human resource will be enriched through enhancement in systematic training and more offers of promotion opportunities. This will enhance the productivity and service quality of our employees, and allow us to provide services of better and higher quality to our customers. It also provides a powerful support to the sustainable growth of the Group. In light of the huge potential in the passenger vehicle market of China, we will continue to capitalize from the state policies that are beneficial to our own industry and firmly grasp the development opportunities after tapping into the capital market. We will expand our scale and maintain our leading position in a cautious and prudent manner, and are determined to achieve outstanding results and create fruitful value to our shareholders.

Li Guoqiang
Vice-Chairman and Chief Executive Officer

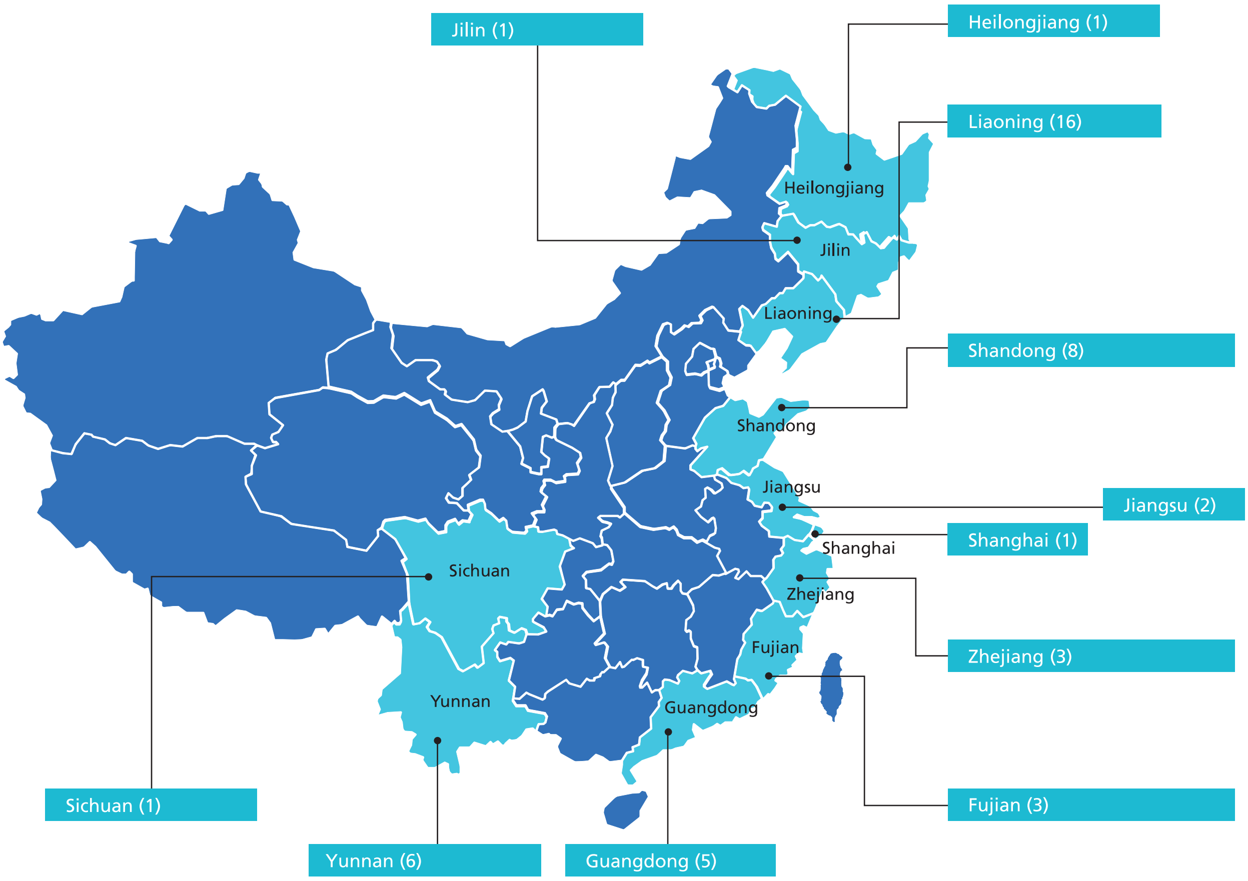
Hong Kong, 20 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Zhongsheng is a leading national automobile dealership group in China by revenue. Our 4S dealerships are concentrated in cities with relatively affluent populations in the northeastern, eastern and southern coastal regions of China, as well as certain selected inland areas. We have grown rapidly from 30 4S dealerships as of 31 December 2008 to 47 4S dealerships as of 31 December 2009.

The following map illustrates the geographic coverage of our 4S dealership network as of 31 December 2009.



Note: As at the date of this annual report, we operated 55 4S dealerships.

We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands including Toyota, Nissan, Honda and GM.

We were the first company being granted dealership rights by Toyota, and one of the first authorized dealerships for Lexus and Audi in China. We are one of the largest automobile dealership groups in China in terms of sales volume and number of 4S dealerships for Toyota and Lexus — Toyota and Lexus are our two largest automobile brands in terms of sales.

Through our "One-stop Automobile Shop" business model, we offer a comprehensive range of new automobiles and after-sales products and services in each of our 4S dealerships. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. Each of the new automobile sales business and after-sales businesses has its own features in terms of business model and revenue and profitability contributions to our Group.

Our after-sales businesses provide a wide range of services and products to our customers including repair, maintenance, detailing services and automobile accessories. Services under warranties are included in the after-sales business. The profit margins for our after-sales businesses are generally higher than our profit margins for our new automobile sales business.

For the year ended 31 December 2009, our revenue was RMB13,722.2 million, representing a growth of approximately 30.1%. For the year ended 31 December 2009, revenue generated from the sales of our mid-to-high end automobile brands accounted for approximately 69.5% of our new automobile sales revenue for same period, while revenue generated from the sales of our luxury automobile brands accounted for approximately 30.5% of our new automobile sales revenue for the same periods. The gross profit margin of our mid-to-high end brand automobiles was 4.5%, the gross profit margin of our luxury brand automobiles was 6.5%, and the gross profit margin of our after-sales businesses was 44.3% during the same periods, respectively. Revenue generated from our new automobile sales business accounted for approximately 90.8% and the revenue generated from our after-sales businesses accounted for approximately 9.2% of our revenue during the same periods. For the year ended 31 December 2009, our profit attributable to equity holders of the parent was RMB470.9 million, representing a growth of approximately 115.3% from last year.

The following table sets forth our combined income statements for the periods indicated:

	Year ended 31 December 2009 (RMB'000)	2008 (RMB'000)
Revenue	13,722,185	10,548,577
Cost of sales and services provided	(12,542,762)	(9,771,214)
Gross profit	1,179,423	777,363
Other income and gains, net	69,203	33,412
Selling and distribution costs	(346,521)	(274,317)
Administrative expenses	(161,967)	(118,861)
Profit from operations	740,138	417,597
Finance costs	(80,688)	(104,443)
Share of profits of jointly-controlled entities	7,254	4,520
Profit before tax	666,704	317,674
Tax	(173,701)	(83,265)
Profit for the year/period	493,003	234,409
Attributable to:		
Equity holders of the parent	470,881	218,702
Non-controlling interests	22,122	15,707
	493,003	234,409
Earnings per share attributable to equity holders of the parent	N/A	N/A

The following table sets out our combined statements of financial position as at the dates indicated:

	31 December	
	2009	**2008**
	(RMB'000)	(RMB'000)
Non-current assets		
Property, plant and equipment	838,379	548,779
Land use rights	422,899	256,987
Prepayments	56,271	33,273
Intangible assets	254,632	100,561
Goodwill	200,492	76,566
Interest in jointly-controlled entities	38,699	21,175
Available-for-sale investment	100	—
Held-to-maturity investments	5,283	5,291
Deferred tax assets	4,532	3,132
Total non-current assets	1,821,287	1,045,764
Current assets		
Inventories	1,024,240	1,133,415
Trade receivables	86,764	61,443
Prepayments, deposits and other receivables	1,113,186	724,823
Amounts due from related parties	556	459
Term deposits and pledged bank deposits	382,929	210,720
Cash in transit	44,542	29,690
Cash and cash equivalents	1,030,960	964,245
Total current assets	3,683,177	3,124,795

	31 December 2009 (RMB'000)	31 December 2008 (RMB'000)
Current liabilities		
Bank loans and other borrowings	1,797,149	1,157,543
Trade and bills payables	1,093,013	835,699
Other payables and accruals	277,702	273,201
Amounts due to related parties	24,236	156,774
Income tax payable	60,012	27,733
Total current liabilities	3,252,112	2,450,950
Net current assets	431,065	673,845
Total assets less current liabilities	2,252,352	1,719,609
Non-current liabilities		
Deferred tax liabilities	104,545	33,838
Net assets	2,147,807	1,685,771
Equity		
Equity attributable to equity holders of the parent		
Issued capital	—	—
Reserve	2,110,915	1,633,098
	2,110,915	1,633,098
Non-controlling interests	36,892	52,673
Total equity	2,147,807	1,685,771

Critical Accounting Policies, Judgments and Estimates

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies are important for an understanding of our financial position and results of operations. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Basis of Combination

This annual report includes our combined financial information for the year 2009. The acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition of all other subsidiaries during the year 2009 is accounted for using the purchase method of accounting.

The merger method of accounting involves incorporating the financial statement 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.

No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

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

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group transactions and balances have been eliminated on combination.

Financial Review

Revenue. Revenue for the year ended 31 December 2009 was RMB13,722.2 million, an increase of RMB3,173.6million, or 30.1% compared to the same period of 2008. This increase was primarily due to an increase of RMB2,770.9 million, or 28.6%, in new automobile sales compared to the same period of 2008. In addition, our revenue from our after-sales businesses increased by RMB402.7 million, or 47.2% compared to the same period of 2008, as a result of the expansion of our business and the growing recognition of our "Zhongsheng" brand.

Our new automobile sales business generated a substantial portion of our revenue, accounting for 90.8% of our revenue for the year ended 31 December 2009. The remaining portion of our revenue during the year was generated by our after-sales businesses. All of our revenue is derived from our operations in the PRC.

During the year ended 31 December 2009, revenue from sales of mid-to-high end brand automobiles was RMB8,679.6 million (2008: 6,386.7 million), accounting for 69.5% (2008: 65.8%) of our revenue from new automobile sales. Revenue from sales of our luxury brand automobiles was RMB3,802.5 million (2008: 3,315.3 million), accounting for 30.5% (2008: 34.2%) of our revenue from new automobile sales for the same periods.

Cost of sales and services. Cost of sales and services for the year ended 31 December 2009 was RMB12,542.8 million, an increase of RMB2,771.5 million, or 28.4% compared with the same period of 2008. The increase was attributable to the continuous expansion of our business, and was primarily due to our increased purchases of automobiles, spare parts and automobile accessories. Costs attributable to our new automobile sales business amounted to RMB11,843.4 million for the year ended 31 December 2009, an increase of RMB2,581.9 million, or 27.9%, from the same period in 2008. Costs attributable to our after-sales businesses amounted to RMB699.3 million for the year ended 31 December 2009, an increase of RMB189.6 million, or 37.2% from the same period in 2008.

Gross profit. Gross profit for the year ended 31 December 2009 was RMB1,179.4 million, an increase of RMB402.1 million, or 51.7% from the same period in 2008. Of which, the gross profit from new automobile sales business was RMB622.9 million, an increase of RMB189.0 million or 43.5% from the same period in 2008. Gross profit from after-sales services was RMB556.5 million, an increase of RMB213.1 million or 62.1% from the same period in 2008. As at 31 December 2009, the contribution to gross profit from after-sales services accounted for 47.2% of the total gross profit for the year. Our gross profit margin for the year ended 31 December 2009 was 8.6%, compared with 7.4% for the same period in 2008. Of which, the gross profit margin of new automobile sales business was 5.0% (2008: 4.5%). Gross profit margin of after-sales services was 44.3% (2008: 40.3%). The increase in gross profit margin in the year ended 31 December 2009 was primarily due to the increased market demand for automobiles, the increasing diversification in the range of after-sales business products, the increased proportion of after-sales services, as well as the increase in gross profit margin of our new automobile sales and after-sales services.

Profit from operations. Profit from operations for the year ended 31 December 2009 was RMB740.1 million, an increase of RMB322.5 million, or 77.2%, from the same period in 2008. Our operating profit margin for the year ended 31 December 2009 was 5.4%.

Profit for the year. Our profit for the year ended 31 December 2009 was RMB493.0 million, an increase of RMB258.6 million, or 110.3%, from the same period in 2008. Our profit margin for the year ended 31 December 2009 was 3.6%.

Profit attributable to equity holders of the parent. Our profit attributable to equity holders of our Company for the year ended 31 December 2009 was RMB470.9 million, an increase of RMB252.2 million, or 115.3%, from RMB218.7 million for the same period in 2008.

Liquidity and Capital Resources

Cash flow

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, to pay for our indebtedness, to fund our working capital and normal recurring expenses, and to establish new 4S dealerships and acquire additional 4S dealerships. We finance our liquidity requirements through a combination of cash flows generated from our operating activities and bank loans and other borrowings.

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

Cash flow generated from operating activities

For the year ended 31 December 2009, our net cash generated from operating activities was RMB189.3 million, consisting primarily of profit before taxation of RMB666.7 million, a decrease in inventories of RMB309.9 million and an increase in trade and bills payable of RMB42.7 million, primarily offset by an increase in prepayments, deposits and other receivables of RMB565.3 million and an increase in pledged bank deposits of RMB182.8 million.

Cash flow used in investing activities

For the year ended 31 December 2009, our net cash used in investing activities was RMB436.0 million, consisting primarily of purchases of property, plant and equipment of RMB219.0 million, purchases of land use rights of RMB108.2 million and acquisition of subsidiaries of RMB199.0 million, partially offset by collection of advances to third parties of RMB146.7 million.

Cash flow generated from financing activities

For the year ended 31 December 2009, our net cash generated from financing activities was RMB316.8 million, consisting primarily of proceeds from bank loans and other borrowings of RMB5,267.2 million, partially offset by repayment of bank loans and other borrowings of RMB4,663.6 million, repayment of advances from the Controlling Shareholders of RMB154.5 million and repayment of advances from third parties of RMB93.6 million.

Net current assets and liabilities

As at 31 December 2009, we had net current assets of RMB431.1 million, representing a decrease of RMB242.7 million from our net current assets as at 31 December 2008. The decrease in our net current assets was primarily due to the capital expenditures incurred by us in the year ended 31 December 2009.

Capital expenditure and investment

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. During the year ended 31 December 2009, our total capital expenditures were RMB323.0 million.

Inventory analysis

Our inventories primarily consisted of new automobiles, spare parts and automobile accessories. Generally, each of our 4S dealerships individually manages the quotas and orders for new automobiles and after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network. We manage our quotas and inventory levels through our information technology systems, including our ERP system.

Our inventories decreased by 9.6% from that as at 31 December 2008 to RMB1,024.2 million as at 31 December 2009, primarily due an increase in our sales increased due to the increased market demand during the year ended 31 December 2009, which facilitated a decrease in our inventory of new automobiles by RMB190.8 million, or 17.8%, to RMB880.8 million as at 31 December 2009.

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

	Years ended 31 December	
	2009	**2008**
Average inventory turnover days	31.4	34.3

Our average inventory turnover days in 2009 decreased to 31.4 days from 34.3 days in 2008, primarily due to the increased market demand during the year ended 31 December 2009.

Bank loans and other borrowings

Our bank loans and other borrowings as at 31 December 2009 were RMB1,797.1 million. Our bank loans and other borrowings increased during the year to finance our expanded operations.

Pledge of the Group's Assets

The Group had pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 31 December 2009, the pledged group assets amounted to approximately RMB0.8 billion (2008: RMB0.6 billion).

CORPORATE GOVERNANCE REPORT

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2009.

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.

Good corporate governance has always been recognized as vital to the Group's success and to sustaining development of the Group. We are committed to a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

The CG Code contained in Appendix 14 of 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 or to give considered reasons for deviation.

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.

As the Company was not yet listed on the Stock Exchange during the period under review, the CG Code was not applicable to the Company for the said period. Since the Listing Date on 26 March 2010, the Company is in compliance with the mandatory code provisions of the CG Code.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

A. The Board

1. Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

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 interests of the Company and its shareholders at all times.

2. Delegation of Management Function

The Board takes responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information, appointment of directors 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 normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

3. Board Composition

The Board of the Company comprises the following directors:

Executive Directors:	Mr. HUANG Yi *(Chairman)* Mr. LI Guoqiang *(Vice-chairman and Chief executive officer)* Mr. DU Qingshan Mr. YU Guangming
Non-executive Director:	Mr. LENG Xuesong
Independent Non-executive Directors:	Mr. SHIGENO Tomihei Mr. NG Yuk Keung Mr. SHEN Jinjun

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.

None of the members of the Board is related to one another.

Since the Listing Date, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing 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 guidelines 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 Company's 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 three months' 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 Company's 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/ herself 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/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with developments in the legal and regulatory regime and the business and market environments to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged whenever necessary.

6. Board Meetings

Number of Meetings and Directors' Attendance

Code provision A.1.1 prescribes that at least 4 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 other electronic means of communication.

Since the Company was incorporated on 23 June 2008 and the group reorganization was not completed at the year-end date, during the year under review, no meeting was held by the Board. After listed on the Stock Exchange, the Company has adopted the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally 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 is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 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 Chief Executive Officer and Chief Financial Officer 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 to take and keep 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 Company's 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 Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Chairman of the Board is Mr. Huang Yi, 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 the strategic management of the Group and for formulating the Group's overall corporate direction and focus. The Chief Executive Officer is Mr. Li Guoqiang, who is responsible for the overall management and operations of the Group. He is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

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 four committees, namely, the Remuneration Committee, Audit Committee, Nomination Committee and Compliance Committee, for overseeing particular aspects of the Company's affairs. All of these four committees of the Company are established with defined written terms of reference.

The majority of the members of the Remuneration Committee, Audit 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

The Remuneration Committee has been established with written terms of reference in compliance with paragraph B1 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two independent non-executive directors being Mr. Shigeno Tomihei and Mr. Shen Jinjun and one executive director being Mr. Li Guoqiang. The Remuneration Committee is chaired by Mr. Shigeno Tomihei, an independent non-executive director.

The primary duties of the Remuneration Committee include (but without limitation): (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) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

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

As the Remuneration Committee was established on 9 February 2010, it did not hold any meeting during the year ended 31 December 2009.

2. Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of two independent non-executive directors being Mr. Ng Yuk Keung and Mr. Shen Jinjun and one non-executive director being Mr. Leng Xuesong. The chairman of the audit committee is Mr. Ng Yuk Keung, who holds appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

The Audit Committee was established on 9 February 2010, it did not hold any meeting during the year ended 31 December 2009.

The Company's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

3. Nomination Committee

The Board has established a Nomination Committee. The current members of the Nomination Committee are Mr. Shen Jinjun, Mr. Huang Yi and Mr. Shigeno Tomihei. The nomination committee is chaired by Mr. Shen Jinjun. The primary function of the Nomination Committee is to make recommendations to our board to fill vacancies on our board.

As the Nomination Committee was established on 9 February 2010, it did not hold any meeting during the year ended 31 December 2009.

The Nomination Committee reviews the structure, size and composition of the Board regularly to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Where vacancies on the Board exist, 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, the Company's needs and other relevant statutory requirements and regulations.

4. Compliance Committee

The Board has established a Compliance Committee. The current members of the Compliance Committee are Mr. Huang Yi, Mr. Li Guoqiang and Mr. Du Qingshan. The Compliance Committee is chaired by Mr. Du Qingshan. The primary function of the Compliance Committee is to ensure compliance on regulatory matters and corporate governance.

As the Compliance Committee was established on 9 February 2010, it did not hold any meeting during the year ended 31 December 2009.

D. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

The Company's employees, who are likely to be in possession of unpublished price-sensitive information of the Company, have also subjected to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

E. Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under 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 Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Report of the Auditors" on pages 42.

During the year, the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2009 amounted to RMB4 million and Nil respectively.

G. Internal Controls

During the year, the Board has conducted a review of the effectiveness of the internal control system of the Company. The review has 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 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 provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the various Board Committees 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.zs-group.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. Shareholder Rights

To safeguard shareholder interests and rights, separate resolutions are proposed at shareholder meetings on each substantial issue, including the election of individual directors.

All resolutions put forward at a shareholder meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholder meeting.

J. Going Concern

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.

Directors and Senior Management

Directors

Our board of directors is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the board of directors of our Company:

Name	Age	Position
HUANG Yi	47	Chairman and executive director
LI Guoqiang	46	Vice-chairman, executive director and chief executive officer
DU Qingshan	47	Executive director
YU Guangming	52	Executive director
LENG Xuesong	40	Non-executive director
SHIGENO Tomihei	57	Independent non-executive director
NG Yuk Keung	45	Independent non-executive director
SHEN Jinjun	52	Independent non-executive director

Executive Directors

HUANG Yi (黃毅), aged 47, is our Chairman and executive director. Mr. Huang is one of our two founders, and has been chairman of our Group since its inception in 1998. Mr. Huang was appointed an executive director of our Board on 23 June 2008. He is responsible for the strategic management of our Group and for formulating our overall corporate direction and focus. Prior to founding our Group, Mr. Huang was a director and deputy general manager at China Resources Machinery Co., Ltd. ("China Resources Machinery"), a state-owned enterprise engaged in importing and exporting automobiles and other machinery. Mr. Huang held numerous management positions in business administration, product procurement and sales operations in China Resources Machinery during his tenure between 1984 and 1994. In 1994, Mr. Huang joined China Automobile Company Limited ("China Automobile") as a director, and was responsible for China Automobile's procurement and sales divisions. In 1996, Mr. Huang invested in, and became a shareholder of, China Automobile. China Automobile, currently known as Hokuryo Holdings Company Limited, which is presently an indirect wholly-owned subsidiary of our Group. Mr. Huang is currently a council member of the Lexus China Dealer Council, as well as a council member of the National Dealer Advisory Council of FAW Toyota Motor Sales Co., Ltd. Mr. Huang has substantial senior management experience and more than 22 years' of experience and in- depth knowledge of the PRC automobile industry. He received a bachelor's degree in Economics from Xiamen University in 1983 and was awarded the title of "Economist" by MOFCOM in 1990, a work- related qualification title usually awarded to the government officials or managerial staff in state-owned enterprises by the government in recognition of their relevant working experiences. Mr. Huang also served on a pro bono basis as a director of Pok Oi Hospital, a charitable organization providing medical and educational services in the New Territories in Hong Kong, between 1997 and 1999.

LI Guoqiang (李國強), aged 46, is the other founder of our Group, and has served as our Group's Chief Executive Officer and vice-chairman since 1998. Mr. Li was appointed an executive director of our Board on 23 June 2008. He is responsible for the overall management and operations of our Group. Mr. Li has served as deputy chairman and a member of standing committee for China Automobile Dealers Association since December 2009. In 1995, Mr. Li founded Dalian Aotong Automobile Repair & Assembly Factory ("Aotong Repair & Assembly"), a company engaged in automobile repair and maintenance services. Mr. Li served as the factory director and legal representative of Aotong Repair & Assembly, and he was responsible for its overall management and operations. From 1996 to 1998, Mr. Li served as the vice chairman of Dalian Toyota Maintenance & Service Co., Ltd. and general manager of Dalian Bonded Zone Toyota Automobile Sales Co., Ltd., and Mr. Li was responsible for the decisions of procurement and sales of automobiles as well as the management of the national distribution networks during his tenure. In 1998, Mr. Li founded Dalian Aotong Industry Co., Ltd. ("Aotong Industry"), a company engaged in distribution of automobiles. Aotong Industry is the predecessor of Zhongsheng (Dalian) Holdings Co., Ltd., which is presently an indirect wholly-owned subsidiary of our Group. Mr. Li has substantial senior management experience and more than 20 years' of experience and in-depth knowledge of the PRC automobile industry. Mr. Li also received a Distinguished Lexus Dealer award in 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

DU Qingshan (杜青山), aged 47, has served as deputy general manager of our Group since 2007. Mr. Du was appointed an executive director of our Board on 23 June 2008. He is responsible for the financial planning, strategy and management of our Group, and oversees all the accountancy and financial aspects of our Group. Prior to joining our Group in 2007, Mr. Du was appointed by State-owned Assets Supervision and Administration Commission of Dalian Municipal Government to serve as the chief financial officer of a large PRC corporation, Dalian DHI.DCW Group Co., Ltd. ("Dalian DHI.DCW") and was in charge of the general financial and accounting affairs of Dalian DHI.DCW. Mr. Du was primarily responsible for the financial operations of Dalian DHI.DCW, which contributed to his over 20 years' experience in the areas of accountancy and finance. Mr. Du received a bachelor degree in Economics from the Shanghai University of Finance and Economics in 1986 and a master's degree in Business Administration from Dongbei University of Finance and Economics in 2002.

YU Guangming (俞光明), aged 52, has served as deputy general manager of our Group since 2004. Mr. Yu was appointed an executive director of our Board on 23 June 2008. He is responsible for the strategic business development of our Group as well as selecting and training middle-to-senior level managers of 4S dealerships of our Group. Since joining our Group in 2000, Mr. Yu has held numerous management positions in several of our principal subsidiaries, including Zhongsheng (Dalian) Holdings Co., Ltd., Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd., Shanghai Guoxin Automobile Sales Co., Ltd. and Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily in charge of setting up, overseeing and improving the management teams of our subsidiaries, implementing the strategic decisions of our Group and liaising with the automakers and customers regarding business relationship building. Prior to joining our Group, Mr. Yu served as a manager of Shanghai Material Office of the PRC Ministry of Railways from 1975 to 1994, and he was primarily responsible for the management of its business operations. From 1994 to 2000, Mr. Yu served as a deputy managing director of Hong Kong Union Park Company Limited, a Hong Kong subsidiary of China Railway Materials Commercial Corporation, a large-scale PRC state-owned enterprise, and was in charge of its overall management and operations during his tenure. Mr. Yu has more than eight years' of relevant experience in the PRC automobile industry. Mr. Yu received a graduation certificate in respect of an associate degree majoring in English from Shanghai International Studies University in 1985.

Non-executive Director

LENG Xuesong (冷雪松), aged 40, was appointed as a non-executive director of our Board on 1 August 2008. Mr. Leng is a managing director at General Atlantic LLC. He is based in Hong Kong, where he focuses on General Atlantic LLC's investment opportunities in North Asia. Prior to joining General Atlantic LLC, Mr. Leng served as a managing director at Warburg Pincus, an international private equity firm from 1999 to 2007. Mr. Leng also served as non-executive director of China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1886) from July 2006 to August 2007. Mr. Leng earned his master's degree in Business Administration from the Wharton School of the University of Pennsylvania in 1999, and his Bachelor of International Industrial Trade degree from Shanghai Jiao Tong University in 1992.

Independent Non-executive Directors

SHIGENO Tomihei (茂野富平), aged 57, was appointed an independent non-executive director of our Board on 1 August 2008. Prior to joining Minebea Shanghai in 2007, Mr. Shigeno worked for Nissan Motor Co., Ltd. ("Nissan Motor") from 1976 to 2006. Mr. Shigeno was part of the team which established Nissan Motor's Beijing office, and he served as its chief representative from 1991 to 1997. He was also chief representative of Nissan Motor's China operations from 2000 to 2003, specialising in sales and marketing, and was primarily responsible for developing Nissan Motor's distribution and service networks by establishing authorized distributors and automobile dealerships across the PRC. Mr. Shigeno was assigned by Nissan Motor to assist the president of Dongfeng Commercial Vehicle Company. Mr. Shigeno has over 31 years' of experience and in-depth knowledge of the automobile industry, sales and business management. He earned his bachelor's degree in Chinese language studies from Tokyo University of Foreign Studies in 1976.

Mr. NG Yuk Keung (吳育強), aged 45, was appointed an independent non-executive director of our Board on 27 October 2009. Mr. Ng is the honorary adviser to China Huiyuan Juice Group (stock code: 1886), a company listed on the Hong Kong Stock Exchange. Mr. Ng also serves as an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司) (stock code: 0631), Xinjiang Xinxin Mining Industry Co., Ltd. (新疆新鑫礦業股份有限公司) (stock code: 3833) and Beijing Capital Land Ltd. (首創置業股份有限公司) (stock code: 2868) all of the three Companies are listed on the Hong Kong Stock Exchange. Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Electronics Group Company Limited (彩虹集團電子股份有限公司) (stock code: 0438), a company listed on the Hong Kong Stock Exchange. From 2006 to 2010, Mr Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司). Mr. Ng graduated from The University of Hong Kong with a Bachelor degree in Social Sciences in 1988 and a Master degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

SHEN Jinjun (沈進軍), aged 52, was appointed an independent non-executive director of our Board on 16 November 2009. Mr. Shen has served as deputy chairman and secretary chief for China Automobile Dealers Association since 2005. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical section of the State Administration of Supplies, and the chief of the Automobile section and Electrical, Mechanical and Metallic section of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile dealing industry and participated in formulations of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronic at the Beijing Open University in 1982.

Other Senior Management

The table below shows certain information in respect of our senior management (excluding Directors who also hold executive positions):

Name	Age	Position
WU Hailong	45	Vice-president of new automobile sales business
ZHANG Zhicheng	37	Vice-president of luxury brand automobile sales business
LIU Geng	40	Vice-president of after-sales and accessories businesses
LAI Hau Yin	42	Group Financial Controller and Company secretary

WU Hailong (吳海龍), aged 45, joined our Group at its inception in 1998 and currently serves as vice-president of our new automobile sales business. Since 1998, he has served in senior management positions for several of our principal subsidiaries, including Zhongsheng (Dalian) Holdings Co., Ltd., Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., Dalian Zhongsheng Group Automobile Accessories Co., Ltd., Dalian Zhongsheng Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd., primarily responsible for the day-to-day administration of 4S dealerships of our Group, including both sales and after-sales businesses. Mr. Wu currently oversees the sales and management of our Group's mid-to-high-end brand automobile sales business. Prior to joining our Group, Mr. Wu worked in the Dalian City representative office of Toyota Tsusho Corporation, a company listed on the Tokyo Stock Exchange (stock code: 8015) and the sole trading company of the Toyota group, between 1990 and 1996, and his work was closely related to the PRC automobile industry. Mr. Wu has over 17 years' of relevant experience and in-depth expertise in automobile sales. Mr. Wu received a bachelor's degree in Chemical Engineering and Machinery from East China Institute of Technology in 1986.

ZHANG Zhicheng (張志誠), aged 37, has served as vice-president of our Group's luxury brand automobile sales business since 2008. Mr. Zhang joined our Group in 2003, and has held numerous management positions in several of our key operating subsidiaries, including Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd., Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily responsible for implementing the strategic decisions of our Group and liaising with the automakers regarding developing our luxury brand automobile sales business. Mr. Zhang currently oversees the sales and management of our luxury brand automobile sales business. Mr. Zhang has over five years' of relevant experience and in-depth expertise in the PRC automobile industry. Mr. Zhang received a master's degree in Business Administration from Dongbei University of Finance and Economics in 2003. Mr. Zhang also received Peak Performance General Manager awards in both 2006 and 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

LIU Geng (劉耕), aged 40, joined our Group in 2000 and currently serves as vice-president of our Group's after-sales and accessories businesses. Mr. Liu held management positions in two of our principal subsidiaries before being promoted to be our vice-president in 2009. Mr. Liu served as service manger of Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd. from 2000 to 2004, and as general manager of Dalian Yingbin Zhongsheng Toyota Automobile Sales & Services Co., Ltd. from 2004 to 2008, and he served as general manger of Dalian Zhongsheng Group Automobile Accessories Co., Ltd. from 2008 to 2009. Mr. Liu joined the PRC automobile industry since 1993 and has more than 16 years' of experience and in-depth understanding of the PRC automobile industry. Mr. Liu earned a bachelor's degree in the automobile department of Harbin Institute of Technology in 1991.

Company Secretary

LAI Hau Yin (黎孝賢), aged 42, joined our Group as the group financial controller in 2008 and he was appointed our company secretary on 4 January 2010. He is responsible for the financial management, accounting, and management reporting of our Group. Mr. Lai has over 16 years' of experience in the areas of audit and accounting. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, and a certified practising accountant registered with the Australian Society of Certified Practicing Accountants. Prior to joining our Group, Mr. Lai was the group financial controller and company secretary of L.K. Technology Holdings Limited (stock code: 0558) and the project controller of Carry Wealth Holdings Limited (stock code: 0643), both of which are companies listed on the Hong Kong Stock Exchange. Mr. Lai received a bachelor's degree in Business from Deakin University of Australia in 1992, a master's degree in Business Administration from West Coast Institute of Management & Technology in Australia in 2000, and a master's degree in Business Administration from The European University of Ireland in 2001.

Report of the Directors

The Directors are pleased to present this annual report together with the audited combined financial statements of our Group for the year ended 31 December 2009 (the "Financial statements").

Corporate Reorganisation and IPO

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 23 June 2008.

Through a series of the Group Reorganization procedures, the Company became the holding company of the Group on 22 February 2010.

Details of the Group Reorganisation are set out in the Prospectus.

The Company's shares were listed on the Stock Exchange on 26 March 2010 (the" Listing Date").

Principal Activities

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 23 June 2008. Our Group's operations are conducted in the PRC through its subsidiaries in the PRC. The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale and service of motor vehicles. There were no significant changes in the nature of our Group's principal activities during the year.

We are a leading national automobile dealership group in China. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands including Toyota, Nissan, Honda and GM. Through our "One-stop Automobile Shop" business model, we offer a comprehensive range of new automobiles and after-sales products and services in each of our 4S dealerships. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services.

Results and Appropriations

The results of our Group for the year ended 31 December 2009 are set out in the Financial Statements on pages 43 to 117 of this annual report.

Final Dividends

Our Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2009.

Use of Proceeds from the Listing

The net proceeds from the Company's initial public offering have been utilised in the manner consistent with that mentioned in the Company's prospectus dated 16 March 2010 (the "Prospectus") under the section headed "Use of Proceeds".

Financial Summary

A summary of our results and of the assets and liabilities for the last four financial years, as extracted from our audited combined financial information and financial statements, is set out on page 118 of this annual report.

Property, plant and equipment

Details of movements in the property, plant and equipment of our Group during the year are set out in notes 12 to the Financial Statements.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of our Group during the year are set out in notes 26 to the Financial Statements.

Share capital

There were no movements in either the Company's authorised or issued share capital during the year.

Reserves

In the year under review, details of movements in the reserves of our Group during the year are set out in the combined statement of changes in equity.

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 approved by the Stock Exchange and as permitted under 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 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 as at 26 March 2010, being the date of listing of the Company's shares and up to the date of this annual report are:

Executive Directors

Mr. Huang Yi *(chairman)*
Mr. Li Guoqiang *(vice-chairman and chief executive officer)*
Mr. Du Qingshan
Mr. Yu Guangming

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

Mr. Shigeno Tomihei
Mr. Ng Yuk Keung
Mr. Shen Jinjun

Directors' Biographies

Details of the Directors' biographies have been set out on pages 29 to 31 of this annual report.

Directors' Service Contracts

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 three months' 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.

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. Shigeno Tomihei, Mr. Ng Yuk Keung and Mr. Shen Jinjun, 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 31 December 2009 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 31 December 2009, there were no interests or short positions in any shares or underlying shares of the Company which were required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") as the Company was not listed on the Stock Exchange on that date.

As at the date of this annual report, 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 SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Long positions in the Company's shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate percentage of shareholding (%)
Mr. Huang Yi(1)	Deemed interest, interest of controlled company	1,325,993,876 (long position)	69.48
Mr. Li Guoqiang(2)	Deemed interest, interest of controlled company	1,325,993,876 (long position)	69.48

Notes:

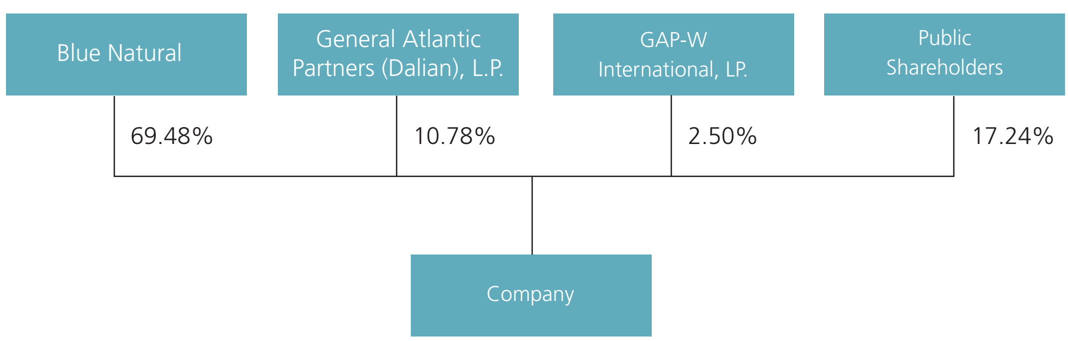
(1) Mr. Huang Yi's interest in the Shares is held through his wholly-owned investment company, Light Yield Ltd. ("Light Yield"). Light Yield owns a 62.3% equity interest in Blue Natural Development Ltd. ("Blue Natural"). Accordingly, Mr. Huang Yi and Light Yield are deemed to be interested in the entire interest in the Company held by Blue Natural.

(2) Mr. Li Guoqiang's interest in the Shares is held through his wholly-owned investment company, Vest Sun Ltd. ("Vest Sun"). Vest Sun owns a 37.7% equity interest in Blue Natural. Accordingly, Mr. Li Guoqiang and Vest Sun are deemed to be interested in the entire interest in the Company held by Blue Natural.

Save as disclosed above, as at the date of this annual report, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have 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 each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Shareholding Structure of the Group

As at the date of this annual report, the shareholding structure of the Group are as follows:



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

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

Name of Shareholder	Capacity/Nature of Interest	Total number of shares	Approximate percentage of shareholding (%)
General Atlantic Partners (Dalian), L.P.[(1)]	Beneficial owner	205,759,648	10.78
GAP (Bermuda) Limited	Deemed interest, interest of controlled company	253,403,419	13.28
Blue Natural	Beneficial owner	1,325,993,876	69.48
Light Yield[(2)]	Deemed interest, interest of controlled company	1,325,993,876	69.48
Vest Sun[(3)]	Deemed interest, interest of controlled company	1,325,993,876	69.48

Notes:

(1) The limited partners of General Atlantic Partners (Dalian), L.P. are General Atlantic Partners (Bermuda), L.P. ("GAP LP"), GapStar, LLC ("GapStar"), GAP Coinvestments III, LLC ("GAPCO III"), GAP Coinvestments IV, LLC ("GAPCO IV"), GAP Coinvestments CDA, L.P. ("GAPCO CDA") and GAPCO GmbH & Co. KG ("GAPCO KG"). The general partner of General Atlantic Partners (Dalian), L.P. is GAP (Bermuda) Limited ("GAP Bermuda Limited"). GAP Bermuda Limited is the general partner of General Atlantic GenPar (Bermuda), L.P. ("GAP Bermuda GenPar"), which is the general partner of GAP LP. GAP Bermuda GenPar is also the general partner of GAP-W International, LP., which directly owns 47,643,771 shares in the Company. General Atlantic LLC ("GA LLC") is the general partner of GAPCO CDA. There are 25 managing directors of GA LLC, including Mr. Leng Xuesong, one of the Company's Directors. The managing directors of GA LLC are the directors and executive officers of GAP Bermuda Limited. In addition, the managing members of GAPCO III and GAPCO IV are the managing directors of GA LLC and certain members of GapStar are managing directors of GA LLC. GAPCO Management GmbH ("GmbH Management") is the general partner of GAPCO KG. The Managing Directors of GA LLC make management and investment decisions relation to GAPCO KG and GmbH Management.

(2) Mr. Huang Yi's interest in the Shares is held through his wholly-owned investment company, Light Yield. Light Yield owns a 62.3% equity interest in Blue Natural. Accordingly, Mr. Huang Yi and Light Yield are deemed to be interested in the entire interest in the Company held by Blue Natural.

(3) Mr. Li Guoqiang's interest in the Shares is held through his wholly-owned investment company, Vest Sun. Vest Sun owns a 37.7% equity interest in Blue Natural. Accordingly, Mr. Li Guoqiang and Vest Sun are deemed to be interested in the entire interest in the Company held by Blue Natural.

Save as disclosed above, as at the date of this annual report, the Directors and the chief executives of the Company are not aware of any other person 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

At no time during the year ended 31 December 2009 and up to the date of this annual report, was the Company or any of its subsidiaries 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

For the year ended 31 December 2009 and up to the date of this annual report, none of the Directors and Controlling Shareholders (as defined in the Prospectus) of the Company was interested in any business which competes or is likely to compete with the businesses of our Group.

We have received an annual written confirmation from our Controlling Shareholders, including Mr. Huang Yi, and Mr. Li Guoqiang in respect of the compliance by and with the provisions of the non-competition deed entered into between the Company and our Controlling Shareholders (the "Non-competition Deed").

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed during the financial year ended 31 December 2009 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. Huang Yi, and Mr. Li Guoqiang, have duly complied with the Non-competition Deed.

Continuing Connected Transactions

During the year ended 31 December 2009 and up to the date of this annual report, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.45 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 31 December 2009 and up to the date of this annual report.

Directors' remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of our Group.

Retirement Schemes

Details of the retirement benefits plans of our Group are set out in notes 29 to the Financial Statements.

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 year and up to the date of this annual report.

Share Option Scheme

The Share Option Scheme (as defined in the Prospectus) was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years on the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon of a grant of option is HKD1.00.

The Board may, at its absolute discretion, offer any employee, management member or director of the Company, or any of our subsidiaries and third party service providers the options to subscribe for shares on the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivize them to remain with us and to give effect to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion, by providing them with the opportunity to acquire equity interests in the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the share in issue as at the date of approval of the Share Options Scheme. No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12 month period up to the date of the latest grant exceeds 1% of our issued share capital from time to time, unless the approval of our shareholders is obtained.

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the higher of: (a) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares. The Share Option Scheme does not contain any minimum period(s) for which a option must be held before it can be exercised. However, at the time of grant of the options, the Company may specify any such minimum period(s).

As at the date of this annual report, no options have been granted pursuant to the Share Option Scheme.

Major Customers and Suppliers

During the year, the percentage of the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 37% and 88%.

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, redemption or sale of listed securities of the Company

Since the shares of the Company have been listed on the Stock Exchange on 26 March 2010, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2009.

Events after the reporting period

Details of the significant events after the reporting period of our Group are set out in note 42 to the Financial Statements.

Code of Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. As the Company's shares were listed on 26 March 2010, the Company was not required to comply with the requirements under the CG Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules for the year ended 31 December 2009. Since the date of listing of the Company's shares on the Main Board of the Stock Exchange and up to the date of this annual report, the Company has complied with all the applicable code provisions set out in the CG Code save as disclosed in the Corporate Governance Report on pages 21 to 28.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of List Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complies with the required standard of dealings as set out in the Model Code throughout the period from the date of the listing of the Company's shares on the Main Board of the Stock Exchange and up to the date of this annual report.

Auditors

The Financial Statements have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming annual general meeting.

A resolution to re-appoint Ernst & Young as our external auditor will be submitted for shareholders' approval at the Company's forthcoming annual general meeting.

By order of the Board
Huang Yi
Chairman

Hong Kong, 20 April 2010

Independent Auditors' Report

To the shareholders of Zhongsheng Group Holdings Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the financial statements of Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 117, which comprise the combined and the Company's statements of financial position as at 31 December 2009, and the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These combined financial statements have been prepared in accordance with the basis of presentation set out in note 2.1 and the accounting policies set out in note 2.4 to the combined financial statements.

Directors' responsibility for the financial statements

The directors of the Company (the "Directors") are responsible for the preparation of these financial statements in accordance the basis of presentation set out in note 2.1 and the accounting policies set out in note 2.4 to the combined financial statements, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 financial statements for the year ended 31 December 2009 have been properly prepared in accordance with the basis of presentation set out in note 2.1 and the accounting policies set out in note 2.4 to the combined financial statements, and the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Center
8 Finance Street, Central
Hong Kong

20 April 2010

Combined Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5(a)	**13,722,185**	10,548,577
Cost of sales and services provided	6(b)	**(12,542,762)**	(9,771,214)
Gross profit		**1,179,423**	777,363
Other income and gains, net	5(b)	**69,203**	33,412
Selling and distribution costs		**(346,521)**	(274,317)
Administrative expenses		**(161,967)**	(118,861)
Profit from operations		**740,138**	417,597
Finance costs	7	**(80,688)**	(104,443)
Share of profits of jointly-controlled entities	17	**7,254**	4,520
Profit before tax	6	**666,704**	317,674
Tax	8	**(173,701)**	(83,265)
Profit for the year		**493,003**	234,409
Attributable to:			
Equity holders of the parent		**470,881**	218,702
Non-controlling interests		**22,122**	15,707
		493,003	234,409
Earnings per share attributable to equity holders of the parent			
Basic			
– For profit for the year	11	**N/A**	N/A
Diluted			
– For profit for the year		**N/A**	N/A

Combined Statement of Comprehensive Income

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year	**493,003**	234,409
Exchange differences on translation of foreign operations	**(3,404)**	3,727
Other comprehensive income for the year, net of tax	**(3,404)**	3,727
Total comprehensive income for the year, net of tax	**489,599**	238,136
Attributable to:		
Equity holders of the parent	**467,477**	222,429
Non-controlling interests	**22,122**	15,707
	489,599	238,136

Combined Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**838,379**	548,779
Land use rights	13	**422,899**	256,987
Prepayments	14	**56,271**	33,273
Intangible assets	15	**254,632**	100,561
Goodwill	16	**200,492**	76,566
Interest in jointly-controlled entities	17	**38,699**	21,175
Available-for-sale investment	18	**100**	—
Held-to-maturity investments	19	**5,283**	5,291
Deferred tax assets	30(b)	**4,532**	3,132
Total non-current assets		**1,821,287**	1,045,764
CURRENT ASSETS			
Inventories	20	**1,024,240**	1,133,415
Trade receivables	21	**86,764**	61,443
Prepayments, deposits and other receivables	22	**1,113,186**	724,823
Amounts due from related parties	39(b)(i)	**556**	459
Term deposits and pledged bank deposits	23	**382,929**	210,720
Cash in transit	24	**44,542**	29,690
Cash and cash equivalents	25	**1,030,960**	964,245
Total current assets		**3,683,177**	3,124,795
CURRENT LIABILITIES			
Bank loans and other borrowings	26	**1,797,149**	1,157,543
Trade and bills payables	27	**1,093,013**	835,699
Other payables and accruals	28	**277,702**	273,201
Amounts due to related parties	39(b)(ii)	**24,236**	156,774
Income tax payable	30(a)	**60,012**	27,733
Total current liabilities		**3,252,112**	2,450,950
NET CURRENT ASSETS		**431,065**	673,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,252,352**	1,719,609
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30(b)	**104,545**	33,838
NET ASSETS		**2,147,807**	1,685,771

	Notes	2009 RMB'000	2008 RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**—**	—
Reserves	32	**2,110,915**	1,633,098
		2,110,915	1,633,098
Non-controlling interests		**36,892**	52,673
Total equity		**2,147,807**	1,685,771

Combined Statement of Changes in Equity

Year ended 31 December 2009

	Share capital RMB'000	Dis-Cretionary reserve fund RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2008	—	7,195	60,717	77,275	9,582	602,720	757,489	49,162	806,651
Contribution by the Controlling Shareholder	—	—	—	746,745	—	—	746,745	—	746,745
Reverse on acquisition of non-controlling interests by the Group	—	—	—	1,697	—	—	1,697	—	1,697
Disposal of subsidiaries	—	—	—	(31,459)	—	—	(31,459)	(3,137)	(34,596)
Dividends paid to shareholders	—	—	—	—	—	(63,803)	(63,803)	(9,059)	(72,862)
Transfer from retained profits	—	4,239	35,567	—	—	(39,806)	—	—	—
Comprehensive income for the year	—	—	—	—	3,727	218,702	222,429	15,707	238,136
At 31 December 2008	—	11,434	96,284	794,258	13,309	717,813	1,633,098	52,673	1,685,771
At 1 January 2009	**—**	**11,434**	**96,284**	**794,258**	**13,309**	**717,813**	**1,633,098**	**52,673**	**1,685,771**
Contribution by the Controlling Shareholder	**—**	**—**	**—**	**41,675**	**—**	**—**	**41,675**	**—**	**41,675**
Acquisition of non-controlling interests by the Group	**—**	**—**	**—**	**(31,335)**	**—**	**—**	**(31,335)**	**(37,904)**	**(69,239)**
Disposal of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
Transfer from retained profits	**—**	**7,278**	**38,920**	**—**	**—**	**(46,198)**	**—**	**—**	**—**
Comprehensive income for the year	**—**	**—**	**—**	**—**	**(3,404)**	**470,881**	**467,477**	**22,122**	**489,599**
At 31 December 2009	**—**	**18,712**	**135,204**	**804,598**	**9,905**	**1,142,496**	**2,110,915**	**36,892**	**2,147,807**

* These reserve accounts comprise the combined reserves of RMB2,110,915,000 (2008: RMB1,633,098,000) in the combined statement of financial position.

Combined Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before tax		**666,704**	317,674
Adjustments for:			
Share of profits of jointly-controlled entities		**(7,254)**	(4,520)
Depreciation and impairment of property, plant and equipment	12	**67,765**	50,854
Amortisation of land use rights	13	**7,036**	4,094
Amortisation of intangible assets	15	**13,352**	5,914
Provision for impairment of trade receivables and other receivables	6(c)	**7**	4,267
Interest income	5(b)	**(10,100)**	(8,795)
Net gain on disposal of property, plant and equipment	5(b)	**(3,933)**	(625)
Finance costs	7	**80,688**	104,443
Loss on disposal of subsidiaries	5(b)	**—**	1,557
Excess over the cost of a business combination recognised in the income statement	5(b)	**—**	(103)
		814,265	474,760
(Increase)/decrease in pledged bank deposits		**(182,792)**	40,636
Increase in cash in transit		**(14,852)**	(87)
Decrease/(increase) in trade receivables		**6,323**	(6,430)
(Increase)/decrease in prepayments, deposits and other receivables		**(565,291)**	181,650
Decrease/(increase) in inventories		**309,909**	(407,690)
Decrease/(increase) in trade and bills payables		**(42,740)**	178,759
Decrease in other payables and accruals		**(37,770)**	(37,997)
Increase in amounts due from related parties — trade related		**(97)**	(449)
Increase/(decrease) in amounts due to related parties — trade related		**21,981**	(92)
Cash generated from operations		**308,936**	423,060
Tax paid		**(119,619)**	(95,175)
Net cash generated from/(used in) operating activities		**189,317**	327,885

	Notes	2009 RMB'000	2008 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(218,993)**	(137,001)
Proceeds from disposal of property, plant and equipment		**27,088**	7,688
Purchase of land use rights		**(108,241)**	(75,670)
Purchase of intangible assets		**(4,645)**	(7,496)
Decrease in term deposits		**10,583**	9,081
Purchase of available-for-sale investment		**(100)**	—
Purchase of shareholding in a jointly-controlled entity		**(10,270)**	—
Advances to third parties		**—**	(159,742)
Collection of advances to third parties		**146,735**	—
Acquisition of equity interests by the Group from the Controlling Shareholder		**(53,346)**	(10,700)
Acquisition of non-controlling interests		**(49,239)**	—
Acquisition of subsidiaries		**(199,008)**	(121,473)
Disposal of subsidiaries		**13,369**	(59,170)
Interest received		**10,100**	8,795
Net cash used in investing activities		**(435,967)**	(545,688)
Financing activities			
Proceeds from bank loans and other borrowings		**5,267,187**	4,493,293
Repayment of bank loans and other borrowings		**(4,663,576)**	(4,383,880)
Contributions from the Controlling Shareholder		**41,675**	746,745
Advances from third parties		**(93,576)**	93,576
Advances from non-controlling shareholders		**254**	458
Repayment of advances from non-controlling shareholders		**—**	(2,473)
Repayment of advances from the Controlling Shareholder		**(154,519)**	(10,297)
Interest paid		**(80,688)**	(104,443)
Net cash generated from financing activities		**316,757**	832,979
Net increase in cash and cash equivalents		**70,107**	615,176
Cash and cash equivalents at the beginning of each year		**964,245**	344,997
Effect of foreign exchange rate changes, net		**(3,392)**	4,072
Cash and cash equivalents at the end of each year		**1,030,960**	964,245

Statement of Financial Position

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CURRENT ASSETS			
Prepayments, deposits and other receivables		**8,719**	4,142
Cash and cash equivalents		**16**	16
Total assets		**8,735**	4,158
CURRENT LIABILITIES			
Amounts due to subsidiaries	39	**8,859**	4,242
Total liabilities		**8,859**	4,242
NET LIABILITIES		**(124)**	(84)
EQUITY			
Share capital	31	**—**	—
Accumulated losses		**(124)**	(84)
Total equity		**(124)**	(84)

Huang Yi
Director

Li Guoqiang
Director

1. Corporate Information

The Company was incorporated on 23 June 2008 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Particulars of the companies now comprising the Group are set out in Note 41. The Company has established a principal place of business which is located at Rooms 3504–12, 35/F, Sun Hung Kai Centre, 30 Harbour Road, Wai Chai, Hong Kong.

During the year, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Blue Natural Development Ltd., which was incorporated in the British Virgin Islands ("BVI").

2.1 Basis of Presentation

The combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for those disclosed in the following paragraphs. They have been prepared under the historical cost convention. These combined financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History and Reorganisation" in the Prospectus dated 16 March 2010 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 22 February 2010. The shares of the Company were listed on the Stock Exchange on 26 March 2010.

As the Reorganisation took place on 22 February 2010, the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ending 31 December 2010, as financial statements should not incorporate a combination which occurs after the reporting date. Nevertheless, for the benefit of the shareholders, the combined financial statements of the Group for the current year and the related notes thereto have been presented in these financial statements on the principle of merger accounting such that the Company was treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of its acquisition of the subsidiaries on 22 February 2010.

The combined financial statements have been prepared based on the principle of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA, as if the Reorganisation had been completed as at the beginning of the year ended 31 December 2008 because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, except for the subsidiaries acquired during the year, which were accounted for using the purchase method of accounting.

2.1 Basis of Presentation (continued)

Basis of combination

The combined financial statements incorporate the financial statements of the Company and its subsidiaries for the years ended 31 December 2008 and 2009. As explained above, the acquisition of subsidiaries under common control has been accounted for using merger accounting. The acquisition of all other subsidiaries during the Year was accounted for using the purchase method of accounting.

The merger method of accounting involves incorporating the financial statement 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.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The combined income statement 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 common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group transactions and balances have been eliminated on combination.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the companies now comprising the Group. Any excess of the Group's interest in the book value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of non-controlling interests (previously referred to as negative goodwill), after reassessment, is recognized immediately in the merger reserve.

2.2 Changes in Accounting Policy and Disclosures

For the purpose of these combined financial statements, the Group has adopted at the beginning of the financial years presented, all the HKFRSs that have been issued and effective for the financial years presented.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopter*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 *included in Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	Leases — *Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), the other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its jointly-controlled entities is included in the combined income statements and combined reserves, respectively.

2.4 Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the combined statements of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the combined statements of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its impairment test of goodwill at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the combined income statements in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the combined income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives of property, plant and equipment are as follows:

Buildings	10-20 years
Leasehold improvements	5 years
Plant and machinery	5-10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or pending installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Dealership agreements	20 years
Software	3-5 years
Customer relationships	15 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the combined income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the combined income statements on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such right is recorded as land use rights, which are amortised over the lease terms of 35 to 50 years using the straight-line method.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables held-to-maturity investments and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, held-to-maturity investments and available-for-sale financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate, The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its the rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with initial terms of three months or less, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statements over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered.

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statements as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to the combined income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the combined statement of cash flow, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses were RMB4,208,000 (2008: RMB3,084,000) as at 31 December 2009. More details are given in Note 30.

Estimation uncertainty

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, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were RMB200,492,000 (2008: RMB76,566,000) as at 31 December 2009. More details are given in Note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Operating Segment Information

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since over 90% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Year, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

5. Revenue, Other Income and Gains, Net

(a) Revenue:

	2009 RMB'000	2008 RMB'000
Revenue from the sale of motor vehicles	**12,466,358**	9,695,464
Others	**1,255,827**	853,113
	13,722,185	10,548,577

(b) Other income and gains, net:

	2009 RMB'000	2008 RMB'000
Commission income	**46,535**	18,012
Advertisement support received from motor vehicle manufacturers	**3,120**	2,409
Rental income	**2,682**	1,441
Government grants	**141**	2,136
Interest income	**10,100**	8,795
Net gain on disposal of property, plant and equipment	**3,933**	625
Excess over the cost of a business combination recognised in the income statement	**—**	103
Loss on disposal of subsidiaries	**—**	(1,557)
Others	**2,692**	1,448
	69,203	33,412

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
(a) Employee benefit expense (including directors' remuneration (note 9))		
Wages and salaries	**142,415**	102,062
Pension scheme contributions	**24,816**	16,629
Other welfare	**13,027**	8,348
	180,258	127,039

	2009 RMB'000	2008 RMB'000
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**11,843,413**	9,261,487
Others	**699,349**	509,727
	12,542,762	9,771,214

	2009 RMB'000	2008 RMB'000
(c) Other items		
Depreciation and impairments of property, plant and equipment	**67,765**	50,854
Amortisation of land use rights	**7,036**	4,094
Amortisation of intangible assets	**13,352**	5,914
Auditors' remuneration	**4,000**	–
Lease expenses	**20,184**	9,568
Advertisement expenses	**37,202**	24,617
Office expenses	**30,822**	24,136
Logistics expenses	**9,664**	13,187
Business promotion expenses	**26,723**	20,229
Provision for impairment of trade receivables and other receivables	**7**	4,267
Net gain on disposal of property, plant and equipment	**(3,933)**	(625)

7. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest expense on bank borrowings wholly repayable within five years	**76,877**	91,275
Interest expense on other borrowings	**3,811**	13,168
	80,688	104,443

8. Tax

(a) Tax in the combined income statements represents:

	2009 RMB'000	2008 RMB'000
Current Mainland China corporate income tax	**151,898**	72,501
Deferred tax (Note 30(b))	**21,803**	10,764
	173,701	83,265

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the BVI are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Subsidiaries incorporated in Hong Kong were subject to an income tax at the rates of 16.5% during the year (2008: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which have been effective since 1 January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

8. Tax (continued)

(a) (continued)

Pursuant to the new CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from the withholding tax.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2009	2008
	RMB'000	RMB'000
Profit before tax	**666,704**	317,674
Tax at applicable tax rate (25%)	**166,676**	79,418
Tax effect of non-deductible expenses	**2,634**	2,455
Profits attributable to jointly-controlled Entities	**(1,814)**	(1,130)
Effect of tax concessions obtained	**(17,521)**	(9,135)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries of Mainland China	**23,726**	11,657
Tax charge	**173,701**	83,265

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2009				
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors					
- Mr. Li Guoqiang	—	2,530	—	48	2,578
- Mr. Huang Yi	—	2,289	—	11	2,300
- Mr. Yu Guangming	—	120	—	46	166
- Mr. Du Qingshan	—	326	—	35	361
	—	5,265	—	140	5,405

	Year ended 31 December 2008				
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors					
- Mr. Li Guoqiang	—	2,202	—	30	2,232
- Mr. Huang Yi	—	1,955	—	11	1,966
- Mr. Yu Guangming	—	60	—	12	72
- Mr. Du Qingshan	—	287	—	24	311
	—	4,504	—	77	4,581

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No emoluments were paid to the non-executive directors and independent non-executive directors of the Company during the year.

10. Five Highest Paid Individuals

The five highest paid employees during the year included two (2008: two) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining three (2008: three) non-director, highest paid employees for the year are as follows:

	2009 RMB'000	2008 RMB'000
Salaries, bonuses, allowances and benefits in kind	**1,412**	700
Pension scheme contributions	**81**	72
	1,493	772

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
Nil to RMB1,000,000	**3**	3

11. Earnings Per Share

No earnings per share information is presented as its inclusion is not considered meaningful due to the preparation of the results for the Year on a combined basis as disclosed in Note 2.1 above.

12. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2009	477,393	10,193	56,084	46,185	95,436	24,606	709,897
Exchange realignment	—	(1)	—	—	(3)	—	(4)
Additions	18,170	2,080	16,155	17,118	41,356	124,114	218,993
Acquisition of subsidiaries (Note 33)	124,070	5,574	20,768	11,542	23,557	14,759	200,270
Transfer	46,977	—	—	280	—	(47,257)	—
Disposals	(1,325)	(1,033)	(2,605)	(1,265)	(32,212)	—	(38,440)
At 31 December 2009	665,285	16,813	90,402	73,860	128,134	116,222	1,090,716
Accumulated depreciation and impairment:							
At 1 January 2009	77,385	3,876	23,176	19,248	37,433	—	161,118
Exchange realignment	—	—	—	(1)	—	(1)	—
Depreciation and impairment provided during the year	29,145	4,177	6,048	11,481	16,914	—	67,765
Acquisition of subsidiaries (Note 33)	15,046	1,063	8,597	5,446	8,588	—	38,740
Disposals	(27)	(970)	(2,318)	(306)	(11,664)	—	(15,285)
At 31 December 2009	121,549	8,146	35,503	35,869	51,270	—	252,337
Net book value:							
At 31 December 2009	543,736	8,667	54,899	37,991	76,864	116,222	838,379
Cost:							
At 1 January 2008	407,565	4,547	46,984	35,625	79,962	4,335	579,018
Exchange realignment	—	(12)	—	(8)	—	—	(20)
Additions	23,774	5,658	4,665	8,678	29,061	63,732	135,568
Acquisition of subsidiaries	13,694	—	1,615	747	721	—	16,777
Transfer	36,207	—	3,756	3,498	—	(43,461)	—
Disposals	—	—	(936)	(1,465)	(10,299)	—	(12,700)
Disposal of subsidiaries	(3,847)	—	—	(890)	(4,009)	—	(8,746)
At 31 December 2008	477,393	10,193	56,084	46,185	95,436	24,606	709,897
Accumulated depreciation and impairment:							
At 1 January 2008	55,458	2,103	18,536	14,052	28,407	—	118,556
Exchange realignment	—	(8)	—	(6)	—	—	(14)
Depreciation and impairment provided during the year	21,927	1,781	4,903	6,617	15,626	—	50,854
Acquisition of subsidiaries	350	—	365	262	118	—	1,095
Written back on disposals	—	—	(628)	(1,188)	(3,822)	—	(5,638)
Disposal of subsidiaries	(350)	—	—	(489)	(2,896)	—	(3,735)
At 31 December 2008	77,385	3,876	23,176	19,248	37,433	—	161,118
Net book value:							
At 31 December 2008	400,008	6,317	32,908	26,937	58,003	24,606	548,779

As at 31 December 2009, the application of the property ownership certificates of certain buildings with a net book value of approximately RMB231,844,000 was still in progress.

As at 31 December 2009, certain of the Group's buildings with an aggregate net book value of approximately RMB79,610,000 (2008: RMB78,978,000) were pledged as security for the Group's bank borrowings (Note 26(a)).

13. Land Use Rights

	2009 RMB'000	2008 RMB'000
Cost:		
At the beginning of the year	**272,634**	203,263
Additions	**104,007**	69,371
Acquisition of subsidiaries (Note 33)	**70,938**	—
At the end of the year	**447,579**	272,634
Amortisation:		
At the beginning of the year	**15,647**	11,553
Charge for the year	**7,036**	4,094
Acquisition of subsidiaries (Note 33)	**1,997**	—
At the end of the year	**24,680**	15,647
Net book value:		
At the end of the year	**422,899**	256,987

The lease prepayments of the Group represent cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 28 to 46 years.

As at 31 December 2009, certain of the Group's land use rights with an aggregate net book value of approximately RMB41,655,000 (2008: RMB38,529,000) were pledged as security for the Group's bank borrowings (Note 26(a)).

As at 31 December 2009, the Group was yet to obtain the legal title of certain land use rights in Mainland China subject to certain administrative procedures to be completed by the Group and the local government authorities. The net book value of these land use rights as at 31 December 2009 amounted to RMB219,748,000.

14. Prepayments

	2009 RMB'000	2008 RMB'000
Prepaid lease for land	**2,952**	1,601
Prepaid lease for buildings	**13,119**	13,972
Prepayments for potential acquisition	**40,200**	17,700
	56,271	33,273

15. Intangible Assets

	Software RMB'000	Dealership agreements RMB'000	Customer relationships RMB'000	Total RMB'000
Cost:				
At 1 January 2009	9,756	80,323	19,282	109,361
Exchange realignment	(1)	—	—	(1)
Additions	4,645	—	—	4,645
Acquisition of subsidiaries (Note 33)	535	136,272	27,899	164,706
At 31 December 2009	14,935	216,595	47,181	278,711
Accumulated amortisation:				
At 1 January 2009	1,550	5,475	1,775	8,800
Amortisation provided during the year	2,217	8,718	2,417	13,352
Acquisition of subsidiaries (Note 33)	294	1,633	—	1,927
At 31 December 2009	4,061	15,826	4,192	24,079
Net book value:				
At 31 December 2009	10,874	200,769	42,989	254,632
Cost:				
At 1 January 2008	2,250	69,753	18,542	90,545
Exchange realignment	(27)	—	—	(27)
Additions	7,496	—	—	7,496
Acquisition of subsidiaries	81	10,570	740	11,391
Disposals	(3)	—	—	(3)
Disposal of subsidiaries	(41)	—	—	(41)
At 31 December 2008	9,756	80,323	19,282	109,361
Accumulated amortisation:				
At 1 January 2008	779	1,630	519	2,928
Exchange realignment	(16)	—	—	(16)
Amortisation provided during the year	813	3,845	1,256	5,914
Acquisition of subsidiaries	14	—	—	14
Disposals	(1)	—	—	(1)
Disposal of subsidiaries	(39)	—	—	(39)
At 31 December 2008	1,550	5,475	1,775	8,800
Net book value:				
At 31 December 2008	8,206	74,848	17,507	100,561

The Group's principal identifiable intangible assets represent dealership agreements in Mainland China with various vehicle manufacturers and customer relationships acquired from third parties. The dealership agreements do not include a specified contract period or termination arrangement. The customer relationships and dealership agreements are amortised over 15 years and 20 years, respectively, which are management's best estimation of their useful lives.

16. Goodwill

	2009 RMB'000	2008 RMB'000
At the beginning of the year	**76,566**	65,501
Acquisition of subsidiaries (Note 33)	**123,926**	11,065
At the end of the year	**200,492**	76,566

Impairment testing of goodwill

The goodwill comprises the fair value of expected business synergies arising from the acquisition, which is not separately recognised.

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. No growth has been projected beyond the five years. The discount rate applied to the cash flow projections beyond the one-year period is 17%.

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

Sale and service of motor vehicles revenue — the bases used to determine the future earnings of sale and service of motor vehicles are the historical sales and the average growth rate of similar 4S stores of the Group over the last two years.

Operating expenses — the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumption reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

17. Interests in Jointly-controlled Entities

	2009 RMB'000	2008 RMB'000
Share of net assets	**38,699**	21,175

廈門中升豐田汽車銷售服務有限公司 (Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd. "Xiamen Zhongsheng") and 中升泰克提汽車服務（大連）有限公司 (Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd. "Zhongsheng Tacti") are jointly-controlled entities of the Group and are considered to be related parties of the Group.

17. Interests in Jointly-controlled Entities (continued)

(a) Particulars of jointly-controlled entities

Jointly-controlled entity	Place and date of incorporation/ registration	Authorised registered/paid-in/ issued capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Xiamen Zhongsheng	Xiamen, the PRC, 2002	RMB6,000,000	50%	50%	50%	Sale and service of motor vehicles
Zhongsheng Tacti	Dalian, the PRC, 2009	RMB10,270,000	50%	50%	50%	Service of motor vehicles

(b) The following table illustrates the summarised financial statements of the Group's jointly-controlled entities shared by the Group:

	2009 RMB'000	2008 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**2,880**	1,827
Current assets	**63,730**	40,168
Current liabilities	**(27,911)**	(20,820)
Net assets	**38,699**	21,175

Share of the jointly-controlled entities' results:

	2009 RMB'000	2008 RMB'000
Income	**221,594**	204,744
Expenses	**(212,372)**	(199,578)
Tax	**(1,968)**	(646)
Profit for the year	**7,254**	4,520

18. Available-for-sale Investment

The available-for-sale investment is equity investment in Dalian Mingshi Cheyuan Exhibiting Co., Ltd. (an unlisted company with registered capital of RMB510,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the Directors, the fair value estimate can not be measured reliably.

19. Held-to-maturity Investments

	2009 RMB'000	2008 RMB'000
Corporate bonds	**5,283**	5,291

The held-to-maturity investments are all unlisted bonds, with fixed payments amounting to Hong Kong dollars ("HK$") 6,000,000 and a fixed maturity of five years. The bonds earn interest at a rate of 5% per annum for the first three years and of 5.75% per annum for the last two years.

20. Inventories

	2009 RMB'000	2008 RMB'000
Motor vehicles	**880,753**	1,071,533
Spare parts	**128,294**	60,014
Others	**15,193**	1,868
	1,024,240	1,133,415

As at 31 December 2009, certain of the Group's inventories with a carrying amount of approximately RMB76,735,000 (2008: RMB30,265,000) were pledged as security for the Group's bank loans and other borrowings (Note 26(a)).

As at 31 December 2009, certain of the Group's inventories with a carrying amount of approximately RMB221,427,000 (2008: RMB231,669,000) were pledged as security for the Group's bills payable.

21. Trade Receivables

	2009 RMB'000	2008 RMB'000
Trade receivables	**87,054**	61,933
Impairment	**(290)**	(490)
	86,764	61,443

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period (based on the invoice date) is as follows:

	2009 RMB'000	2008 RMB'000
Within 3 months	**76,885**	54,112
More than 3 months but less than 1 year	**9,692**	6,692
Over 1 year	**187**	639
	86,764	61,443

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**86,577**	60,804
Over one year past due	**187**	639
	86,764	61,443

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

21. Trade Receivables (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in provision for impairment of trade receivables are as follows:

	2009 RMB'000	2008 RMB'000
At the beginning of the year	**490**	2,567
Impairment losses recognised	**37**	95
Acquisition of subsidiaries	**138**	—
Disposal of subsidiaries	**—**	(1,800)
Amounts written off as uncollectible	**(338)**	(345)
Impairment losses reversed	**(37)**	(27)
At the end of the year	**290**	490

22. Prepayments, Deposits and Other Receivables

	2009 RMB'000	2008 RMB'000
Prepayments and deposits to suppliers	**907,339**	325,998
Deposits paid for acquisition of land use rights	**51,580**	41,245
Advances to certain companies to be acquired	**—**	215,335
Rebate receivables	**73,266**	45,475
VAT recoverable (i)	**17,972**	45,702
Receivables on disposal of subsidiaries	**14,817**	28,186
Prepayment related to the listing of the Company's shares	**8,719**	4,247
Others	**39,493**	18,635
	1,113,186	724,823

22. Prepayments, Deposits and Other Receivables (continued)

Note:

(i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rate for domestic sales of the Group is 17%.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

	2009 RMB'000	2008 RMB'000
Prepayments, deposits, and other receivables	**1,113,657**	724,974
Impairment	**(471)**	(151)
	1,113,186	724,823

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2009 RMB'000	2008 RMB'000
At the beginning of the year	**151**	16
Impairment losses recognised	**7**	4,215
Acquisition of subsidiaries	**313**	—
Amounts written off as uncollectible	**—**	(4,064)
Impairment losses reversed	**—**	(16)
At the end of the year	**471**	151

23. Term Deposits and Pledged Bank Deposits

	2009 RMB'000	2008 RMB'000
Term deposits	**—**	10,583
Deposits pledged with banks as collateral against credit facilities granted by the banks	**382,929**	200,137
	382,929	210,720

23. Term Deposits and Pledged Bank Deposits (continued)

Term deposits and pledged bank deposits earn interest at interest rates stipulated by respective finance institutions. Included in term deposits and pledged bank deposits at the end of the reporting period are the following amounts denominated in a currency other than the RMB:

	2009 RMB'000	2008 RMB'000
HK$	12,327	10,583

24. Cash in Transit

	2009 RMB'000	2008 RMB'000
Cash in transit	44,542	29,690

Cash in transit represents the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

25. Cash and Cash Equivalents

	2009 RMB'000	2008 RMB'000
Cash and bank balances	828,980	661,063
Short term deposits	201,980	303,182
Cash and cash equivalents	1,030,960	964,245

As at 31 December 2009, the cash and bank balances and short term deposits of the Group denominated in a currency other than RMB amounted to RMB56,287,000 (2008: RMB22,481,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and short term deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. Bank Loans and Other Borrowings

	2009 Effective interest rate (%)	2009 RMB'000	2008 Effective interest rate (%)	2008 RMB'000
Current bank borrowings	**4–7**	**1,597,699**	5–9	954,750
Other borrowings	**5–7**	**199,450**	6–7	202,793
		1,797,149		1,157,543

Current bank borrowings and other borrowings representing:

	Notes	2009 RMB'000	2008 RMB'000
– secured	(a)	**117,076**	52,000
– entrusted		**30,000**	20,000
– guaranteed	(b)	**448,500**	403,000
– unsecured		**1,201,573**	682,543
		1,797,149	1,157,543

The maturity of bank loans and other borrowings at the end of the reporting period were less than one year.

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB41,655,000 (2008: RMB38,529,000) as at 31 December 2009;

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB79,610,000 (2008: RMB78,978,000) as at 31 December 2009; and

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB76,735,000 (2008: RMB30,265,000) as at 31 December 2009, respectively.

(b) Certain of the Group's bank loans which amounted to RMB382,500,000 (2008: RMB343,000,000) were guaranteed by the Controlling Shareholder as at 31 December 2009. The other borrowings which amounted to RMB66,000,000 (2008: RMB60,000,000) were guaranteed by a third party as at 31 December 2009.

27. Trade and Bills Payables

	2009 RMB'000	2008 RMB'000
Trade payables	**111,976**	58,112
Bills payable	**981,037**	777,587
Trade and bills payables	**1,093,013**	835,699

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009 RMB'000	2008 RMB'000
Within 3 months	**1,080,587**	834,226
3 to 6 months	**11,383**	265
6 to 12 months	**648**	29
Over 12 months	**395**	1,179
	1,093,013	835,699

The trade and bills payables are non-interest-bearing.

28. Other Payables and Accruals

	2009 RMB'000	2008 RMB'000
Payables for purchase of property, plant and equipment and land use rights	**27,088**	33,189
Advances and deposits from distributors	**14,032**	13,028
Advances from non-controlling shareholders	**1,000**	1,254
Advances from third parties	**—**	93,576
Advances from customers	**148,134**	94,899
Payables for purchase of equity interests from third parties	**35,283**	—
Staff payroll and welfare payables	**19,282**	13,853
Others	**32,883**	23,402
	277,702	273,201

29. Employee Retirement Benefits

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), the Company has participated in an MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to its Hong Kong employees. Contributions to the MPF scheme are made in accordance with the statutory limits prescribed by the MPF Ordinance.

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% (2008: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China Subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China Subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 10% (2008: 7% to 10%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2009, the Group had no significant obligation apart from the contributions as stated above.

30. Income Tax Payable and Deferred Tax

(a) The movements in income tax payable during the years are as follows:

	2009 RMB'000	2008 RMB'000
At the beginning of the year	**27,733**	50,407
Provision for current tax for the year	**151,898**	72,501
Current tax paid	**(119,619)**	(95,175)
At the end of the year	**60,012**	27,733

30. Income Tax Payable and Deferred Tax (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the combined statements of financial position and the movements during the years are as follows:

Deferred Tax Assets:

	Losses available for offset against future taxable profits	**Others**	**Total**
	RMB'000	RMB'000	RMB'000
At 1January 2009	**3,084**	**48**	**3,132**
Deferred tax arising from acquisition of subsidiaries (Note 33)	**2,432**	**—**	**2,432**
Deferred tax recognised in the combined income statement during the year (Note 8(a))	**(1,308)**	**276**	**(1,032)**
At 31 December 2009	**4,208**	**324**	**4,532**
At 1 January 2008	3,379	137	3,516
Deferred tax recognised in the combined income statement during the year (Note 8(a))	(295)	(89)	(384)
At 31 December 2008	3,084	48	3,132

30. Income Tax Payable and Deferred Tax (continued)

(b) Deferred tax assets and liabilities recognised (continued):

Deferred Tax Liabilities:

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2009	**22,181**	**11,657**	**33,838**
Deferred tax arising from acquisition of subsidiaries (Note 33)	**49,936**	**—**	**49,936**
Deferred tax recognised in the combined income statement during the year (Note 8(a))	**(2,955)**	**23,726**	**20,771**
At 31 December 2009	**69,162**	**35,383**	**104,545**
At 1 January 2008	20,507	—	20,507
Deferred tax arising from acquisition of subsidiaries	2,951	—	2,951
Deferred tax recognised in the combined income statement during the year (Note 8(a))	(1,277)	11,657	10,380
At 31 December 2008	22,181	11,657	33,838

31. Issued Capital

Shares	2009 HK$	2008 HK$
Authorised:		
1,000,000,000 shares of HK$0.10 each	**100,000,000**	100,000,000
Issued and fully paid		
100 shares of HK$0.10 each	**10**	10

32. Reserves

(i) Discretionary reserve fund

Pursuant to the articles of association of certain subsidiaries of the Group incorporated in the PRC, these subsidiaries are required to transfer part of their profits after taxation to the discretionary reserve. The amounts allocated to this reserve are determined by the respective boards of directors.

For the PRC subsidiaries, in accordance with the Company Law of the People's Republic of China (revised), the discretionary reserve fund can be used to offset previous years' losses, if any, and may be converted into capital in proportion to the equity shareholders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 41 to the combined financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(iii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the Year represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, and the acquisition of non-controlling interests in the respective companies by the equity holders of the subsidiaries, which were combined from the effective date of acquisition. The deductions during the Year represent the excess of the consideration over the carrying amount of the non-controlling interests acquired and the distribution of the paid-up capital of certain companies to equity holders of the Company.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4.

33. Business Combination – Acquisition of Subsidiaries

(a) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% equity interests in the following companies engaged in the motor vehicle sales and service business in Mainland China from one third party vendor on 1 January 2009 at a total consideration of RMB125,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB85,794,600 paid before 1 January 2009 and the remaining RMB39,205,400 paid during year 2009:

大連裕增實業有限公司	(Dalian Yuzeng Industrial Co., Ltd.)
大連裕德豐田汽車銷售服務有限公司	(Dalian Yude Toyota Automobile Sales & Services Co., Ltd.)
大連裕迪豐田汽車銷售服務有限公司	(Dalian Yudi Toyota Automobile Sales & Services Co., Ltd.)
營口華盛汽車銷售服務有限公司	(Yingkou Huasheng Automobile Sales & Services Co., Ltd.)
諸暨裕豐豐田汽車銷售服務有限公司	(Zhuji Yufeng Toyota Automobile Sales & Services Co., Ltd.)

33. Business Combination – Acquisition of Subsidiaries (continued)

(a) (continued)

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Pre-acquisition carrying amount RMB'000	Recognised fair values on acquisition RMB'000
Property, plant and equipment	12	26,532	29,685
Land use rights	13	9,035	15,466
Intangible assets	15	2,697	71,282
Inventories		68,497	68,497
Trade receivables		4,541	4,541
Prepayments, deposits and other receivables		139,413	139,413
Cash and cash equivalents		44,430	44,430
Trade and bills payables		(60,243)	(60,243)
Other payables and accruals		(189,532)	(189,532)
Deferred tax liabilities	30(b)	—	(19,543)
Pension		(206)	(206)
Bank loans and other borrowings		(1,000)	(1,000)
Income tax payable		(22)	(22)
Net identifiable assets and liabilities		44,142	102,768
Goodwill on acquisition	16		22,232
Total purchase consideration			125,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

Satisfied by cash	(39,205)
Cash acquired	44,430
Net cash inflow	5,225

Since the acquisition, the subsidiaries contributed RMB725,532,000 to the Group's revenue and RMB18,598,000 to the combined profits for year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of these companies from the vendor, it is impracticable to disclose the pre-acquisition revenue and profits of these companies.

33. Business Combination – Acquisition of Subsidiaries (continued)

(b) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% equity interests in the following companies engaged in the motor vehicle sales and service business in Mainland China from two third party vendors on 26 March 2009 at a total consideration of RMB88,971,000. The purchase consideration for the acquisition was in the form of cash, with RMB8,000,000 paid before the acquisition date and the remaining RMB80,971,000 paid during year 2009.

煙台中升汽車銷售服務有限公司	(Yantai Zhongsheng Automobile Sales & Services Co., Ltd.)
煙台中升匯迪汽車銷售服務有限公司	(Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)
煙台中升上通汽車銷售服務有限公司	(Yantai Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)
煙台中昇華美汽車銷售服務有限公司	(Yantai Zhongsheng Huameig Automobile Sales & Services Co., Ltd.)
龍口中升上通汽車銷售服務有限公司	(Longkou Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Pre-acquisition carrying amount** RMB'000	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	12	55,724	60,338
Land use rights	13	10,846	36,644
Intangible assets	15	142	14,742
Deferred tax assets	30(b)	2,432	2,432
Inventories		46,086	46,086
Trade receivables		7,224	7,224
Prepayments, deposits and other receivables		44,324	44,324
Cash and cash equivalents		59,209	59,209
Trade and bills payables		(99,307)	(99,307)
Other payables and accruals		(71,531)	(71,531)
Deferred tax liabilities	30(b)	—	(11,253)
Pension		(46)	(46)
Bank loans and other borrowings		(14,634)	(14,634)
Income tax payable		1,171	1,171
Net identifiable assets and liabilities		41,640	75,399
Goodwill on acquisition	16		13,572
Total purchase consideration			88,971

33. Business Combination – Acquisition of Subsidiaries (continued)

(b) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

Satisfied by cash	(80,971)
Cash acquired	59,209
Net cash outflow	(21,762)

Since the acquisition, the subsidiaries contributed RMB752,844,000 to the Group's revenue and RMB17,394,000 to the combined profits for the year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of these companies from the vendors, it is impracticable to disclose the pre-acquisition revenue and profits of these companies.

(c) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% equity interests in the following companies engaged in the motor vehicle sales and service business in Mainland China from two third party vendors on 28 April 2009 at a total consideration of RMB40,172,000. The purchase consideration for the acquisition was in the form of cash, with RMB2,000,000 paid before the acquisition date and RMB34,172,000 paid during year 2009.

青島中升智通汽車銷售服務有限公司 (Qingdaoi Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.)
青島中升搏通汽車銷售服務有限公司 (Qingdaoi Zhongsheng Botong Automobile Sales & Services Co., Ltd.)
青島中升慶通汽車銷售服務有限公司 (Qingdaoi Zhongsheng Qingtong Automobile Sales & Services Co., Ltd.)

33. Business Combination – Acquisition of Subsidiaries (continued)

(c) (continued)

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Pre-acquisition carrying amount** RMB'000	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	12	18,438	23,217
Intangible assets	15	2	10,142
Inventories		31,980	31,980
Trade receivables		10,616	10,616
Prepayments, deposits and other receivables		40,248	40,248
Cash and cash equivalents		19,989	19,989
Trade and bills payables		(9,835)	(9,835)
Deferred tax liabilities	30(b)	—	(3,730)
Other payables and accruals		(94,920)	(94,920)
Pension		2	2
Income tax payable		2,315	2,315
Net identifiable assets and liabilities		18,835	30,024
Goodwill on acquisition	16		10,148
Total purchase consideration			40,172

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

Satisfied by cash	(34,172)
Cash acquired	19,989
Net cash outflow	(14,183)

Since the acquisition, the subsidiaries contributed RMB392,494,000 to the Group's revenue and RMB9,457,000 to the combined profits for the year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of these companies from the vendors, it is impracticable to disclose the pre-acquisition revenue and profits of these companies.

33. Business Combination – Acquisition of Subsidiaries (continued)

(d) As part of the Group's plan to expand its motor vehicle sales and service business in the Mainland, the Group acquired 100% of the equity interests of 遼寧中升捷通汽車銷售服務有限公司 (Liaoning Zhongsheng Jietong Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 30 September 2009 at the consideration of RMB10,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB5,000,000 paid at the acquisition date.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Pre-acquisition carrying amount** RMB'000	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	12	268	252
Intangible assets	15	3,700	3,840
Inventories		1,033	1,033
Cash and cash equivalents		5,001	5,001
Other payables and accruals		(340)	(340)
Deferred tax liabilities	30(b)	—	(31)
Net identifiable assets and liabilities		9,662	9,755
Goodwill on acquisition	16		245
Total purchase consideration			10,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(5,000)
Cash acquired	5,001
Net cash inflow	1

Since the acquisition, the subsidiary contributed RMB3,197,000 net loss to the combined profits for the year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of this company from the vendors, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

33. Business Combination – Acquisition of Subsidiaries (continued)

(e) As part of the Group's plan to expand its motor vehicle sales and service business in the Mainland, the Group acquired 100% of the equity interests of 吉林成邦汽車銷售服務有限公司 (Jilin Chengbang Automobile Sales & Services Co., Ltd.) and 100% of equity interests of 長春市成邦商貿有限公司 (Changchun Chengbang Trading Co., Ltd) engaged in the motor vehicle sales and service business in Mainland China, from three third parties on 30 September 2009 at a total consideration of RMB 115,376,000. The purchase consideration for the acquisition was in the form of cash, and fully paid during year 2009.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Pre-acquisition carrying amount** RMB'000	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	12	22,307	23,216
Land use rights	13	14,011	14,263
Intangible assets	15	64	17,474
Inventories		41,797	41,797
Trade receivables		7,640	7,640
Prepayments, deposits and other receivables		99,581	99,581
Cash and cash equivalents		48,927	48,927
Trade and bills payables		(80,392)	(80,392)
Other payables and accruals		(67,515)	(67,515)
Tax payable		(860)	(860)
Bank loans and other borrowings		(18,995)	(18,995)
Deferred tax liabilities	30(b)	—	(4,643)
Net identifiable assets and liabilities		66,565	80,493
Goodwill on acquisition	16		34,883
Total purchase consideration			115,376

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(115,376)
Cash acquired	48,927
Net cash outflow	(66,449)

33. Business Combination – Acquisition of Subsidiaries (continued)

(e) (continued)

Since the acquisition, the subsidiaries contributed RMB95,676,000 to the Group's revenue and RMB1,317,000 to the combined profits for the year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of these companies from the vendors, it is impracticable to disclose the pre-acquisition revenue and profits of these companies.

(f) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of equity interests of 紹興市匯鑫汽車銷售服務有限公司 (Shaoxing Huixin Automobile Sales & Services Co., Ltd.) and 80% of equity interests of 紹興市中鑫汽車銷售有限公司 (Shaoxing Zhongxin Automobile Sales & Services Co., Ltd.) engaged in the motor vehicle sales and service business in Mainland China from two third parties on 30 September 2009 at a total consideration of RMB 72,360,000. The purchase consideration for the acquisition was in the form of cash and was fully paid at the acquisition date.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Pre-acquisition carrying amount** RMB'000	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	12	19,508	15,806
Land use rights	13	1,238	2,568
Intangible assets	15	9	21,359
Inventories		7,315	7,315
Trade receivables		333	333
Prepayments, deposits and other receivables		49,930	49,930
Cash and cash equivalents		19,947	19,947
Trade and bills payables		(26,805)	(26,805)
Other payables and accruals		(19,776)	(19,776)
Bank loans and other borrowings		(19,000)	(19,000)
Income tax payable		(1,200)	(1,200)
Pension		(384)	(384)
Deferred tax liabilities	30(b)	—	(4,744)
Net identifiable assets and liabilities		31,115	45,349
Non-controlling interests arising from a business combination			(2,750)
Goodwill on acquisition	16		29,761
Total purchase consideration			72,360

33. Business Combination – Acquisition of Subsidiaries (continued)

(f) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

Satisfied by cash	(72,360)
Cash acquired	19,947
Net cash outflow	(52,413)

Since the acquisition, the subsidiaries contributed RMB37,560,000 to the Group's revenue and RMB2,209,000 to the combined profits for the year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of these companies from the vendors, it is impracticable to disclose the pre-acquisition revenue and profits of these companies.

(g) As part of the Group's plan to expand its motor vehicle sales and service business in the Mainland, the Group acquired 100% of the equity interests of 哈爾濱天巳豐田汽車銷售服務有限公司 (Harbin Tiansi Toyota Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from two third party vendors on 30 September 2009 at the consideration of RMB34,871,000. The purchase consideration for the acquisition was in the form of cash and was fully paid during year 2009.

33. Business Combination – Acquisition of Subsidiaries (continued)

(g) (continued)

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Pre-acquisition carrying amount RMB'000	Recognised fair values on acquisition RMB'000
Property, plant and equipment	12	8,989	9,016
Intangible assets	15	—	23,940
Inventories		5,032	5,032
Trade receivables		8,514	8,514
Prepayments, deposits and other receivables		6,540	6,540
Cash and cash equivalents		17,994	17,994
Trade and bills payables		(23,474)	(23,474)
Other payables and accruals		(19,643)	(19,643)
Pension		(141)	(141)
Deferred tax liabilities	30(b)	—	(5,992)
Net identifiable assets and liabilities		3,811	21,786
Goodwill on acquisition	16		13,085
Total purchase consideration			34,871

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(34,871)
Cash acquired	17,994
Net cash outflow	(16,877)

Since the acquisition, the subsidiary contributed RMB37,033,000 to the Group's revenue and RMB908,000 to the combined profits for the year ended 31 December 2009.

Since the Group cannot obtain the pre-acquisition results of this company from the vendors, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

34. Disposal of a Subsidiary

The Group disposed of its entire equity interests in 昆明中升豐田汽車服務有限公司 (Kunming Zhongsheng Toyota Automobile Services Co., Ltd.) on 6 April 2009. This company has not ever been engaged in the automotive distribution business.

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	2,218
	2,218
Gain on disposal of the subsidiary	—
	2,218

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash received	2,218
Cash and cash equivalents disposed of	(2,218)
Net flow of cash and cash equivalents in respect of the disposal of the subsidiary	—

35. Financial Instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

2009

Financial assets

	Available-for-sale investment RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	—	5,283	—	5,283
Available-for-sale investments	100	—	—	100
Trade receivables	—	—	86,764	86,764
Financial assets included in prepayments, deposits and other receivables	—	—	127,576	127,576
Amounts due from related parties	—	—	556	556
Term deposits and pledged bank deposits	—	—	382,929	382,929
Cash in transit	—	—	44,542	44,542
Cash and cash equivalents	—	—	1,030,960	1,030,960
	100	5,283	1,673,327	1,678,710

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,093,013
Financial liabilities included in other payables and accruals	115,536
Amounts due to related parties	24,236
Bank loans and other borrowings	1,797,149
	3,029,934

35. Financial Instruments (continued)

2008

Financial assets

	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Held-to-maturity investments	5,291	—	5,291
Trade receivables	—	61,443	61,443
Financial assets included in prepayments, deposits and other receivables	—	137,998	137,998
Amounts due from related parties	—	459	459
Term deposits and pledged bank deposits	—	210,720	210,720
Cash in transit	—	29,690	29,690
Cash and cash equivalents	—	964,245	964,245
	5,291	1,404,555	1,409,846

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	835,699
Financial liabilities included in other payables and accruals	71,698
Amounts due to related parties	156,774
Bank loans and other borrowings	1,157,543
	2,221,714

36. Contingent Liabilities

As at 31 December 2009, neither the Group nor the Company had any significant contingent liabilities.

37. Commitments

(a) Capital commitments

The Group has the following capital commitments at the end of the reporting period:

	2009 **RMB'000**	2008 RMB'000
Contracted, but not provided for land use rights and buildings	**97,866**	37,071
Authorised, but not contracted for land use rights and buildings	**6,755**	18,159
	104,621	55,230

(b) Operating lease commitments

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009		2008	
	Properties **RMB'000**	**Land** **RMB'000**	Properties RMB'000	Land RMB'000
Within one year	**4,713**	**5,794**	3,729	5,802
After 1year but within 5 years	**17,833**	**28,708**	14,646	24,238
After 5 years	**13,878**	**82,674**	16,480	90,751
	36,424	**117,176**	34,855	120,791

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of two to twenty years, with an option to renew the leases when all the terms are renegotiated.

38. Pledge of Assets

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in Note 12, Note 13 and Note 20, to the combined financial statements.

39. Related Party Transactions and Balances

Group

Mr. Li Guoqiang and Mr. Huang Yi are collectively the Controlling Shareholder of the Group. They are also considered to be related parties of the Group.

The following key management personnel of the Group is considered to be a related party of the Group:

俞光明 (Yu Guangming)

(a) Transactions with related parties

The following transactions were carried out with related parties during the years:

	2009 RMB'000	2008 RMB'000
(i) Sales of goods to jointly-controlled entities:		
— Xiamen Zhongsheng	**12,530**	54,321
— Zhongsheng Tacti	**956**	—
	13,486	54,321
(ii) Purchases of goods or services from jointly-controlled entities:		
— Xiamen Zhongsheng	**13,378**	40,663
— Zhongsheng Tacti	**38,318**	—
	51,696	40,663

The terms of sales and purchases were mutually agreed between the parties with reference to the ordinary course of business.

(iii) The Group's bank loans which amounted to RMB332,500,000 (2008: RMB343,000,000) were partially guaranteed by the Controlling Shareholder at 31 December 2009.

39. Related Party Transactions and Balances (continued)

(b) Balances with related parties

The Group had the following significant balances with its related parties during the years:

(i) Due from related parties:

	2009 RMB'000	2008 RMB'000
Trade related		
Jointly-controlled entities		
— Xiamen Zhongsheng	—	459
— Zhongsheng Tacti	556	—
	556	459

Balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

The maximum balances outstanding for amounts due from related parties during the year were as follows:

	2009 RMB'000	2008 RMB'000
Jointly-controlled entities		
— Xiamen Zhongsheng	—	459
— Zhongsheng Tacti	556	—
	556	459

39. Related Party Transactions and Balances (continued)

(b) Balances with related parties (continued)

(ii) Due to related parties:

	2009 RMB'000	2008 RMB'000
Non-trade related		
The Controlling Shareholder		
— Mr. Li Guoqiang and Mr. Huang Yi	**1,308**	155,827
Key management personnel:		
— Wang Hongbo	**—**	947
Trade related		
A jointly-controlled entity		
— Zhongsheng Tacti	**22,928**	—
	24,236	156,774

(iii) Compensation of key management personnel of the Group:

	2009 RMB'000	2008 RMB'000
Short term employee benefits	**6,936**	5,204
Post-employee benefits	**255**	149
Total compensation paid to key management personnel	**7,191**	5,353

Further details of directors' emoluments are included in Note 9 to the financial statements.

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Company

Balances with subsidiaries were unsecured and non-interesting bearing and had no fixed repayment terms.

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables, advances from third parties and advances to non-controlling shareholders, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets other than held-to-maturity investments (Note 19), term deposits and pledged bank deposits (Note 23), and cash and cash equivalents (Note 25).

The Group's interest rate risk arises from its borrowings, details of which are set out in Note 26. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of bank deposits, cash and cash equivalents, trade and other receivables included in the combined financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2009, all bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

40. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Year 2009					
	On demand RMB'000	Less than 3months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	—	807,506	1,016,238	—	—	1,823,744
Trade and bills payables	—	1,077,073	15,545	395	—	1,093,013
Other payables	—	73,416	28,088	14,032	—	115,536
Amounts due to related parties	24,236	—	—	—	—	24,236
	24,236	1,957,995	1,059,871	14,427	—	3,056,529

	Year 2008					
	On demand RMB'000	Less than 3months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	—	578,793	617,450	—	—	1,196,243
Trade and bills payables	—	834,351	294	1,179	—	835,824
Other payables	—	38,364	28,161	5,173	—	71,698
Amounts due to related parties	156,774	—	—	—	—	156,774
	156,774	1,451,508	645,905	6,352	—	2,260,539

40. Financial Risk Management Objectives and Policies (continued)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent plus net debt. Net debt includes bank loans and other borrowings, amounts due to related parties, trade, bills and other payables, accruals, less cash and cash equivalents. The gearing ratios as at the reporting dates were as follows:

	2009 **RMB'000**	2008 RMB'000
Bank loans and other borrowings	**1,797,149**	1,157,543
Trade and bills payables	**1,093,013**	835,699
Other payables and accruals	**277,702**	273,201
Amounts due to related parties	**24,236**	156,774
Less: Cash and cash equivalents	**(1,030,960)**	(964,245)
Net debt	**2,161,140**	1,458,972
Equity attributable to equity holders of the parent	**2,110,915**	1,633,098
Gearing ratio	**50.6%**	47.2%

41. Details of Subsidiaries Now Comprising the Group

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
中升(大連)集團有限公司 (Zhongsheng (Dalian) Group Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of RMB400,000,000	—	100%	Investment holding
大連中升豐田汽車銷售服務有限公司 (Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of US$2,405,000	—	100%	Sale and service of motor vehicles
大連中升豐田汽車銷售有限公司 (Dalian Zhongsheng Toyota Automobile Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB20,000,000	—	100%	Sale of motor vehicles
大連中升集團汽車用品有限公司 (Dalian Zhongsheng Group Automobile Accessories Co., Ltd., formerly known as 大連保稅區豐田汽車銷售有限公司)	Dalian, the PRC 1997	Registered and paid-in capital of US$3,000,000	—	100%	Sale of spare parts and accessories
大連中升日產汽車銷售服務有限公司 (Dalian Zhongsheng Nissan Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of US$3,350,000	—	100%	Sale and service of motor vehicles
大連中升奧通汽車銷售有限公司 (Dalian Zhongsheng Aotong Automobile Sales Co., Ltd.)	Dalian, the PRC 2003	Registered and paid-in capital of RMB30,000,000	—	100%	Sale of motor vehicles
大連中升東本汽車銷售服務有限公司 (Dalian Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of US$2,230,000	—	100%	Sale and service of motor vehicles
大連中升匯迪汽車銷售服務有限公司 (Dalian Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1999	Registered and paid-in capital of RMB16,550,000	—	100%	Sale and service of motor vehicles
昆明中升汽車銷售服務有限公司 (Kunming Zhongsheng Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2005	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
昆明中升豐田汽車銷售服務有限公司 (Kunming Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2002	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
福州中升豐田汽車服務有限公司 (Fuzhou Zhongsheng Toyota Automobile Services Co., Ltd.)	Fuzhou, the PRC 2002	Registered and paid-in capital of US$1,260,000	—	100%	Service of motor vehicles

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
福州中升豐田汽車銷售有限公司 (Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd.)	Fuzhou, the PRC 2003	Registered and paid-in capital of RMB20,000,000	—	100%	Sale of motor vehicles
福建中升汽車服務有限公司 (Fujian Zhongsheng Automobile Service Co., Ltd.)	Fujian, the PRC 2001	Registered and paid-in capital of RMB10,000,000	—	100%	Service of motor motor vehicles
上海中升豐田汽車銷售服務有限公司 (Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
上海國信汽車銷售有限公司 (Shanghai Guoxin Automobile Sales Co., Ltd.)	Shanghai, the PRC 2001	Registered and paid-in capital of RMB12,000,000	—	100%	Sale of motor vehicles
南京中升豐田汽車服務有限公司 (Nanjing Zhongsheng Toyota Automobile Services Co., Ltd.)	Nanjing, the PRC 2003	Registered and paid-in capital of HK$13,860,000	—	60%	Service of motor vehicles
大連迎賓中升豐田汽車銷售服務有限公司 (Dalian Yingbin Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of US$1,200,000	—	100%	Sale and service of motor vehicles
大連中升之星汽車銷售服務有限公司 (Dalian Zhongsheng Star Automobile Sales & Services Co., Ltd., formerly known as 大連迎賓中升豐田汽車銷售有限公司)	Dalian, the PRC 2005	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
廣州中升豐田汽車銷售服務有限公司 (Guangzhou Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2004	Registered and paid-in capital of US$1,800,000	—	100%	Sale and service of motor vehicles
深圳中升豐田汽車銷售服務有限公司 (Shenzhen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2004	Registered and paid-in capital of US$2,250,000	—	60%	Sale and service of motor vehicles
廣州中升淩志汽車銷售服務有限公司 (Guangzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2002	Registered and paid-in capital of US$4,000,000	—	100%	Sale and service of motor vehicles
大連中升淩志汽車銷售服務有限公司 (Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of US$11,000,000	—	100%	Sale and service of motor vehicles

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	 Held by a subsidiary %	Principal activities
大連中升汽車銷售服務有限公司 (Dalian Zhongsheng Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2006	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
成都中道成豐田汽車銷售服務有限公司 (Chengdu Zhongdaocheng Toyota Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	90%	Sale and service of motor vehicles
泉州隆星汽車銷售服務有限公司 (Quanzhou Longxing Automobile Sales & Services Co., Ltd.)	Quanzhou, the PRC 2006	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
玉溪中升東本汽車銷售服務有限公司 (Yuxi Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd.)	Yuxi, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	70%	Sale and service of motor vehicles
大連中升摶通汽車銷售服務有限公司 (Dalian Zhongsheng Botong Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2007	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
大連奧通東本汽車銷售服務有限公司 (Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
雲南中升雷克薩斯汽車銷售服務有限公司 (Yunnan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
福州中升雷克薩斯汽車銷售服務有限公司 (Fuzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Fuzhou, the PRC 2006	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
曲靖中升豐田汽車銷售服務有限公司 (Qujing Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Qujing, the PRC 2007	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
南京中升迎賓豐田汽車銷售服務有限公司 (Nanjing Zhongsheng Yingbin Toyota Automobile Sales & Services Co., Ltd.)	Nanjing, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
Zhongsheng Holdings Co., Ltd.	HK 1996	Registered and paid-in capital of HK$32,000,000	—	100%	Investment holding

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
HOKURYO (Hong Kong) Co., Ltd.	HK 1997	Registered and paid-in capital of HK$10,000	—	100%	Investment holding
HOKURYO Holdings Co., Ltd.	HK 1993	Registered and paid-in capital of HK$2,000,000	—	100%	Investment holding
HOKURYO International Ltd.	BVI 2007	Registered and paid-in capital of US$1	—	100%	Investment holding
Zhongsheng International Limited	BVI 2003	Registered and paid-in capital of US$2	—	100%	Investment holding
大連新盛榮新實業有限公司 (Dalian Xinshengrong New Industrial Co., Ltd.)	Dalian, the PRC 2007	Registered and paid-in capital of RMB200,000,000	—	100%	Investment holding
大連新盛榮豐田汽車銷售服務有限公司 (Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2003	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
大連新盛榮汽車銷售服務有限公司 (Dalian Xinshengrong Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
大連中升宏達汽車銷售服務有限公司 (原稱大連新盛榮貿易有限公司) (Dalian Xinshengrong Trading Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB11,000,000	—	100%	Sale and service of motor vehicles
雲南中升廣福汽車銷售服務有限公司 (Yunnan Zhongsheng Guangfu Automobile Sales & Services Co., Ltd.)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
東莞中升雷克薩斯汽車銷售服務有限公司 (Dongguan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of US$5,000,000	—	100%	Sale and service of motor vehicles
煙台中升豐田汽車銷售服務有限公司 (Yantai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
深圳中升迎賓豐田汽車銷售服務有限公司 (Shenzhen Zhongsheng Yingbin Toyota Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2008	Registered and paid-in capital of US$5,000,000	—	100%	Sale and service of motor vehicles
成都中升豐田汽車銷售服務有限公司 (Chengdu Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
BRIGHT FRIENDS International Limited	BVI 2007	Registered and paid-in capital of US$1	—	100%	Investment holding
SUPER CHARM Limited	HK 2007	Registered and paid-in capital of HK$1	—	100%	Investment holding
WELL SNAPE Holdings Limited	BVI2007	Registered and paid-in capital of US$1	—	100%	Investment holding
BILLION GREAT Corporation Limited	HK 2007	Registered and paid-in capital of HK$1	—	100%	Investment holding
大連裕增實業有限公司 (Dalian Yuzeng Industrial Co., Ltd.)	Dalian, the PRC 2008	Registered and paid-in capital of RMB30,000,000	—	100%	Investment holding
大連裕德豐田汽車銷售服務有限公司 (Dalian Yude Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2003	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
諸暨裕豐豐田汽車銷售服務有限公司 (Zhuji Yufeng Toyota Automobile Sales & Services Co., Ltd.)	Zhuji, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
營口華盛汽車銷售服務有限公司 (Yingkou Huasheng Automobile Sales & Services Co., Ltd.)	Yingkou, the PRC 2004	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
大連裕迪汽車銷售服務有限公司 (Dalian Yudi Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2007	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
大連中升匯馳汽車服務有限公司 (Dalian Zhongsheng Huichi Automobile Services Co., Ltd.)	Dalian, the PRC 2009	Registered and paid-in capital of RMB15,000,000	—	100%	Service of motor vehicles
中升汽車(莊河)服務有限公司 (Zhongsheng Automobile (Zhuanghe) Services Co., Ltd.)	Dalian, the PRC 2009	Registered and paid in capital of RMB3,000,000	—	100%	Service of motor vehicles
青島中升搏通汽車銷售服務有限公司 (Qingdao Zhongsheng Botong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	—	100%	Sale and service of motor vehicles
青島中升慶通汽車銷售服務有限公司 (Qingdao Zhongsheng Qingtong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2001	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
青島中升智通汽車銷售服務有限公司 (Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	—	100%	Sale and service of motor vehicles
煙台中昇華美汽車銷售服務有限公司 (Yantai Zhongsheng Huamei Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2004	Registered and paid-in capital of RMB4,000,000	—	100%	Sale and service of motor vehicles
龍口中升上通汽車銷售服務有限公司 (Longkou Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)	Longkou, the PRC 2005	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
煙台中升上通汽車銷售服務有限公司 (Yantai Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2003	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
煙台中升匯迪汽車銷售服務有限公司 (Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2002	Registered and paid-in capital of RMB60,000,000	—	100%	Sale and service of motor vehicles
OLYMPIA WELL Limited	HK 2007	Registered and paid-in capital of HK$1	—	100%	Investment holding
CHARMING ELEMENTS Holdings Limited	BVI 2007	Registered and paid-in capital of US$100	—	100%	Investment holding
NOBLE VILLA Investments Limited	BVI 2008	Registered and paid-in capital of US$1	—	100%	Investment holding
煙台中升汽車銷售服務有限公司 (Yantai Zhongsheng Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2002	Registered and paid-in capital of RMB6,500,000	—	100%	Sale and service of motor vehicles
昆明中升匯馳汽車銷售服務有限公司 (Kunming Zhongsheng Huichi Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2009	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
佛山中升之星汽車銷售服務有限公司 (Foshan Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Foshan, the PRC 2009	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
南京中升之星汽車銷售服務有限公司 (Nanjing Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Nanjing, the PRC 2009	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
廈門中升匯馳汽車銷售服務有限公司 (Xiamen Zhongsheng Huichi Automobile Sales & Services Co., Ltd.)	Xiamen, the PRC 2009	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
大理中升汽車銷售服務有限公司 (Dali Zhongsheng Automobile Sales & Services Co., Ltd.)	Dali, the PRC 2009	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
常熟華星汽車銷售服務有限公司 (Changshu Huaxing Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
瀋陽迎賓中升商務諮詢有限公司 (Shenyang Yingbin Zhongsheng Commercial Consulting Co., Ltd.)	Shenyang, the PRC 2009	Registered and paid-in capital of USD6,000,000/ USD1,800,000	—	100%	Commercial consulting
瀋陽匯馳商務諮詢有限公司 (Shenyang Huichi Commercial Consulting Co., Ltd.)	Shenyang, the PRC 2009	Registered and paid-in capital of USD4,000,000/ USD1,200,000	—	100%	Commercial consulting
瀋陽中升駿通商務諮詢有限公司 (Shenyang Zhongsheng Juntong Commercial Consulting Co., Ltd.)	Shenyang, the PRC 2009	Registered and paid-in capital of USD5,000,000	—	100%	Commercial consulting
營口中升汽車銷售服務有限公司 (Yingkou Zhongsheng Automobile Sales & Services Co., Ltd.)	Yingkou, the PRC 2009	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
遼寧中升捷通汽車銷售服務有限公司 (Liaoning Zhongsheng Jietong Automobile Sales & Services Co., Ltd.)	Liaoning, the PRC 2007	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
吉林市成邦汽車銷售服務有限公司 (Jilin Chengbang Automobile Sales & Services Co., Ltd.)	Jilin, the PRC 2009	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
長春市成邦商貿有限公司 (Changchun Chengbang Trading Co., Ltd.)	Changchun, the PRC 2005	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
紹興市匯鑫汽車銷售服務有限公司 (Shaoxing Huixin Automobile Sales & Services Co., Ltd.)	Shaoxing, the PRC 2001	Registered and paid-in capital of RMB16,400,000	—	100%	Sale and service of motor vehicles
紹興市中鑫汽車銷售有限公司 (Shaoxing Zhongxin Automobile Sales Co., Ltd.)	Shaoxing, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale of motor vehicles
無錫國信汽車銷售服務有限公司 (Wuxi Guoxin Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2009	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles

41. Details of Subsidiaries Now Comprising the Group (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
哈爾濱天巴豐田汽車銷售服務有限公司 (Harbin Tiansi Toyota Automobile Sales & Services Co., Ltd.)	Harbin, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles

42. Events After the Reporting Period

On 4 January 2010, pursuant to a sole shareholders' resolution to sub-divide the Company's share capital, the Company's authorised share capital became HK$100,000,000 divided into 1,000,000,000,000 shares of par value HK$0.0001 each, and 100,000 shares of the Company were held by the then shareholder of the Company.

On 22 February 2010, the Company issued an aggregate of 1,559,892,795 shares of the Company to the then shareholder of the subsidiaries now comprising the Group in exchange for the entire equity interests of the subsidiaries now comprising the Group, in preparation for the listing of the Company's shares on the Stock Exchange. The Company became the holding company of the subsidiaries now comprising the Group.

On 26 March 2010, the Company completed its placing and public offering of shares by issuing 305,564,500 shares of HK$0.0001 each (including 19,404,500 shares issued to an existing shareholder). The Company's shares were then listed on the Stock Exchange. On 31 March 2010, an over-allotment option was exercised and an additional 42,924,000 shares of HK$0.0001 each were issued.

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 20 April 2010.

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 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
REVENUE	**13,722,185**	10,548,577	9,103,134	6,472,043
Cost of sales and services provided	**(12,542,762)**	(9,771,214)	(8,382,066)	(6,074,757)
Gross profit	**1,179,423**	777,363	721,068	397,286
Other income and gains, net	**69,203**	33,412	27,361	24,162
Selling and distribution costs	**(346,521)**	(274,317)	(215,054)	(154,187)
Administrative expenses	**(161,967)**	(118,861)	(87,115)	(64,705)
Profit from operations	**740,138**	417,597	446,260	202,556
Finance costs	**(80,688)**	(104,443)	(50,744)	(31,065)
Share of profits of jointly-controlled entities	**7,254**	4,520	6,873	5,860
Profit before tax	**666,704**	317,674	402,389	177,351
Tax	**(173,701)**	(83,265)	(98,933)	(27,035)
Profit for the year	**493,003**	234,409	303,456	150,316
Attributable to:				
Equity holders of the parent	**470,881**	218,702	284,325	147,643
Non-controlling interests	**22,122**	15,707	19,131	2,673
	493,003	234,409	303,456	150,316
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS				
TOTAL ASSETS	**5,504,464**	4,170,559	2,949,136	2,180,108
TOTAL LIABILITIES	**(3,356,657)**	(2,484,788)	(2,142,485)	(1,636,912)
NON-CONTROLLING INTERESTS	**(36,892)**	(52,673)	(49,162)	(44,709)
	2,110,915	1,633,098	757,489	498,487