THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhongsheng Group Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR TRANSACTION
ACQUISITION OF A 50% EQUITY INTEREST IN
B&L MOTOR HOLDING CO., LTD.

A letter from the board of directors of the Company is set out from pages 3 to 11 of this circular.

22 November 2010

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Unless the context requires otherwise, the capitalized terms used in this circular shall have the following meanings:

"Acquisition"	the proposed acquisition as contemplated under the Equity Transfer Agreement
"Board"	the board of directors of the Company
"Company"	Zhongsheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Hong Kong Stock Exchange under the stock code of 881
"Connected Person(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Equity Transfer Agreement"	the agreement in relation to the proposed acquisition of a 50% equity interest in the Target Company entered into by and between the Group and the Transferor on 29 September 2010
"Enlarged Group"	the Group immediately after completion of the Acquisition
"Group"	the Company and its subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards promulgated by The Hong Kong Institute of Certified Public Accountants
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	18 November 2010, being the latest practicable date before the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the holder(s) of the shares of the Company
"Target Company"	B&L Motor Holding Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
"Target Group"	the Target Company and its subsidiaries
"Transferee"	Famous Great International Limited, the Company's indirect wholly-owned subsidiary incorporated in the British Virgin Islands
"Transferor"	Mr. Chou, Patrick Hsiao-Po
"US$"	United States dollars, the lawful currency of the United States of America
"4S dealership(s)"	a dealership authorized to sell the products of a single brand of automobiles. Such dealership intergrates four standard automobile related businesses: sales, spare parts, service and survey.
"%"	per cent

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)

Executive Directors:
Mr. Huang Yi
Mr. Li Guoqiang
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

Registered office:
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Principal Place of Business in Hong Kong:
Room 3504-12
35th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF A 50% EQUITY INTEREST IN
B&L MOTOR HOLDING CO., LTD.

The purpose of this circular is to provide Shareholders with further details of the acquisition of a 50% equity interest in B&L Motor Holding Co., Ltd. As the Company has obtained a written approval for the Acquisition from Blue Natural Development Ltd., the controlling Shareholder, which holds 1,245,993,876 shares of the Company and is beneficially interested in approximately 65.29% of the issued share capital of the Company as at the Latest Practicable Date, the Company will not convene any general meeting to approve the Acquisition. In addition, no Shareholder has any material interest in the Acquisition different from that of other Shareholders of the Company, therefore, no Shareholder would be required to abstain from voting if a general meeting is convened to approved the Acquisition.

INTRODUCTION

As disclosed in the announcement released by the Company on 29 September 2010, the Transferee (the Company's indirect wholly-owned subsidiary) and the Transferor entered into the Equity Transfer Agreement in relation to the acquisition of a 50% equity interest in the Target Company. The Target Group is principally engaged in businesses relating to automobile sales and services, holds a total of eight 4S dealerships and distributes automobile brands including, among others, Porsche, Mercedes-Benz, Audi, Lamborghini and GZ-Toyota in China.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore, subject to Shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The Company has obtained a written approval for the Acquisition from Blue Natural Development Ltd., the controlling Shareholder, which is beneficially interested in approximately 65.29% of the issued share capital of the Company as at the Latest Practicable Date. By reasons of (i) the written approval from the controlling Shareholder having been obtained; and (ii) that no Shareholder would be required to abstain from voting at the general meeting of the Company to approve the Acquisition, an extraordinary general meeting of the Company to approve the Acquisition is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

The purpose of this circular is to provide you with, among other things, further details of the Acquisition.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date of the Equity Transfer Agreement	:	29 September 2010
Parties	:	Famous Great International Limited (the Company's indirect wholly-owned subsidiary), as the Transferee; and Mr. Chou, Patrick Hsiao-Po, as the Transferor To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferor and its ultimate beneficial owner are third parties independent of the Company and the Connected Persons of the Company and not related to them at all.
Subject Matter of the Equity Transfer Agreement	:	Acquisition of a 50% equity interest in the Target Company held by the Transferor, including the Target Group's all current businesses and assets relating to automobile sales and services.

Consideration of the Equity Transfer Agreement	:	RMB1.1 billion
Payment Terms of the Equity Transfer Agreement	:	The consideration for the Acquisition shall be paid in instalments by the Transferee to the Transferor or any company designated by the Transferor in RMB or equivalent foreign currency. The total amount of RMB1,090,000,000 or equivalent foreign currency has been paid to the Transferor or any company designated by the Transferor on or before 10 October 2010. The balance of RMB10,000,000 will be reserved as cash retention and will be paid on or before 31 December 2010.
Other Terms and Conditions of the Equity Transfer Agreement	:	The appointment of the members of the board of directors of the Target Company and its subsidiaries will be subject to further discussion between the Transferee and the Transferor. Subject to compliance with the Hong Kong laws and the Listing Rules, the Transferee and the Transferor intend to make an investment in the newly established businesses and assets relating to automobile sales and services in China through a newly incorporated offshore company with a registered capital of US$30 million and in which each will hold 50% equity interest. The new company will not form part of the Target Group. Subject to compliance with the Hong Kong laws and the Listing Rules, each shareholder of the Target Company shall grant a right of first refusal to the other shareholder of the Target Company upon the transfer of any equity interest in the Target Company to any third party (other than to the Connected Person of each shareholder of the Target Company).

The Transferee and the Transferor have agreed that the Company will take majority control in the shareholders' meeting and the board of directors of the Target Company upon the completion of the Acquisition and will then have the power to govern the financial and operating polices of the Target Company and Target Group so as to obtain benefits from their respective activities. Revision of the articles of association of the Target Company is now in the process to reflect the above agreement. The directors of the Company are of the view that the Company controls the Target Company and Target Group based on the above agreement and therefore, the Target Company will be accounted for as a subsidiary of the Company upon the completion of the Acquisition pursuant to Hong Kong Financial Reporting Standards. Subject to the Company obtaining control over the Target Group as disclosed above, Ernst & Young, the auditors of the Company have no objection against the directors understanding of the HKFRSs.

BASIS OF CONSIDERATION

The consideration for the Acquisition is RMB1.1 billion payable in cash, among which RMB1,090,000,000 has been paid by the Company using internal cash resources. The consideration was agreed between the Company and the Transferor upon arm's length negotiation after taking into account a combination of factors, including the goodwill attached to the brand(s) of automobiles distributed by the Target Group which include high-end luxury automobile brands such as Porsche and Lamborghini, a valuable customer base which were accumulated during the 10 years' operation of the Target Group, long term cooperation with automakers which lays the foundation of establishing more 4S dealerships of the existing distributed brands and obtaining new 4S dealerships of high-end brands, potential earning capacity in Beijing, Tianjin and other areas and combined net asset value of the Target Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In view of the strong demand for automobile sales in China, for the purpose of enhancing the Group's brand portfolio and in line with the Company's development strategy of expanding its 4S dealership distribution network in Beijing, Tianjin and other areas as well as strengthening its market position in areas where the Target Group operates and improving services to high end customers in the above-mentioned areas, the Company entered into the Equity Transfer Agreement for the purpose of expanding the Company's operational scale and competitive advantages. Following the Acquisition, the Company will add new luxury and mid-to-high end automobile brands to its existing distribution brand portfolio.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

FURTHER DETAILS ON THE ACQUISITION

The following table sets out the details of the shareholding structure of the Target Company before and after the completion of the Acquisition pursuant to the Equity Transfer Agreement.

Name of Target Company	Before the Acquisition	After the Acquisition
B&L Motor Holding Co., Ltd.	100% equity interest of the Target Company was held by Mr. Chou, Patrick Hsiao-Po	50% equity interest of the Target Company will be held by the Group; and 50% equity interest of the Target Company will be held by Mr. Chou, Patrick Hsiao-Po

FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below sets out certain audited financial information (prepared under the HKFRSs) of the Target Group on the aggregate basis for the years ended 31 December 2007, 2008 and 2009 as well as the six months ended 30 June 2010.

(in RMB)

	For the year ended 31 December 2007 *(audited)*	For the year ended 31 December 2008 *(audited)*	For the year ended 31 December 2009 *(audited)*	For the six months ended 30 June 2010 *(audited)*
Profit before taxation	112,657,000	176,885,000	98,601,000	164,609,000
Profit after taxation	79,539,000	128,059,000	69,562,000	115,437,000
Net assets	188,272,000	316,331,000	385,873,000	461,300,000

INFORMATION OF THE COMPANY

The Company is a leading national automobile distribution group in China and operates automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands including Toyota, Nissan, Honda, with 69 4S dealerships being operated in cities with relatively affluent populations in the northeastern, eastern and southern coastal regions of China, as well as selected inland areas of China as at the Latest Practicable Date.

INFORMATION OF THE TARGET GROUP

General Information of the Target Group

The Target Company was incorporated in the British Virgin Islands with limited liability on 29 June 2010 by Mr. Chou, Patrick Hsiao-Po. Mr. Chou, Patrick Hsiao-Po, through the Target Group, engages in businesses relating to automobile sales and services in Beijing and Tianjin. As at 30 June 2010, the Target Group, held a total of eight 4S dealerships in Beijing and Tianjin and distributed automobile brands including, among others, Porsche, Mercedes-Benz, Audi, Lamborghini and GZ-Toyota.

Reorganisation of the Target Group

On 2 September 2010, the Target Group entered into two equity transfer agreements with Mr. Chou, Patrick Hsiao-Po to transfer the Target Group's 100% equity interests in Beijing Betterlife International Trade Co., Ltd. and Tianjin Betterlife Automobile Rental Co., Ltd. (the "Two Companies") to Mr. Chou, Patrick Hsiao-Po with a total consideration of RMB38,900,000. The Two Companies were dormant since their incorporation and the major items on the statements of financial position of the Two Companies were land use right and properties. Since the Two Companies were subsidiaries of other companies within the acquisition scope, the financial information of the Two Companies were included in the financial information of the Target Group as at 31 December 2007, 2008, 2009 and 30 June 2010. Please refer to Note 38 of Appendix II to this circular for further details about the Two Companies. However, since the Two Companies were disposed on 2 September 2010, they were not included in the scope of the Acquisition and were not part of the Target Group after the Reorganisation (as defined in the following paragraph). Since the Two Companies were not part of the core business of the Target Group, the Company decided not to acquire equity interests in the Two Companies.

Before the formation of the Target Group, all of the subsidiaries now comprising the Target Group were collectively controlled by Mr. Chou, Patrick Hsiao-Po and his father, Mr. Chou Wanghan. Pursuant to an arrangement between Mr. Chou Wanghan and Mr. Chou, Patrick Hsiao-Po before the Acquisition (the "Reorganisation"), Mr. Chou Wanghan transferred all of his shareholdings in the subsidiaries of the Target Group to Mr. Chou, Patrick Hsiao-Po. Prior to the Reorganisation, Mr. Chou, Patrick Hsiao-Po held 90% and 70% equity interests in Chou Dynasty (Tianjin) International Trading Co., Ltd. and Better Life (Tianjin) International Trade Ltd., the two investment holding companies of the Target Group in China, respectively, and Mr. Chou Wanghan held 10% and 30% equity interests in the above-mentioned two companies respectively. After the Reorganisation, Mr. Chou, Patrick Hsiao-Po indirectly owns 100% equity interest in the above-mentioned two companies respectively, and the Target Company became the holding company of the subsidiaries now comprising the Target Group on 20 September 2010.

Salient Terms of the Automobile Dealership Agreements of the Target Group

The business model of each of the 4S dealership of the Target Group is to provide one-stop services for a particular brand of automobile by combining the sales of new automobiles, sales of spare parts and after-sale services with an aim to provide efficient and standardized service to the end customers.

The general rights and obligations under the existing dealership agreements of the Target Group are similar to the existing dealership agreements of the Company, which include, but not limited to, requirements such as meeting the layout and design standards required by each automaker, following annual sales plans set by the automakers, abiding by the geographical limitation within which the 4S dealership must operate as well as recommend price guidelines for new automobiles, obtaining ownership of the automobiles from the automakers upon delivery of the automobiles, prohibition from knowingly selling automobiles to any customers whose intention is to resell or export automobiles outside the PRC, prohibition from retailing more than one brand of new automobile in any of the 4S dealerships.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon the completion of the Acquisition, the Enlarged Group intends to continue to implement the Group's business strategy, which includes, among others, further increasing productivity and profitability as well as promoting customer service quality of each of our 4S dealerships; increasing the size of our 4S dealership network through building and acquiring more 4S dealerships of the existing distributed brands and obtaining new 4S dealerships of high-end automobile brands.

The Acquisition would likely to have a positive impact on the financial and trading prospects of the Enlarged Group, broaden its income base and improve its financial performance by:

- expanding the geographical coverage of the Group's operations, adding new locations such as Beijing, Tianjin and other areas where consumers enjoy comparatively high income and their number is growing and laying the foundation for future business development of the Enlarged Group in these economically developed regions;

- adding new automobile brands including Porsche and Lamborghini to optimize and reinforce the Group's existing distribution brand portfolio, and to expand the plan for building and acquiring new dealerships for additional brands to the Enlarged Group;

- enhancing the operation for existing brands, after-sale services and premium products to achieve greater economy of scale and input/output value of the Enlarged Group;

- increasing the profitability and overall gross margin, reducing procurement costs, expanding the portion of high-margin after-sale business of the Enlarged Group by applying unitary procurement, operation and information management platform to the Enlarged Group;

- accelerating inventory turnover and optimizing major operational benchmarks of the Enlarged Group through coordinated regional resource allocation within the Enlarged Group; and

- enhancing the Target Group's bargaining power in bank financing to reduce finance costs and expanding its financing facility to meet its enlarged capital demand.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the financial results of the Target Group will be consolidated into the financial statements of the Group.

EFFECT ON ASSETS/LIABILITIES

As extracted from the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB11,142.691 million and RMB5,681.146 million respectively as at 30 June 2010. Upon completion of the Acquisition, the Enlarged Group's total assets and total liabilities would increase to approximately RMB13,333.439 million and RMB7,257.159 million respectively.

EFFECT ON EARNINGS

In light of the potential future prospects of the Target Group, which will expand the operational scale and competitive advantages of the Group and lay the foundation for future business development of the Enlarged Group in the economically developed regions and in new automobile brands dealerships, the Directors are of the view that the Acquisition would likely have a positive impact on the future earnings of the Enlarged Group.

EFFECT ON GEARING AND WORKING CAPITAL

According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Group's gearing level (being calculated as net debt divided by the capital plus net debt) was approximately 28.34% as at 30 June 2010. Upon completion of the Acquisition, the net debt of the Enlarged Group would increase to approximately RMB4,140.386 million while the Enlarged Group's capital plus net debt would increase to approximately RMB9,526.305 million. The Enlarged Group's gearing level would thus become 43.46% upon completion of the Acquisition.

As a total amount of RMB1,090,000,000 in cash has been paid as the transfer payment before 10 October 2010, the balance of RMB10,000,000 will be reserved by the Company as cash retention as of the date hereof and will be paid on or before 31 December 2010. There will be no negative impact on the working capital of the Group as a result of the Acquisition.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon completion of the Acquisition.

LISTING RULES IMPLICATIONS

Since the Transferor is not a Connected Person of the Company under the Listing Rules and as at least one of the results of size tests applicable to the Acquisition under the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to Shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The Company has obtained a written approval for the Acquisition from Blue Natural Development Ltd., the controlling Shareholder, which holds 1,245,993,876 shares of the Company and is beneficially interested in approximately 65.29% of the issued share capital of the Company as at the Latest Practicable Date. By reasons of (i) the written approval from the controlling Shareholder having been obtained; and (ii) that no Shareholder would be required to abstain from voting at a general meeting of the Company for the approval of the Acquisition, an extraordinary general meeting of the Company to approve the Acquisition is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

RECOMMENDATION

Although no general meeting will be convened for approving the Acquisition, the Board considers that the transaction contemplated under the Acquisition is on normal commercial terms and the terms of the Acquisition are fair and reasonable and are in the interests of the Company and its Shareholders taken as a whole. Accordingly, if a general meeting were convened for approving the Acquisition, the Board would have recommended the Shareholders to vote in favour of the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board of
Zhongsheng Group Holdings Limited
Huang Yi
Chairman

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for (i) the period ended 30 June 2010 is disclosed in the interim report of the Company published on 23 August 2010; (ii) the year ended 31 December 2009 is disclosed in the annual report of the Company published on 20 April 2010; and (iii) the year ended 31 December 2008 and the year ended 31 December 2007 is disclosed in the prospectus of the Company published on 16 March 2010, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.zs-group.com.cn).

B. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 September 2010, being the latest practicable date for inclusion of information in this paragraph headed "Indebtedness" prior to the publication of this circular, the Enlarged Group (being the Company and its subsidiaries (the "Group") together with B&L Motor Holding Co., Ltd. (the "Target Company") and its subsidiaries (the "Target Group")) had outstanding interest-bearing bank and other borrowings of approximately RMB4,093,651,000 as follows:

	As at 30 September 2010 *RMB'000*
Current bank borrowings	3,692,258
Other Borrowings	401,393
Total	4,093,651

Current bank borrowings and other borrowings representing:

	As at 30 September 2010 *RMB'000*
– secured	728,263
– guaranteed	530,000
– unsecured	2,835,388
Total	4,093,651

As at 30 September 2010, the Enlarged Group had total available bank credit facilities of approximately RMB8,834,500,000 of which approximately RMB6,095,449,000 had been utilised.

Collateral

As at 30 September 2010, the Enlarged Group's bank loans were secured by the pledge of the followings:

	As at 30 September 2010
	RMB'000
Pledged deposit	1,002,486
Inventories	442,264
PPE	107,089
Land use right	86,338
Total	1,638,177

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 30 September 2010, any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing such as bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or mortgages, charges, guarantees, or other material contingent liabilities.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

D. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that following the completion of the Acquisition, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

The following is a text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

22 November 2010

The Board of Directors
Zhongsheng Group Holdings Limited

Dear Sirs,

We report on the financial information of B & L Motor Holding Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") which comprises the combined statements of financial position of the Target Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and the Company's statement of financial position as at 30 June 2010, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Target Group for each of the years ended 31 December 2007, 2008 and 2009 and the six-month period ended 30 June 2010 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Financial Information"). This Financial Information has been prepared by the directors of Zhongsheng Group Holdings Limited (the "Company") and is set out in Sections I to II below for inclusion in Appendix II to the circular of the Company dated 22 November 2010 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was incorporated in the British Virgin Islands on 29 June 2010 as an exempted company with limited liability.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 37 of Section II below.

The combined financial statements of the Target Group for each of the years ended 31 December 2007, 2008 and 2009 and the six-month period ended 30 June 2010 were audited by Ernst & Young pursuant to separate terms of engagement with the Target Company.

The Financial Information has been prepared based on the audited combined financial statements of the Target Group with no adjustment made thereon.

Directors' responsibility

The directors of the Target Company during the Relevant Periods are responsible for the preparation and fair presentation of the combined financial statements of the Target Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the combined 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.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA and accounting policies presently adopted by the Company and its subsidiaries (collectively referred to as the "Group") as set out in the audited annual combined financial statements of the Company for the year ended 31 December 2009 and the new accounting standards introduced that are effective for the six months ended 30 June 2010, where applicable. This responsibility includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the Financial Information prepared on the basis of presentation as set out in Note 2.1 of Section II below gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at 30 June 2010 and of the Target Group as at 31 December 2007, 2008, 2009 and 30 June 2010 and of the Target Group's combined results and combined cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement of the Target Group for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs and accounting policies presently adopted by the Group as set out in the audited annual combined financial statements of the Company for the year ended 31 December 2009 and the new accounting standards introduced that are effective for the six months ended 30 June 2010, where applicable.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applies analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

Combined income statements and combined statements of comprehensive income

		Year ended 31 December			Six-month period ended 30 June	
	Section II Notes	**2007** *RMB'000*	**2008** *RMB'000*	**2009** *RMB'000*	**2009** *RMB'000* *(unaudited)*	**2010** *RMB'000*
REVENUE	*5(a)*	2,244,340	3,032,399	3,549,459	1,545,351	2,738,779
Cost of sales and services provided	*6(b)*	(2,026,620)	(2,713,775)	(3,237,494)	(1,422,540)	(2,449,132)
Gross profit		217,720	318,624	311,965	122,811	289,647
Other income and gains, net	*5(b)*	17,468	42,583	26,160	9,766	19,719
Selling and distribution costs		(75,537)	(115,832)	(161,504)	(74,172)	(96,822)
Administrative expenses		(19,901)	(38,088)	(42,980)	(15,521)	(23,027)
Profit from operations		139,750	207,287	133,641	42,884	189,517
Finance costs	*7*	(13,497)	(30,402)	(35,040)	(14,865)	(24,908)
Share of losses of associates	*15*	(13,596)	–	–	–	–
Profit before tax	*6*	112,657	176,885	98,601	28,019	164,609
Tax	*8(a)*	(33,118)	(48,826)	(29,039)	(8,130)	(49,172)
Profit for the year/period and total comprehensive income for the year/period		79,539	128,059	69,562	19,889	115,437
Attributable to:						
Equity holders of the parent		79,539	128,059	69,562	19,889	115,437

Combined statements of financial position

	Section II Notes	31 December 2007 *RMB'000*	31 December 2008 *RMB'000*	31 December 2009 *RMB'000*	30 June 2010 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	118,855	209,801	358,675	403,003
Land use rights	*12*	13,693	22,377	21,669	28,711
Prepayments	*13*	12,676	11,611	6,099	4,201
Intangible assets	*14*	220	529	232	181
Investments in associates	*15*	6,817	–	–	–
Available-for-sale investment	*16*	100	100	100	100
Deferred tax assets	*27(b)*	150	460	996	1,944
Total non-current assets		152,511	244,878	387,771	438,140
CURRENT ASSETS					
Inventories	*17*	178,440	379,035	316,800	473,644
Trade receivables	*18*	13,499	15,049	26,462	28,661
Prepayments, deposits and other receivables	*19*	252,275	125,034	192,683	298,834
Pledged bank deposits	*20*	118,635	148,443	140,756	224,048
Cash in transit	*21*	1,407	3,524	5,765	10,872
Cash and cash equivalents	*22*	119,995	147,887	285,660	307,074
Total current assets		684,251	818,972	968,126	1,343,133
CURRENT LIABILITIES					
Bank loans and other borrowings	*23*	270,185	444,047	660,896	734,887
Trade and bills payables	*24*	194,859	170,579	111,409	308,885
Other payables and accruals	*25*	158,377	87,197	120,847	142,994
Amounts due to related parties	*35(b)*	10,066	16,053	52,834	92,188
Income tax payable	*27(a)*	15,003	23,532	14,466	25,909
Total current liabilities		648,490	741,408	960,452	1,304,863
NET CURRENT ASSETS		35,761	77,564	7,674	38,270
TOTAL ASSETS LESS CURRENT LIABILITIES		188,272	322,442	395,445	476,410

	Section II Notes	**31 December 2007** *RMB'000*	**2008** *RMB'000*	**2009** *RMB'000*	**30 June 2010** *RMB'000*
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*27(b)*	–	6,111	9,572	15,110
NET ASSETS		188,272	316,331	385,873	461,300
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	*28*	–	–	–	–
Reserves	*29*	188,272	316,331	385,873	461,300
Total equity		188,272	316,331	385,873	461,300

Combined statement of changes in equity

		Attributable to equity holders of the parent					
	Section II Notes	Share capital Note 28 RMB'000	Statutory reserve Note 29(i) RMB'000 *	Merger reserve Note 29(ii) RMB'000 *	Retained profits RMB'000 *	Total RMB'000	Total equity RMB'000
At 1 January 2007		–	12,448	106,049	49,025	167,522	167,522
Contribution by the then equity holders of the subsidiaries now comprising the Target Group		–	–	10,000	–	10,000	10,000
Acquisition of equity interests by the Target Group from the equity holders of the subsidiaries now comprising the Target Group		–	–	(64,000)	–	(64,000)	(64,000)
Dividends paid to shareholders		–	–	–	(4,789)	(4,789)	(4,789)
Transfer from retained profits		–	7,238	–	(7,238)	–	–
Comprehensive income for the year		–	–	–	79,539	79,539	79,539
At 31 December 2007		–	19,686	52,049	116,537	188,272	188,272
Transfer from retained profits		–	17,317	–	(17,317)	–	–
Comprehensive income for the year		–	–	–	128,059	128,059	128,059
At 31 December 2008		–	37,003	52,049	227,279	316,331	316,331
Capitalisation of retained profits		–	–	42,000	(42,000)	–	–
Acquisition of equity interests by the Target Group from the equity holders of the subsidiaries now comprising the Target Group		–	–	(20)	–	(20)	(20)
Transfer from retained profits		–	4,677	–	(4,677)	–	–
Comprehensive income for the year		–	–	–	69,562	69,562	69,562

		Attributable to equity holders of the parent					
		Share capital	**Statutory reserve**	**Merger reserve**			
		Note	**Note**	**Note**	**Retained**		**Total**
	Section II	**28**	**29(i)**	**29(ii)**	**profits**	**Total**	**equity**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			*	*	*		
At 31 December 2009		–	41,680	94,029	250,164	385,873	385,873
Dividends paid to shareholders		–	–	–	(40,010)	(40,010)	(40,010)
Comprehensive income for the year		–	–	–	115,437	115,437	115,437
At 30 June 2010		–	41,680	94,029	325,591	461,300	461,300
At 31 December 2008		–	37,003	52,049	227,279	316,331	316,331
Capitalisation of retained profits		–	–	42,000	(42,000)	–	–
Comprehensive income for the period		–	–	–	19,889	19,889	19,889
At 30 June 2009 (unaudited)		–	37,003	94,049	205,168	336,220	336,220

* *These reserve accounts comprise the combined reserves of RMB188,272,000, RMB316,331,000, RMB385,873,000, and RMB461,300,000 in the combined statements of financial position as at 31 December 2007, 31 December 2008, 31 December 2009, and 30 June 2010, respectively.*

Combined cash flow statements

	Section II Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Six-month period ended 30 June 2009 RMB'000 (unaudited)	2010 RMB'000
Operating activities						
Profit before tax		112,657	176,885	98,601	28,019	164,609
Adjustments for:						
– Share of losses of associates		13,596	–	–	–	–
– Depreciation and impairment of property, plant and equipment	*11*	10,227	14,036	31,319	11,103	24,074
– Amortisation of land use rights	*12*	458	411	708	351	391
– Amortisation of intangible assets	*14*	6	7	297	247	51
– Interest income	*5(b)*	(3,218)	(3,515)	(2,778)	(1,222)	(2,623)
– Net loss/(gain) on disposal of property, plant and equipment	*5(b)*	255	117	351	218	(959)
– Finance costs	*7*	13,497	30,402	35,040	14,865	24,908
– Gain on disposal of equity interests in associates	*5(b)*	(5,107)	(13,596)	–	–	–
– Loss on disposal of subsidiaries	*5(b)*	–	199	–	–	–
		142,371	204,946	163,538	53,581	210,451

		Year ended 31 December			Six-month period ended 30 June	
	Section II	2007	2008	2009	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
(Increase)/decrease in pledged bank deposits		121,714	(29,808)	7,687	13,447	(83,292)
Increase in cash in transit		(67)	(2,117)	(2,241)	(888)	(5,107)
(Increase)/decrease in trade receivables		(2,029)	(1,923)	(11,413)	1,317	(2,199)
(Increase)/decrease in prepayments, deposits and other receivables		(68,913)	104,146	(49,655)	(18,224)	(114,893)
(Increase)/decrease in inventories		(986)	(211,652)	62,235	105,129	(156,844)
Increase/(decrease) in trade and bills payables		(70,326)	4,028	(59,170)	(62,735)	197,476
Increase/(decrease) in other payables and accruals		59,149	(70,032)	27,401	(12,572)	7,811
Cash generated from / (used in) operations		180,913	(2,412)	138,382	79,055	53,403
Tax paid		(27,025)	(34,369)	(35,180)	(25,375)	(33,139)
Net cash generated from / (used in) operating activities		153,888	(36,781)	103,202	53,680	20,264

	Section II Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Six-month period ended 30 June 2009 RMB'000 (unaudited)	2010 RMB'000
Investing activities						
Purchase of property, plant and equipment		(50,952)	(128,625)	(195,846)	(74,432)	(57,697)
Proceeds from disposal of property, plant and equipment		6,726	12,780	20,815	7,637	15,230
Purchase of land use rights		(16,400)	(12,745)	(13,950)	4,550	(7,433)
Purchase of intangible assets		(210)	(319)	–	–	–
Purchase of available-for-sale investment		(100)	–	–	–	–
Purchase of shareholding in associates		(5,880)	–	–	–	–
Collection of receivables for disposal of equity interests from third parties		–	21,086	2,184	2,184	–
Acquisition of equity interests by the Target Group from the equity holders of the subsidiaries now comprising the Target Company		(64,000)	–	–	–	–
Proceeds from disposal of equity interests in associates		–	20,413	–	–	–
Disposal of subsidiaries	*30*	–	(879)	–	–	–
Interest received	*5(b)*	3,218	3,515	2,778	1,222	2,623
Net cash used in investing activities		(127,598)	(84,774)	(184,019)	(58,839)	(47,277)

	Section II Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Six-month period ended 30 June 2009 RMB'000 (unaudited)	2010 RMB'000
Financing activities						
Proceeds from bank loans and other borrowings		1,012,446	2,227,167	3,310,373	1,453,032	2,018,071
Repayment of bank loans and other borrowings		(981,129)	(2,053,305)	(3,093,524)	(1,441,138)	(1,944,080)
Contributions from the then equity holders of the subsidiaries now comprising the Target Group		10,000	–	–	–	–
Advances from the Controlling Shareholders		6,299	5,987	36,781	–	–
Prepayment of advances from the Controlling Shareholders		–	–	–	(13,955)	(656)
Dividends paid to Controlling Shareholders		(1,000)	–	–	–	–
Interest paid		(13,497)	(30,402)	(35,040)	(14,865)	(24,908)
Net cash generated from/ (used in) financing activities		33,119	149,447	218,590	(16,926)	48,427
Net increase/ (decreased) in cash and cash equivalents		59,409	27,892	137,773	(22,085)	21,414
Cash and cash equivalents at the beginning of each year/period		60,586	119,995	147,887	147,887	285,660
Cash and cash equivalents at the end of each year/period		119,995	147,887	285,660	125,802	307,074

Statement of financial position

	Section II Notes	**30 June 2010** *RMB'000*
ASSETS		
Cash and cash equivalents		–
Total assets		–
EQUITY		
Share capital	*28*	–
Total equity		–

The Target Company was incorporated on 29 June 2010. As at 30 June 2010, the Target Company had issued capital of US$1.00 and cash and cash equivalent balance of the same amount.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE TARGET GROUP

B & L Motor Holding Co., Ltd. (the "Target Company") was incorporated in the British Virgin Islands with limited liability on 29 June 2010 by Mr. Chou, Patrick Hsiao-Po. The registered office of the Company is located at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

The Target Company and its subsidiaries (collectively referred to as the "Target Group") are principally engaged in the sales and services of motor vehicles (the "Principal Activities").

Before the formation of the Target Group, the Principal Activities were carried out by the subsidiaries now comprising the Target Group as set out in Note 37 of Section II below, all of which were collectively controlled by Mr. Chou Wanghan and Mr. Chou, Patrick Hsiao-Po (hereinafter collectively referred to as the "Controlling Shareholders"). Pursuant to the reorganisation (the "Reorganisation"), the Target Company became the holding company of the subsidiaries now comprising the Target Group on 20 September 2010.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Target Company became the holding company of the companies now comprising the Target Group on 20 September 2010. Since the Target Company and the companies now comprising the Target Group were under the common control of the Controlling Shareholders both before and after the completion of the Reorganisation, the Reorganisation has been accounted for using merger accounting. The Financial Information has been prepared on the basis as if the Target Company had always been the holding company of the companies now comprising the Target Group.

The Financial Information presents the combined results, cash flows and financial position of the companies comprising the Target Group as if the group structure had been in existence throughout the Relevant Periods and as if all of the Principal Activities were transferred to the Target Group as of the earliest period presented.

The Financial Information has 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. It has been prepared under the historical cost convention. This Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ADOPTION OF NEW AND REVISED HKFRSS

For the purpose of this Financial Information, the Target Group has adopted, at the beginning of the Relevant Periods, all the new and revised HKFRSs applicable to the Relevant Periods.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information:

HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments[4]

HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues[1]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[5]

1 Effective for annual periods beginning on or after 1 February 2010.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 January 2011.

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

5 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011 unless otherwise stated in the specific HKFRS, as appropriate.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Target Group's financial assets.

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that except for the adoption of HKFRS 9, the other new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information incorporates the combined financial statements of the Target Group for the Relevant Periods. As explained above, the acquisition of subsidiaries under common control has been accounted for using merger 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 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.

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

Subsidiaries

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Target Group's interests in associates are stated in the combined statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses. The Target Group's share of the post-acquisition results and reserves of associates is included in the combined income statement and combined reserves, respectively. Unrealised gains and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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 statements in the period in which it arises.

Related parties

A party is considered to be related to the Target 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 Target Group; (ii) has an interest in the Target Group that gives it significant influence over the Target Group; or (iii) has joint control over the Target 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 Target 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).

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 statements in the period in which it is incurred. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target 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	15-20 years
Leasehold improvements	5 years
Plant and machinery	5-10 years
Furniture and fixtures	3-5 years
Motor vehicles	4-5 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 statements 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.

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:

Software	2-5 years

Operating leases

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

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 Target 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 Target 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 Target 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 Target 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.

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 Target 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 statements. 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 Target 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 Target 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 Target 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 Target 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.

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 Target 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 Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target 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 Target Group's continuing involvement in the asset. In that case, the Target 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 Target 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 Target Group could be required to repay.

Impairment of financial assets

The Target 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target 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 Target 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 Target 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 Target 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.

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 Target 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 Target Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings and amount due to related parties.

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 Target Group that are not designated as hedging instruments in hedge relationships as defined by HKAS39. 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.

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.

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.

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.

Cash and cash equivalents

For the purpose of the combined cash flow statements, 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 Target 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 Target 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 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 and associates, 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.

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 Target 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 Target 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.

Vendor rebate

Volume-related vendor rebates are recognized as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

Employee benefits

The employees of the Target 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.

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.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information are presented in RMB. Each entity in the Target 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Financial Information 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 reporting date. 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 Target 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 Information:

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 recognised deferred tax assets relating to tax losses were Nil, RMB38,000, RMB311,000 and RMB779,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively. More details are given in Note 27(b).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, 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 non-financial assets (other than goodwill)

The Target 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. SEGMENT INFORMATION

The Target Group is engaged in the principal business of sales and services of motor vehicles. For management purposes, the Target 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 Target Group's revenue and operating profit were generated from the sales and services of motor vehicles in Mainland China and over 90% of the Target 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 Target Group's sales to a single customer amounted to 10% or more of the Target Group's revenue during each of the Relevant Periods, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from the sale of motor vehicles	2,037,631	2,759,228	3,276,560	1,418,046	2,587,537
Revenue from after-sales services	149,964	185,929	240,879	109,646	147,870
Others	56,745	87,242	32,020	17,659	3,372
	2,244,340	3,032,399	3,549,459	1,545,351	2,738,779

(b) Other income and gains, net:

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Commission income	5,673	11,928	13,987	5,820	14,293
Rental income	3,114	4,052	3,469	1,991	1,623
Government grants	–	116	5,946	325	–
Interest income	3,218	3,515	2,778	1,222	2,623
Net gain/(loss) on disposal of property, plant and equipment	(255)	(117)	(351)	(218)	959
Gain on disposal of associates	5,107	13,596	–	–	–
Loss on disposal of subsidiaries	–	(199)	–	–	–
System consulting income	–	7,602	–	–	–
Others	611	2,090	331	626	221
Total	17,468	42,583	26,160	9,766	19,719

6. PROFIT BEFORE TAX

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

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(a) Employee benefit expense (including directors' remuneration (Note 9)):					
Wages and salaries	10,572	18,971	28,290	12,696	17,679
Pension scheme contributions	1,607	3,009	4,559	2,118	3,231
Other welfare	1,201	2,530	3,099	1,555	1,669
	13,380	24,510	35,948	16,369	22,579
(b) Cost of sales and services:					
Cost of sales of motor vehicles	1,885,594	2,519,494	3,066,795	1,340,020	2,359,847
Cost of after-sales services	90,018	117,056	142,409	66,635	86,237
Others	51,008	77,225	28,290	15,885	3,048
	2,026,620	2,713,775	3,237,494	1,422,540	2,449,132

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(c) Other items:					
Depreciation and impairment of property, plant and equipment	10,227	14,036	31,319	11,103	24,074
Amortisation of land use rights	458	411	708	351	391
Amortisation of intangible assets	6	7	297	247	51
Rental expenses	6,334	13,066	13,923	5,982	9,639
Advertising expenses	22,536	29,300	34,178	26,321	21,978
Office expenses	510	431	588	218	232
Logistics expenses	1,258	615	1,784	702	975
Business promotion expenses	4,374	15,638	17,303	931	752
Net (gain)/ loss on disposal of property, plant and equipment	255	117	351	218	(959)

7. FINANCE COSTS

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expense on bank borrowings	13,443	29,078	22,096	8,744	17,224
Interest expense on other borrowings	54	1,324	12,944	6,121	7,684
	13,497	30,402	35,040	14,865	24,908

8. TAX

(a) Tax in the combined income statements represents:

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current Mainland China corporate income tax	33,268	43,025	26,114	7,121	44,582
Deferred tax *(Note 27(b))*	(150)	5,801	2,925	1,009	4,590
	33,118	48,826	29,039	8,130	49,172

Before 1 January 2008, enterprises incorporated in the PRC were subject to corporate income tax ("CIT") at a rate of 33%, of which 30% is attributable to national enterprise income tax and 3% attributable to local municipal income tax. Certain subsidiaries of the Target Group enjoyed preferential CIT rates which were lower than 33% during the Relevant Periods as approved by the relevant tax authorities or being operated in designated areas with preferential CIT policies in the PRC. In addition, certain subsidiaries, being incorporated as new trading enterprises in the PRC, have obtained approvals from the relevant tax authorities in the PRC for their entitlement to exemption from CIT for the first 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 has 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.

(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:

	Year ended 31 December			Six-month period ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	112,657	176,885	98,601	28,019	164,609
Tax at applicable tax rates (2007: 33%; 2008 to 2010: 25%)	37,177	44,221	24,651	7,005	41,152
Tax effect of non-deductible expenses	590	1,893	747	160	2,482
Tax effect of non-taxable income	(1,685)	(3,399)	–	–	–
Losses attributable to associates	4,487	–	–	–	–
Effect of tax concessions obtained	(7,499)	–	–	–	–
Effect of withholding tax at 5% on the distributable profits of the Target Group's subsidiaries in Mainland China	–	6,111	3,641	965	5,538
Effect of changes in tax rates on deferred tax assets recognised	48	–	–	–	–
Tax charge	33,118	48,826	29,039	8,130	49,172

9. DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Target Company during the Relevant Periods and the six-month period ended 30 June 2009 are presented below based on the remuneration that the directors obtained from the Target Group in the respective years.

	Year ended 31 December 2007				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Mr. Chou, Patrick Hsiao-Po	–	177	–	–	177
	–	177	–	–	177

	Year ended 31 December 2008				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Mr. Chou, Patrick Hsiao-Po	–	177	–	–	177
	–	177	–	–	177

	Year ended 31 December 2009				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Mr. Chou, Patrick Hsiao-Po	–	177	–	–	177
	–	177	–	–	177

	Six-month period ended 30 June 2010				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Mr. Chou, Patrick Hsiao-Po	–	89	–	–	89
	–	89	–	–	89

	Six-month period ended 30 June 2009 (unaudited)				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Mr. Chou, Patrick Hsiao-Po	–	89	–	–	89
	–	89	–	–	89

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the six-month period ended 30 June 2009.

No emoluments were paid to the non-executive directors and independent non-executive directors of the Target Company during the Relevant Periods and the six–month period ended 30 June 2009.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals did not include any director for each of the Relevant Periods and the six-month period ended 30 June 2009. Details of the remuneration of the five highest paid employees for each of the Relevant Periods and the six-month period ended 30 June 2009 are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	1,070	1,345	1,292	641	686
Pension scheme contributions	37	16	25	16	28
	1,107	1,361	1,317	657	714

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2007	38,272	10,639	4,780	6,979	19,562	26,882	107,114
Additions	593	6,051	5,916	3,497	14,552	20,161	50,770
Transfer	33,630	–	–	–	–	(33,630)	–
Disposals	–	–	(158)	(397)	(10,306)	–	(10,861)
At 31 December 2007	72,495	16,690	10,538	10,079	23,808	13,413	147,023
Accumulated depreciation and impairment:							
At 1 January 2007	6,754	4,273	1,778	3,718	5,298	–	21,821
Depreciation and impairment provided during the year	3,041	1,521	1,118	1,363	3,184	–	10,227
Written back on disposals	–	–	(55)	(363)	(3,462)	–	(3,880)
At 31 December 2007	9,795	5,794	2,841	4,718	5,020	–	28,168
Net book value:							
At 31 December 2007	62,700	10,896	7,697	5,361	18,788	13,413	118,855
Cost:							
At 1 January 2008	72,495	16,690	10,538	10,079	23,808	13,413	147,023
Additions	–	1,328	1,899	2,092	28,651	85,251	119,221
Transfer	14,947	–	–	–	–	(14,947)	–
Disposals	–	–	(953)	(62)	(15,072)	–	(16,087)
Disposal of subsidiaries *(Note 30)*	–	–	(161)	(348)	(1,217)	–	(1,726)
At 31 December 2008	87,442	18,018	11,323	11,761	36,170	83,717	248,431
Accumulated depreciation and impairment:							
At 1 January 2008	9,795	5,794	2,841	4,718	5,020	–	28,168
Depreciation and impairment provided during the year	3,555	1,693	1,758	1,588	5,442	–	14,036
Written back on disposals	–	–	(330)	(33)	(2,827)	–	(3,190)
Disposal of subsidiaries *(Note 30)*	–	–	(56)	(122)	(206)	–	(384)
At 31 December 2008	13,350	7,487	4,213	6,151	7,429	–	38,630
Net book value:							
At 31 December 2008	74,092	10,531	7,110	5,610	28,741	83,717	209,801

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2009	87,442	18,018	11,323	11,761	36,170	83,717	248,431
Additions	580	2,324	13,303	4,855	72,981	107,316	201,359
Transfer	13,853	130,027	59	1,515	–	(145,454)	–
Disposals	–	–	–	(10)	(27,740)	–	(27,750)
At 31 December 2009	101,875	150,369	24,685	18,121	81,411	45,579	422,040
Accumulated depreciation and impairment:							
At 1 January 2009	13,350	7,487	4,213	6,151	7,429	–	38,630
Depreciation and impairment provided during the year	4,091	9,202	2,757	3,076	12,193	–	31,319
Written back on disposals	–	–	–	(8)	(6,576)	–	(6,584)
At 31 December 2009	17,441	16,689	6,970	9,219	13,046	–	63,365
Net book value:							
At 31 December 2009	84,434	133,680	17,715	8,902	68,365	45,579	358,675
Cost:							
At 1 January 2010	101,875	150,369	24,685	18,121	81,411	45,579	422,040
Additions	22,571	35	6,707	2,526	24,199	26,476	82,514
Transfer	42,341	402	–	159	365	(43,267)	–
Disposals	–	–	–	–	(19,720)	–	(19,720)
At 30 June 2010	166,787	150,806	31,392	20,806	86,255	28,788	484,834
Accumulated depreciation and impairment:							
At 1 January 2010	17,441	16,689	6,970	9,219	13,046	–	63,365
Depreciation and impairment provided during the period	2,491	8,610	2,098	1,686	9,189	–	24,074
Disposals	–	–	–	–	(5,608)	–	(5,608)
At 30 June 2010	19,932	25,299	9,068	10,905	16,627	–	81,831
Net book value:							
At 30 June 2010	146,855	125,507	22,324	9,901	69,628	28,788	403,003

As at 30 June 2010, the application of the property ownership certificates of certain buildings with a net book value of approximately RMB16,735,000 was still in progress.

Certain of the Target Group's buildings and motor vehicles with aggregate net book values of approximately RMB13,171,000, RMB26,980,000, RMB25,573,000 and RMB28,717,000 as at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, respectively, were pledged as security for the Target Group's bank borrowings (Note 23(a)).

12. LAND USE RIGHTS

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At the beginning of each year/period	15,351	15,351	24,446	24,446
Additions	–	9,095	–	7,433
At the end of each year/period	15,351	24,446	24,446	31,879
Accumulated amortisation:				
At the beginning of each year/period	1,200	1,658	2,069	2,777
Charge for the year/period	458	411	708	391
At the end of each year/period	1,658	2,069	2,777	3,168
Net book value:				
At the end of each year/period	13,693	22,377	21,669	28,711

The lease prepayments of the Target Group represent cost of the Target Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Target Group are from 35 to 43 years.

Certain of the Target Group's land use rights with an aggregate net book value of approximately RMB3,548,000, RMB3,433,000, RMB3,259,000 and RMB 3,172,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were pledged as security for the Target Group's bank borrowings (Note 23(a)).

13. PREPAYMENTS

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid lease for buildings	12,676	11,611	6,099	4,201

14. INTANGIBLE ASSETS

	Software	Total
	RMB'000	*RMB'000*
Cost:		
At 1 January 2007	18	18
Additions	210	210
At 31 December 2007	228	228
Accumulated amortisation:		
At 1 January 2007	2	2
Amortisation provided during the year	6	6
At 31 December 2007	8	8
Net book value:		
At 31 December 2007	220	220
Cost:		
At 1 January 2008	228	228
Additions	319	319
Disposal of subsidiaries *(Note 30(a))*	(13)	(13)
At 31 December 2008	534	534
Accumulated amortisation:		
At 1 January 2008	8	8
Amortisation provided during the year	7	7
Disposal of subsidiaries *(Note 30(a))*	(10)	(10)
At 31 December 2008	5	5
Net book value:		
At 31 December 2008	529	529

	Software	Total
	RMB'000	*RMB'000*
Cost:		
At 1 January 2009 and 31 December 2009	534	534
Accumulated amortisation:		
At 1 January 2009	5	5
Amortisation provided during the year	297	297
At 31 December 2009	302	302
Net book value:		
At 31 December 2009	232	232
Cost:		
At 1 January 2010 and 30 June 2010	534	534
Accumulated amortisation:		
At 1 January 2010	302	302
Amortisation provided during the period	51	51
At 30 June 2010	353	353
Net book value:		
At 30 June 2010	181	181

15. INVESTMENTS IN ASSOCIATES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	6,817	–	–	–

北京駿寶捷汽車維修有限公司 (Beijing Jun Bao Jie Automobile Repairs & Maintenance Co., Ltd.) and 北京駿寶捷汽車銷售服務有限公司 (Beijing Jun Bao Jie Automobile Sales & Services Co., Ltd.) are associates of the Target Group and are considered to be related parties of the Target Group.

Particulars of associates

Associates	Place and date of incorporation/ registration	Authorised registered/paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Beijing Jun Bao Jie Automobile Repairs & Maintenance Co., Ltd.*	Beijing, the PRC, 2006	USD6,900,000/ USD4,340,000	49%	49%	49%	Service of motor vehicles
Beijing Jun Bao Jie Automobile Sales & Services Co., Ltd.*	Beijing, the PRC, 2006	USD900,000/ USD900,000	49%	49%	49%	Sales and Service of motor vehicles

* *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.*

All the above associates have been accounted for using the equity method in this Financial Information.

The following table illustrates the summarised financial information of the Target Group's associates extracted from their financial statements:

	At 31 December 2007 RMB'000	At 31 December 2008 RMB'000	At 31 December 2009 RMB'000	At 30 June 2010 RMB'000
Assets	161,950	–	–	–
Liabilities	(148,037)	–	–	–
Revenue	144,955	–	–	–
Loss	(27,746)	–	–	–

On 4 December 2007, the directors of the Target Group entered into an equity transfer agreement to transfer all the Target Group's share of interests in the two associates to the other shareholder of the two associates at a total consideration of RMB20,413,000. The equity transfers were completed in early 2008.

16. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment is equity investment in 天津空港北方汽車交易市場有限公司 (Tianjin Airport Northern Automobile Trading Market Co., Ltd.) (an unlisted company with registered capital of RMB1,000,000), which was designated as an available-for-sale financial investment. 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 cannot be measured reliably.

17. INVENTORIES

	At 31 December 2007 RMB'000	At 31 December 2008 RMB'000	At 31 December 2009 RMB'000	At 30 June 2010 RMB'000
Motor vehicles	152,056	341,387	295,582	439,853
Spare parts	12,032	13,073	20,068	33,206
Others	14,352	24,575	1,150	585
	178,440	379,035	316,800	473,644

Certain of the Target Group's inventories with a carrying amount of RMB74,829,000, RMB256,811,000, RMB190,779,000 and RMB286,061,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, were pledged as security for the Target Group's bank loans and other borrowings (Note 23(a)).

Certain of the Target Group's inventories with a carrying amount of RMB40,169,000, RMB42,632,000, RMB18,049,000 and RMB 88,444,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, were pledged as security for the Target Group's bills payable.

18. TRADE RECEIVABLES

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	13,499	15,049	26,462	28,661

The Target 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 Target 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 each statement of financial position date (based on the invoice date) is as follows:

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	12,888	13,809	25,126	27,978
More than 3 months but less than 1 year	611	1,240	1,240	486
Over 1 year	–	–	96	197
	13,499	15,049	26,462	28,661

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

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	13,499	15,049	26,366	28,464
Over one year past due	–	–	96	197
	13,499	15,049	26,462	28,661

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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target 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 Target Group does not hold any collateral or other credit enhancements over these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and deposits to suppliers	180,616	45,077	87,833	196,249
Deposits paid for acquisition of land use rights	16,400	20,050	34,000	34,000
Prepayments for purchase of property, plant and equipment	1,512	12,958	13,674	3,034
Vendor rebate receivables	13,744	18,705	27,853	40,950
VAT recoverable (i)	–	9,826	14,800	10,716
Receivables on disposal of associates	23,270	2,184	–	–
Others	16,733	16,234	14,523	13,885
	252,275	125,034	192,683	298,834

Note:

(i) The Target 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 Target Group is 17%.

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

20. PLEDGED BANK DEPOSITS

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits pledged with banks as collateral against credit facilities granted by the banks	118,635	148,443	140,756	224,048

Pledged bank deposits earn interest at interest rates stipulated by financial institutions. All pledged bank deposits at each statement of financial position date were denominated in the currency of RMB.

21. CASH IN TRANSIT

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in transit	1,407	3,524	5,765	10,872

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

22. CASH AND CASH EQUIVALENTS

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	119,995	147,887	285,660	307,074

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, all cash and bank balances of the Target Group were denominated in the currency of RMB.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances 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.

23. BANK LOANS AND OTHER BORROWINGS

	Year ended 31 December						Six-month period ended 30 June 2010	
	2007		2008		2009			
	Effective interest rate (%)	*RMB'000*	Effective interest rate (%)	*RMB'000*	Effective interest rate (%)	*RMB'000*	Effective interest rate (%)	*RMB'000*
Current bank borrowings	6-8	181,162	5-9	210,112	5-7	404,511	5-6	465,333
Other borrowings	6-9	89,023	6-9	233,935	5-8	256,385	5-8	269,554
		270,185		444,047		660,896		734,887
Current bank borrowings and other borrowings representing:								
– secured		133,423		257,472		307,175		402,219
– guaranteed		–		–		67,471		60,000
– unsecured		136,762		186,575		286,250		272,668
		270,185		444,047		660,896		734,887

The maturity of bank loans and other borrowings at each statement of financial position date were less than one year.

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

(i) mortgages over the Target Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB3,548,000, RMB3,433,000, RMB3,259,000 and RMB3,172,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively;

(ii) mortgages over the Target Group's buildings and motor vehicles, which had an aggregate carrying value of approximately RMB13,171,000, RMB26,980,000, RMB25,573,000 and RMB 28,717,000 as at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, respectively; and

(iii) mortgages over the Target Group's inventories, which had an aggregate carrying value of approximately RMB74,829,000, RMB256,811,000, RMB190,779,000 and RMB286,061,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

(b) Certain of the Target Group's bank loans as at 31 December 2009 and 30 June 2010 which amounted to RMB67,471,000 and RMB60,000,000, respectively, were guaranteed by the Controlling Shareholders.

24. TRADE AND BILLS PAYABLES

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	34,111	26,470	13,989	23,303
Bills payable	160,748	144,109	97,420	285,582
Trade and bills payables	194,859	170,579	111,409	308,885

An aged analysis of the trade and bills payables as at each statement of financial position date, based on the invoice date, is as follows:

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	194,026	170,527	107,274	280,199
3 to 6 months	810	–	152	24,626
6 to 12 months	–	–	3,976	180
Over 12 months	23	52	7	3,880
	194,859	170,579	111,409	308,885

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

25. OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment and land use rights	888	2,570	8,799	25,260
Advances from customers	142,040	74,258	100,190	97,788
Staff payroll and welfare payables	1,722	2,319	3,055	4,613
Others	13,727	8,050	8,803	15,333
	158,377	87,197	120,847	142,994

26. EMPLOYEE RETIREMENT BENEFITS

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 32% to 34% (2009: 32% to 34%, 2008: 32% to 34%; 2007: 32% to 34%) 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 Target 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 11% to 12% (2009: 11% to 12%, 2008: 11% to 12%; 2007: 8% to 12%) 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 Target Group in addition to such contributions to the accommodation fund.

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Target Group had no significant obligation apart from the contributions as stated above.

27. INCOME TAX PAYABLE AND DEFERRED TAX

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

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of each year/period	8,760	15,003	23,532	14,466
Provision for current tax for the year/period *(Note 8(a))*	33,268	43,025	26,114	44,582
Current tax paid	(27,025)	(34,369)	(35,180)	(33,139)
Disposal of subsidiaries	–	(127)	–	–
At the end of each year/period	15,003	23,532	14,466	25,909

(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/period are as follows:

Deferred Tax Assets:

	Losses available for offset against future taxable profits	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	–	–	–
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	–	150	150
At 31 December 2007	–	150	150
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	38	272	310
At 31 December 2008	38	422	460
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	273	263	536
At 31 December 2009	311	685	996
Deferred tax recognised in the combined income statement during the period *(Note 8(a))*	468	480	948
At 30 June 2010	779	1,165	1,944

Deferred Tax Liabilities:

	Withholding tax
	RMB'000
At 1 January 2007	–
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	–
At 31 December 2007	–
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	6,111
At 31 December 2008	6,111
Deferred tax recognised in the combined income statement during the period *(Note 8(a))*	3,461
At 31 December 2009	9,572
Deferred tax recognised in the combined income statement during the period *(Note 8(a))*	5,538
At 30 June 2010	15,110

28. SHARE CAPITAL

The Target Company was incorporated in the British Virgin Islands on 29 June, 2010 with an initial authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On the date of incorporation, 1 ordinary share of US$1.00 was allotted, issued and credited as fully paid to its then shareholder.

29. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those subsidiaries which are domestic enterprises in the PRC as mentioned in Note 37 of this report 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.

(ii) Merger reserve

The merger reserve of the Target Group represents the capital contributions from the equity holders of the Target Group. The additions during the Relevant Periods represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, which were combined from the effective date of acquisition.

30. DISPOSAL OF SUBSIDIARIES

(a) The Target Group disposed of its 100% equity interests in 杭州百得利汽車銷售有限公司 (Hangzhou Betterlife Automobile Sales Co., Ltd.) which engaged in automotive distribution business in Mainland China to third parties in May 2008:

	Notes	*RMB'000*
Net assets disposed of:		
Property, plant and equipment	*11*	1,342
Intangible assets	*14*	3
Cash and cash equivalents		21,079
Trade receivables		373
Prepayments, deposits and other receivables		7,710
Inventories		11,057
Trade and bills payables		(28,308)
Taxes payable	*27(a)*	(127)
Other payables and accruals		(2,830)
		10,299
Loss on disposal of a subsidiary		(199)
		10,100
Satisfied by:		
Cash		10,100

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 consideration	10,100
Cash and cash equivalents disposed of	(21,079)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(10,979)

(b) The Target Group terminated the operation of 浙江駿寶行汽車銷售有限公司 (Zhejiang Junbaohang Automobile Sales Co., Ltd.) which engaged in automotive distribution business in Mainland China in May 2008 and the company was then disolved:

	RMB'000
Net assets at the date of liquidation:	
Prepayments, deposits and other receivables	10,100
Satisfied by:	
Cash	10,100

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

	RMB'000
Cash received	10,100
Cash and cash equivalents disposed of	–
Net inflow of cash and cash equivalents in respect of the termination of the subsidiary	10,100

31. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the statement of financial position date were as follows:

2007

Financial assets

	Available-for-sale investments	**Loans and receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	100	–	100
Trade receivables	–	13,499	13,499
Financial assets included in prepayments, deposits and other receivables	–	53,817	53,817
Pledged bank deposits	–	118,635	118,635
Cash in transit	–	1,407	1,407
Cash and cash equivalents	–	119,995	119,995
	100	307,353	307,453

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	194,859
Financial liabilities included in other payables and accruals	16,339
Amounts due to related parties	10,066
Bank loans and other borrowings	270,185
	491,449

2008

Financial assets

	Available-for-sale investments *RMB'000*	**Loans and receivables** *RMB'000*	**Total** *RMB'000*
Available-for-sale investments	100	–	100
Trade receivables	–	15,049	15,049
Financial assets included in prepayments, deposits and other receivables	–	37,193	37,193
Pledged bank deposits	–	148,443	148,443
Cash in transit	–	3,524	3,524
Cash and cash equivalents	–	147,887	147,887
	100	352,096	352,196

2008

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	170,579
Financial liabilities included in other payables and accruals	12,941
Amounts due to related parties	16,053
Bank loans and other borrowings	444,047
	643,620

2009

Financial assets

	Available-for-sale investments *RMB'000*	**Loans and receivables** *RMB'000*	**Total** *RMB'000*
Available-for-sale investments	100	–	100
Trade receivables	–	26,462	26,462
Financial assets included in prepayments, deposits and other receivables	–	42,466	42,466
Pledged bank deposits	–	140,756	140,756
Cash in transit	–	5,765	5,765
Cash and cash equivalents	–	285,660	285,660
	100	501,109	501,209

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	111,409
Financial liabilities included in other payables and accruals	20,657
Amounts due to related parties	52,834
Bank loans and other borrowings	660,896
	845,796

Six-month period ended 30 June 2010

Financial assets

	Available-for-sale investments	Loans and receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	100	–	100
Trade receivables	–	28,661	28,661
Financial assets included in prepayments, deposits and other receivables	–	54,925	54,925
Term deposits and pledged bank deposits	–	224,048	224,048
Cash in transit	–	10,872	10,872
Cash and cash equivalents	–	307,074	307,074
	100	625,580	625,680

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	308,885
Financial liabilities included in other payables and accruals	45,225
Amounts due to related parties	92,188
Bank loans and other borrowings	734,887
	1,181,185

32. CONTINGENT LIABILITIES

As at 31 December 2007, 2008 and 2009, and 30 June 2010, the Target Group had no significant contingent liabilities.

33. COMMITMENTS

(a) Capital commitments

Capital commitments of the Target Group in respect of property and equipment outstanding at each statement of financial position date not provided for in the Financial Information were as follows:

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for land use rights and buildings	2,932	47,000	48,147	15,740

(b) Operating lease commitments

At each statement of financial position date, the Target Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	31 December						30 June	
	2007		**2008**		**2009**		**2010**	
	Properties	**Land**	**Properties**	**Land**	**Properties**	**Land**	**Properties**	**Land**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,617	–	9,255	–	11,039	–	18,275	–
After 1 year but within 5 years	10,715	–	37,772	–	32,360	–	60,692	–
After 5 years	14,039	–	44,221	–	38,699	–	81,572	–
	27,371	–	91,248	–	82,098	–	160,539	–

The Target 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 one to fifteen years, with an option to renew the leases when all the terms are renegotiated.

34. PLEDGE OF ASSETS

Details of the Target Group's bank loans and other borrowings, which are secured by the assets of the Target Group, are included in Note 11, Note 12 and Note 17 to the Financial Information.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Chou Wanghan (周王漢) and Mr. Chou Patrick Hsiao-Po are collectively the Controlling Shareholders of the Target Group. They are also the key management personnel and considered to be related parties of the Target Group.

(a) Transactions with related parties

(i) The Target Group's bank loans as at 31 December 2009 and 30 June 2010 which amounted to RMB67,471,000 and RMB60,000,000 respectively, were guaranteed by the Controlling Shareholders.

(b) Balances with related parties

(i) Due to related parties:

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related				
The Controlling Shareholders				
– Mr. Chou Patrick Hsiao-Po and Mr. Chou Wanghan	10,066	16,053	52,834	92,188

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

(ii) Compensation of key management personnel of the Target Group:

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short term employee benefits	403	486	446	653
Post-employee benefits	–	45	50	28
Total compensation paid to key management personnel	403	531	496	681

Further details of directors' emoluments are included in Note 9 to the Financial Information.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target 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 Target Group has no significant interest-bearing assets other than term deposits and pledged bank deposits (Note 20), and cash and cash equivalents (Note 22).

The Target Group's interest rate risk mainly arises from its borrowings, details of which are set out in Note 23. Borrowings at variable rates expose the Target Group to the risk of changes in market interest rates.

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

Credit risk

The Target 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 information represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, all bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Target 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.

The maturity profile of the Target Group's financial liabilities as at the statement of financial position date, based on the contractual undiscounted payments, was as follows:

	Year 2007					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	–	225,411	49,348	–	–	274,759
Trade and bills payables	–	194,026	810	23	–	194,859
Other payables	–	15,451	888	–	–	16,339
Amounts due to related parties	10,066	–	–	–	–	10,066
	10,066	434,888	51,046	23	–	496,023

	Year 2008					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	–	337,520	114,905	–	–	452,425
Trade and bills payables	–	170,527	–	52	–	170,579
Other payables	–	10,371	2,570	–	–	12,941
Amounts due to related parties	16,053	–	–	–	–	16,053
	16,053	518,418	117,475	52	–	651,998

	Year 2009					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	–	168,950	509,719	–	–	678,669
Trade and bills payables	–	107,274	4,128	7	–	111,409
Other payables	–	11,858	8,799	–	–	20,657
Amounts due to related parties	52,834	–	–	–	–	52,834
	52,834	288,082	522,646	7	–	863,569

	Six-month period ended 30 June 2010					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	–	592,707	153,708	–	–	746,415
Trade and bills payables	–	280,200	24,661	4,024	–	308,885
Other payables	–	22,090	23,135	–	–	45,225
Amounts due to related parties	92,188	–	–	–	–	92,188
	92,188	894,997	201,504	4,024	–	1,192,713

Capital management

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

The Target 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 Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target 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 Relevant Periods.

The Target 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 statement of financial position dates were as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	270,185	444,047	660,896	734,887
Trade and bills payables	194,859	170,579	111,409	308,885
Other payables and accruals	158,377	87,197	120,847	142,994
Amounts due to related parties	10,066	16,053	52,834	92,188
Less: Cash and cash equivalents	(119,995)	(147,887)	(285,660)	(307,074)
Net debt	513,492	569,989	660,326	971,880
Equity attributable to equity holders of the parent	188,272	322,442	395,445	474,410
Gearing ratio	73.2%	63.9%	62.5%	67.2%

37. DETAILS OF SUBSIDIARIES NOW COMPRISING THE TARGET GROUP

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

Company name	*Notes*	Place and date of incorporation/ operations	Authorised/ registered/ paid-in/issued capital	Proportion of ownership interest Held by the Target Company %	Held by a subsidiary %	Principal activities
北京百得利汽車進出口集團有限公司 (Beijing Betterlife Automobile Import & Export Group Co., Ltd.)	*(i)*	Beijing, the PRC 1998	Registered and paid-in capital of RMB60,000,000	–	100%	Investment holding
北京百得利汽車銷售有限公司 (Beijing Betterlife Auto Sales Co., Ltd.)	*(ii)*	Beijing, the PRC 2008	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
天津百得利汽車服務有限公司 (Tianjin Betterlife Automobile Service Co., Ltd.)	*(iii)*	Tianjin, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京百得利汽車貿易有限公司 (Beijing Betterlife Automobile Trading Co., Ltd.)	*(iv)*	Beijing, the PRC 2004	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

Company name	*Notes*	Place and date of incorporation/ operations	Authorised/ registered/ paid-in/issued capital	Proportion of ownership interest Held by the Target Company %	Held by a subsidiary %	Principal activities
天津百得利之迪汽車銷售有限公司 (Beijing Betterlife Zhidi Auto Sales Co., Ltd.)	*(v)*	Tianjin, the PRC 2007	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
北京百得利之星汽車銷售有限公司 (Beijing BetterLife Star Automobile Sales Co., Ltd.)	*(vi)*	Beijing, the PRC 2008	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
北京百得利之達汽車銷售有限公司 (Beijing Betterlife Zhida Auto Sales Co., Ltd.)	*(vii)*	Beijing, the PRC 2004	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
天津百得利汽車銷售有限公司 (Tianjin Betterlife Auto Sales Co., Ltd.)	*(viii)*	Tianjin, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
天津百得利投資控股有限公司 (Tianjin Betterlife Investment Co., Ltd.)	*(ix)*	Tianjin, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	100%	Investment holding
天津百得利汽車租賃有限公司 (Tianjin Betterlife Automobile Rental Co., Ltd.)	*(x)*	Tianjin, the PRC 2008	Registered and paid-in capital of RMB1,000,000	–	100%	Rental of motor vehicle
天津周氏興業國際貿易有限公司 (Chou Dynasty(Tianjin) International Trading Co., Ltd.)	*(xi)*	Tianjin, the PRC 2007	Registered and paid-in capital of US$52,000,000	–	100%	Investment holding
百得利天津國際貿易有限公司 (Better Life (Tianjin) International Trade Ltd.)	*(xii)*	Tianjin, the PRC 2001	Registered and paid-in capital of US$5,000,000	–	100%	Investment holding
北京百得利國際貿易有限公司 (Beijing Betterlife International Trade Co., Ltd.)	*(xiii)*	Beijing, the PRC 2006	Registered and paid-in capital of RMB100,000	–	100%	Investment holding
北京百得利之星舊機動車經紀有限公司 (Beijing Betterlife Star Used Auto Co., Ltd)	*(xiv)*	Beijing, the PRC 2004	Registered and paid-in capital of RMB100,000	–	100%	Sale and service of used vehicle

Notes:

(i) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(ii) The statutory accounts for the year ended 31 December 2008 was audited by中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(iii) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(iv) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(v) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(vi) The statutory accounts for the year ended 31 December 2008 was audited by中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(vii) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(viii) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

(ix) The statutory accounts for the year ended 31 December 2009 was audited by 天津廣信有限責任會計師事務所.

(x) No statutory account for the year ended 31 December 2008 has been prepared for this subsidiary since its incorporation as there is no statutory requirement for this company to prepare audited financial statements. The statutory accounts for the years ended 31 December 2009 was audited by天津廣信有限責任會計師事務所.

(xi) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 天津廣信有限責任會計師事務所. The statutory accounts for the year ended 31 December 2009 was audited by 天津廣信有限責任會計師事務所.

(xii) The statutory accounts for the year ended 31 December 2007 was audited by 天津廣信有限責任會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 天津廣信有限責任會計師事務所. The statutory accounts for the year ended 31 December 2009 was audited by 天津廣信有限責任會計師事務所.

(xiii) No statutory accounts have been prepared for this subsidiary since its incorporation as the company remains dormant since its establishment and is not required by the authorities to prepare audited financial statements.

(xiv) The statutory accounts for the year ended 31 December 2007 was audited by 北京中平建會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 中和正信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 was audited by 天健正信會計師事務所有限公司.

38. POST BALANCE SHEET EVENTS

(1) On 2 September 2010, the Target Group entered in to two equity transfer agreements with Mr. Chou Patrick Hsiao-Po to transfer the Target Group's entire equity interests in 北京百得利國際貿易有限公司 and 天津百得利汽車租賃有限公司 (the "Two Companies"), to Mr. Chou Patrick Hsiao-Po at a total consideration of RMB38,900,000. The Two Companies were dormant since the date of their incorporations and there were no material income statement items incurred to the Two Companies during the Relevant Periods. The items in the statements of financial position of the Two Companies were property, plant and equipment, land use right, cash and cash equivalents and other payables and accruals with an aggregated net book value of RMB34.8 million, RMB2.8 million, RMB1.3 million and RMB16,000, respectively, which were included in the Financial Information of the Target Group as at 30 June 2010 (The aggregated net assets of the Two Companies as at 31 December 2007, 31 December 2008 and 31 December 2009 were RMB0.1 million, RMB1.1 million and RMB1.1 million, respectively, which mainly represented cash and cash equivalents).

The companies now comprising the Target Group underwent and completed a Reorganisation on 20 September 2010 and as a result of the Reorganisation, the Target Company became the holding company of the Target Group.

(2) The Target Group established two new 4S stores, 杭州百得利汽車有限公司 and 成都百得利汽車貿易有限公司, on 18 August 2010 and 24 August 2010, respectively, which are engaged in sales and services of motor vehicles.

(3) On 29 September 2010, Mr. Chou Patrick Hsiao-Po entered into an equity transfer agreement with Famous Great International Limited (a wholly owned subsidiary of Zhongsheng Group Holdings Limited) to transfer his 50% equity interests in the Target Company at a total consideration of RMB1,100,000,000.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company or Target Group have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

(i) Basis of preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group

The information set out below is for illustrative purpose only and does not form part of the accountants' report prepared by the reporting accountants of Zhongsheng Group Holdings Limited. (the "Company"), Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix II to this circular.

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the ''Unaudited Pro Forma Financial Information") of the Enlarged Group (being the Company and its subsidiaries (the "Group") together with B&L Motor Holding Co., Ltd. (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group")) as at 30 June 2010 has been prepared based on:

(a) the historical unaudited condensed consolidated statement of financial position of the Group as at 30 June 2010 which has been extracted from the interim report for the six-month period ended 30 June 2010 of the Company;

(b) the audited combined statement of financial position of the Target Group as at 30 June 2010 which has been extracted from Appendix II to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the proposed acquisition might have affected the historical financial information in respect of the Group as if the proposed acquisition had been completed on 30 June 2010.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the Accountants' Report on the Target Group as set out in Appendix II to this circular.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2010 or at any future date.

(ii) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 30 June 2010	Target Group as at 30 June 2010	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*	*RMB'000*
			(1)	(2)		(3)	
NON-CURRENT ASSETS							
Property, plant and equipment	1,024,168	403,003		8,142	*2(a)*	(34,839)	1,400,474
Land use rights	486,062	28,711		27,401	*2(a)*	(2,793)	539,381
Prepayments	346,750	4,201	(23,768)				327,183
Intangible assets	320,905	181		980,208	*2(a)*		1,301,294
Goodwill	263,362	–		485,265	*2(b)*		748,627
Interests in subsidiaries	–	–	1,100,000	(1,100,000)			–
Interest in joint-controlled entities	42,822	–					42,822
Available-for-sale investment	129,874	100					129,974
Held-to-maturity investments	5,234	–					5,234
Deferred tax assets	7,978	1,944					9,922
Total non-current assets	2,627,155	438,140					4,504,911
CURRENT ASSETS							
Inventories	2,598,116	473,644		8,475	*2(a)*		3,080,235
Trade receivables	211,915	28,661					240,576
Prepayments, deposits and other receivables	1,854,685	298,834					2,153,519
Amount due from related parties	12,001	–					12,001
Term deposits and pledged bank deposits	437,921	224,048					661,969
Cash in transit	60,429	10,872					71,301
Cash and cash equivalents	3,340,469	307,074	(1,076,232)			37,616	2,608,927
Total current assets	8,515,536	1,343,133					8,828,528
CURRENT LIABILITIES							
Bank loans and other borrowings	3,236,445	734,887					3,971,332
Trade and bills payables	1,980,587	308,885					2,289,472
Other payables and accruals	234,348	142,994				(16)	377,326
Amounts due to related parties	18,995	92,188					111,183
Income tax payable	69,477	25,909					95,386
Total current liabilities	5,539,852	1,304,863					6,844,699
Net current assets	2,975,684	38,270					1,983,829
Total assets less current liabilities	5,602,839	476,410					6,488,740
Non-current liabilities							
Deferred tax liabilities	141,294	15,110		256,056	*2(a)*		412,460
NET ASSETS	5,461,545	461,300					6,076,280

	The Group as at 30 June 2010	Target Group as at 30 June 2010	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2010
	RMB'000	*RMB'000*	*RMB'000* (1)	*RMB'000* (2)	*Notes*	*RMB'000* (3)	*RMB'000*
EQUITY							
Equity attributable to equity holders of the parent							
Issued capital	168	–					168
Reserves	5,385,751	461,300		(461,300)			5,385,751
	5,385,919	461,300					5,385,919
Non-controlling interests	75,626	–		614,735	*2(c)*		690,361
Total equity	5,461,545	461,300					6,076,280

(iii) Notes to unaudited pro forma financial information

1 The pro forma adjustment was raised to recognise the equity transfer consideration pursuant to the equity transfer agreement (the "Agreement") entered into between Famous Great International Limited (a wholly-owned subsidiary of the Company) and Mr. CHOU Patrick Hsiao-Po (the original controlling shareholder of the Target Company and Target Group) dated 29 September 2010. The cost of the proposed acquisition was RMB1.1 billion pursuant to the Agreement. The pro forma adjustment recognised the cost of the proposed acquisition by reducing prepayments for potential acquisition of RMB23.8 million and cash and cash equivalents of RMB1,076.2 million, respectively.

2 The pro forma adjustments reflect the allocation of the cost of the proposed acquisition to the identifiable assets and liabilities of the Target Group, which represent:

(a) fair value adjustment of the identifiable assets and liabilities of the Target Group

Upon completion of the proposed acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard No.3 (Revised) "Business Combinations". The identifiable assets and liabilities of the Target Group are recorded in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at their fair values estimated by the directors of the Company with reference to a valuation report prepared by an independent valuer.

The pro forma adjustments represent the fair value adjustment on property, plant and equipment, land use rights, intangible assets, inventories and deferred tax liabilities of the Target Group amounting to RMB8.1 million, RMB27.4 million, RMB980.2 million, RMB8.5 million and RMB256.1 million, respectively.

(b) *recognition of goodwill*

Goodwill represents the excess of the cost of the proposed acquisition over the estimated fair value of the identifiable net assets of the Target Group. The cost of the proposed acquisition was RMB1.1 billion pursuant to the Agreement. The estimated fair value of the identifiable net assets of the Target Group as at 30 June 2010 is determined based on the Target Group's net asset value attributable to the equity holders of the Target Company and the fair value adjustments on property, plant and equipment, land use rights, intangible assets, inventories and deferred tax liabilities as set out in Note 2(a) above.

Since the fair value of the identifiable net assets of the Target Group at the date of completion of the proposed acquisition may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of goodwill may be different from the amount presented above.

(c) *recognition of non-controlling interests*

The pro forma adjustment represents 50% portion of the estimated fair value of the identifiable net assets of the Target Group as at 30 June 2010 attributable to the non-controlling shareholder as if the proposed acquisition had been completed on 30 June 2010.

3 The pro forma adjustment was raised to recognise the disposal of 北京百得利國際貿易有限公司 and 天津百得利汽車租賃有限公司 (the "Two Companies") pursuant to two equity transfer agreements (the "Two Agreements") entered into between the Target Group and Mr. CHOU Patrick Hsiao-Po dated 2 September 2010. Pursuant to the Two Agreements, the Two Companies will be transferred to Mr. CHOU Patrick Hsiao-Po at a total consideration of RMB38.9 million. The pro forma adjustment recognised the total consideration by increasing cash and cash equivalents of RMB38.9 million and the disposal of assets and liabilities of the Two Companies by reducing property, plant and equipment, land use right, cash and cash equivalent and other payables and accruals of RMB34.8 million, RMB2.8 million, RMB1.3 million and RMB16,000, respectively.

22 November 2010

The Directors
Zhongsheng Group Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information set out on pages III-1 to III-4 under the heading of "Unaudited Pro Forma Financial Information'' (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 22 November 2010 (the "Circular") of Zhongsheng Group Holdings Limited (the "Company"), in connection with the proposed acquisition of B & L Motor Holding Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page III-1 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for inclusion in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'').

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any report previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated statement of assets and liabilities as at 30 June 2010 of the Group as set out in the "Pro Forma Financial Information" section of this Circular with the unaudited interim condensed financial statements of the Group as at 30 June 2010, comparing the unaudited combined statement of assets and liabilities as at 30 June 2010 of the Target Group with the accountants' report as set out in Appendix II of this Circular, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis on the financial information of Target Group as extracted from the financial information of the Target Group from Appendix II to this circular for three financial years ended 31 December 2007, 2008 and 2009 as well as the six-month period ended 30 June 2010:

(a) Analysis of Items of Income Statements

Operating Results

(RMB'000)

	Year ended 31 December			Six-Month Period ended 30 June
Item	**2007**	**2008**	**2009**	**2010**
Revenue	2,244,340	3,032,399	3,549,459	2,738,779
Cost of Sales and Services	2,026,620	2,713,775	3,237,494	2,449,132
Gross Profit	217,720	318,624	311,965	289,647
Profit from Operations	139,750	207,287	133,641	189,517
Profit for the Year/Period	79,539	128,059	69,562	115,437

Revenue

From 2009 to the first half of 2010, as the impact of financial crisis has gradually faded and China's economy is on the road to recovery, the boost in confidence and purchasing power of domestic consumers has become a strong driving force behind China's passenger vehicle sector. During the six-month period ended 30 June 2010, the revenue of the Target Group reached RMB2,738.779 million, representing an increase of about 77.2% compared to the same period of 2009 of RMB1,545.351 million (unaudited). For the year ended 31 December 2009, the Target Group's revenue was RMB3,549.459 million, about 17.1% up from the revenue for 2008 of RMB3,032.399 million, which represented a growth of approximately 35.1% from the revenue for 2007 of RMB2,244.34 million.

A substantial portion of the Target Group's revenue came from sales of new automobiles. For the years of 2007, 2008 and 2009, and the six-month period ended on 30 June 2010, the revenue from new automobile sales accounted for about 90.8%, 91.0%, 92.3% and 94.5% of the total revenue, respectively. The remaining portion of the revenue was generated by the after-sales businesses. More than 90% of the revenue of the Target Group is derived from the operations in the PRC.

Cost of Sales and Services

For the six-month period ended 30 June 2010, the Target Group's cost of sales and services was RMB2,449.132 million, representing an increase of about 72.2% compared to the same period of 2009 of RMB1,422.54 million (unaudited). This was mainly attributable to the increase in cost of sales and services in existing dealerships and the increase in numbers of new dealerships. The cost of sales and services of the Target Group for the year ended 31 December 2009 was RMB3,237.494 million, about 19.3% up from the cost of sales and services for 2008 of RMB2,713.775 million, which represented a growth of approximately 33.9% from the cost of sales and services for 2007 of RMB2,026.62 million.

Gross Profit

For the six-month period ended 30 June 2010, the Target Group's gross profit was RMB289.647 million, representing an increase of about 135.8% compared to the same period of 2009 of RMB122.811 million (unaudited). This was mainly attributable to the profit increase in existing dealerships and the increase in numbers of new dealerships. The gross profit of the Target Group for the year ended 31 December 2009 was RMB311.965 million, about 2.1% down from the gross profit for 2008 of RMB318.624 million, which represented a growth of approximately 46.3% from the gross profit for 2007 of RMB217.72 million.

Profit from Operations

For the six-month period ended 30 June 2010, the Target Group's profit from operations was RMB189.517 million, representing an increase of about 341.9% compared to the same period of 2009 of RMB42.844 million (unaudited). This was mainly attributable to the profit increase in existing dealerships and the increase in numbers of new dealerships. The profit from operations of the Target Group for the year ended 31 December 2009 was RMB133.641 million, about 35.5% down from the profit from operations for 2008 of RMB207.287 million, which represented a growth of approximately 48.3% from the profit from operations for 2007 of RMB139.75 million. The high volatility in the profit from operations was mainly attributable to the impact of the financial crisis on the automobile sales sector.

Profit for the Year/Period

For the six-month period ended 30 June 2010, the Target Group's profit for the year was RMB115.437 million, representing an increase of about 480.4% from the year-ago level of RMB19.889 million (unaudited). This was mainly attributable to the profit increase in existing dealerships and the increase in numbers of new dealerships. The profit of the Target Group for the year ended 31 December 2009 was RMB69.562 million, about 45.7% down from the profit for 2008 of RMB128.059 million, which represented a growth of approximately 61.0% from profit for 2007 of RMB79.539 million. The high volatility in the profit for the year was mainly attributable to the impact of the financial crisis on the automobile sales sector.

(b) Analysis of Items of Balance Sheets

(in RMB'000)

Item	As at 31 December 2007	2008	2009	As at 30 June 2010
Total Non-Current Assets	152,511	244,878	387,771	438,140
Total Current Assets	684,251	818,972	968,126	1,343,133
Total Assets	836,762	1,063,850	1,355,897	1,781,273
Total Current Liabilities	648,490	741,408	960,452	1,304,863
Net Current Assets	35,761	77,564	7,674	38,270
Total Assets Less Current Liabilities	188,272	322,442	395,445	476,410
Net Assets	188,272	316,331	385,873	461,300
Total Equity	188,272	316,331	385,873	461,300

As at 30 June 2010 and the end of 2009, 2008 and 2007, the total assets of the Target Group were RMB1,781.273 million, RMB968.126 million, RMB818.972 million and RMB684.251 million, respectively. As at 30 June 2010 and 31 December 2009 and 2008, the total assets of the Target Group rose by about 84.0%, 18.2% and 19.7% from the previous year's end respectively.

As at 30 June 2010 and the end of 2009, 2008 and 2007, the liabilities of the Target Group were RMB1,319.973 million, RMB970.024 million, RMB747.519 million and RMB648.49 million, respectively. As at 30 June 2010 and 31 December 2009 and 2008, the liabilities of the Target Group rose by about 36.1%, 29.8% and 15.3% from the previous year's end respectively. This is mainly attributable to the increasing demand in financing brought by the increasing business.

(c) Liquidity and Capital Resources

Cash flow

The Target Group primarily uses cash to pay for new automobiles, spare parts and automobile accessories, to repay its indebtedness, to fund its working capital and normal operating expenses and to establish new 4S dealerships. The Target Group meets its liquidity requirements through a combination of cash flows generated from its operating activities and bank loans and other borrowings.

Cash flow generated from operating activities

As at 30 June 2010, the Target Group's net cash generated from operating activities was RMB20.264 million, consisting primarily of profit before taxation of RMB164.609 million, an increase in trade and bills payable of RMB197.476 million, primarily offset by an increase in prepayments, deposits and other receivables of RMB114.893 million, an increase in inventories of RMB156.844 million and an increase in pledged bank deposits of RMB83.292 million.

Cash flow used in investing activities

As at 30 June 2010, the Target Group's net cash used in investing activities was RMB47.277 million, consisting primarily of cost of purchases of property, plant and equipment of RMB57.697 million and cost of purchases of land use rights of RMB7.433 million, partially offset by income from disposal of property, plant and equipment and interest income.

Cash flow generated from financing activities

As at 30 June 2010, the Target Group's net cash generated from financing activities was RMB48.427 million, consisting primarily of proceeds from bank loans and other borrowings of RMB2,018.071 million, partially offset by repayment of bank loans and other borrowings of RMB1,944.08 million and repayment of advances from the controlling shareholder of RMB0.656 million.

Net current assets and liabilities

As at 30 June 2010, the Target Group had net current assets of RMB38.27 million, representing an increase of RMB30.596 million or 398.7% from its net current assets as at 31 December 2009.

The Target Group's net current assets as at 31 December 2009 dropped about 90.1% compared to that as at the end of 2008 of RMB77.564 million, primarily due to that the Target Group increased its borrowings in business expansion in 2009, which therefore led to a temporary decrease in the net current assets.

Capital Expenditures and Investment

The Target Group's capital expenditures comprised expenditures on property, plant and equipment and land use rights. During the past three years of 2007, 2008 and 2009, and the period ended 30 June 2010, its total capital expenditures were RMB50.95 million, RMB126.63 million, RMB195.13 million and RMB75.77 million respectively.

Gearing Ratio

As at the year end of 2007, 2008 and 2009, and 30 June 2010, the gearing ratios, which are the net debt divided by the equity attributable to equity holders of the parent plus net debt, of the Target Group were 73.2%, 63.9%, 62.5% and 67.2% respectively.

(d) Segment Information

The Target Group is principally engaged in businesses relating to automobile sales and services. Over 90% of the Target Group's revenue was generated from mainland China and over 90% of its assets and liabilities are located in Mainland China. Therefore, the Target Group operates only in one segment which is the sale of automobiles and the provision of related services.

(e) Interest Rate Risk and Foreign Exchange Rate Risk

The Target Group does not currently use any derivatives to hedge its interest rate risk. The operations of the Target Group are mainly carried out in the PRC with most transactions settled in RMB. Certain cash and bank deposits of the Target Group are denominated in RMB. The Target Group has not used any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure.

(f) External Investment

Currently the Target Group has an equity investment in 天津空港北方汽車交易市場有限公司 (Tianjin Airport Northern Automobile Trading Market Co., Ltd.), which was designated as an available-for-sale financial investment. Please refer to Note 16 of Appendix II to this circular for further details of this investment.

Save as disclosed above, as at the year end of 2007, 2008 and 2009, and at 30 June 2010, the Target Group did not hold any external long term equity investment.

(g) Pledge of the Target Group's Assets

The Target Group had pledged its group assets (including land use rights, property, motor vehicles and inventories) as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2010, the current value of the pledged group assets amounted to approximately RMB317,950,000.

(h) Material Restructuring Related Information

Since the incorporation of the Target Group until the Latest Practicable Date, the Target Group has not conducted any merger, separation or debt restructuring and there has been no event such as major acquisitions.

The Target Group previously held a 49% interest in both Beijing Jun Bao Jie Automobile Repaires & Maintenance Co., Ltd. and Beijing Jun Bao Jie Automobile Sales & Services Co., Ltd.. As at 4 December 2007, the Target Group transferred all its interests in these companies to the other shareholders of these companies at a consideration of RMB20.413 million. The equity transfer was completed in 2008.

(i) Staff and Remuneration Status

As at the year end of 2007, 2008 and 2009, and at 30 June 2010, the Target Group had a total of 498, 638, 827 and 894 employees on its payroll respectively.

During the past three years of 2007, 2008 and 2009, and the six months ended 30 June 2010, the remuneration cost of the Target Group were RMB13.9 million, RMB25.65 million, RMB37.65 million and RMB23.23 million respectively.

Salaries, bonuses, social security welfare and other staff welfare are accrued during the service span of the employees of the Target Group. Under the requirements of the PRC law, the Target Group has to make contributions to the social basic pension insurance administered by various local governments. The contributions are charged to the income statements as they become payable.

(j) Contingent Liabilities

As at the year end of 2007, 2008 and 2009 and at 30 June 2010, the Target Group had no significant contingent liabilities.

(k) Future Business Development Plan

According to the Equity Transfer Agreement, the Transferee and the Transferor intend to make an investment in the newly established businesses and assets relating to automobile sales and services in China through a newly incorporated offshore company which is intended to be named as 百得利(中國)投資有限公司 (Betterlife (China) Investment Co., Ltd.), with a registered capital of US$30 million and in which each will hold a 50% equity interest subject to compliance with the Hong Kong laws and the Listing Rules. It is expected that Betterlife (China) Investment Co., Ltd. will principally engage in distributing European high-end luxury automobile brands, all the investment will be used in establishing new 4S dealerships and the relevant total investment will be funded through various sources. Mr. Chou, Patrick Hsiao-Po, the Transferor, is expected to be the chairman and the chief executive officer of Betterlife (China) Investment Co., Ltd.. Further details regarding the formation of Betterlife (China) Investment Co., Ltd. are subject to the finalisation of the joint venture agreement and commercial negotiation with the Transferor.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of providing information regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's Interests

As at the Latest Practicable Date, the interests of our Directors and chief executives in the shares (the "Shares"), underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate % of interest held over all issued Shares
Huang Yi(1)	Chairman and Executive Director	1,245,993,876	65.29%
Li Guoqiang(2)	Vice Chairman, Executive Director and Chief Executive	1,245,993,876	65.29%

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. Mr. Huang Yi is a director of Light Yield and 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. Mr. Li Guoqiang is a director of Vest Sun and Blue Natural.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any beneficial or deemed 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 were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

(b) Substantial Shareholders' interests

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position 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 would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

Long position in the Shares and underlying shares of the Company

Name	Capacity	Number of Shares held	Approximate % of interest held over all issued Shares
General Atlantic Partners (Dalian), L.P.(1)	Beneficial owner	181,384,042	9.50%
GAP (Bermuda) Limited(1)	Deemed interest, interest of controlled company	223,403,419	11.71%
Blue Natural(2) (3)	Beneficial owner	1,245,993,876	65.29%
Light Yield(2)	Deemed interest, interest of controlled company	1,245,993,876	65.29%
Vest Sun(3)	Deemed interest, interest of controlled company	1,245,993,876	65.29%
Cheah Capital Management Limited	Deemed interest, interest of controlled company	95,800,500	5.01%
Cheah Company Limited	Deemed interest, interest of controlled company	95,800,500	5.01%

Name	Capacity	Number of Shares held	Approximate % of interest held over all issued Shares
Hang Seng Bank Trustee International Limited	Deemed interest, interest of controlled company	95,800,500	5.01%
Value Partners Group Limited	Deemed interest, interest of controlled company	95,800,500	5.01%
Value Partners Limited	Deemed interest, interest of controlled company	95,800,500	5.01%
To Hau Yin	Beneficial Owner	95,800,500	5.01%
Cheah Cheng Hye	Beneficial Owner	95,800,500	5.01%

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 Latest Practicable Date, 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.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2009 (being the date up to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

(a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(b) There were no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more.

(c) There were no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or claims and, so far as the Directors are aware, no material litigation or claims are pending or threatened by or against any companies of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date and is or may be material:

(1) an equity transfer agreement dated 8 December 2008 entered into between Xin Wei (辛瑋), Jiang Hong (江紅) and Zhongsheng (Dalian) Holdings Co., Ltd ("Zhongsheng Dalian"), pursuant to which Zhongsheng Dalian agreed to acquire 90% and 10% equity interest in Dalian Yuzeng from Xin Wei and Jiang Hong respectively for a total consideration of RMB128,795,487.68;

(2) an equity transfer agreement dated 12 January 2009 entered into between Yantai Dacheng Tongzhou Group Co., Ltd. (烟台大成通洲集團有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 50% equity interest in Yantai Dacheng Huamei Automobile Sales & Services Co., Ltd. (烟台大成華美汽車銷售服務有限公司) from Yantai Dacheng Tongzhou Group Co., Ltd. for a consideration of RMB5,227,307;

(3) an equity transfer agreement dated 12 January 2009 entered into between Yantai Xinchao Industrial Company Limited (烟台新潮實業股份有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 50% equity interest in Yantai Dacheng Huamei Automobile Sales & Services Co., Ltd. (烟台大成華美汽車銷售服務有限公司) from Yantai Xinchao Industrial Company Limited for a consideration of RMB5,227,307;

(4) an equity transfer agreement dated 12 January 2009 entered into between Yantai Dacheng Tongzhou Group Co., Ltd. (烟台大成通洲集團有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 50% equity interest in Yantai Zhucheng Automobile Sales & Services Co., Ltd. (烟台鑄成汽車銷售服務有限公司) from Yantai Dacheng Tongzhou Group Co., Ltd. for a consideration of RMB1,576,243;

(5) an equity transfer agreement dated 12 January 2009 entered into between Yantai Xinchao Industrial Company Limited (烟台新潮實業股份有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 50% equity interest in Yantai Zhucheng Automobile Sales & Services Co., Ltd. (烟台鑄成汽車銷售服務有限公司) from Yantai Xinchao Industrial Company Limited for a consideration of RMB1,576,243;

(6) an equity transfer agreement dated 12 January 2009 entered into between Yantai Dacheng Tongzhou Group Co., Ltd. (烟台大成通洲集團有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 50% equity interest in Yantai Tongzhou Automobile Sales Co., Ltd. (烟台通洲汽車銷售有限公司) from Yantai Dacheng Tongzhou Group Co., Ltd. for a consideration of RMB32,285,168;

(7) an equity transfer agreement dated 12 January 2009 entered into between Yantai Xinchao Industrial Company Limited (烟台新潮實業股份有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 50% equity interest in Yantai Tongzhou Automobile Sales Co., Ltd. (烟台通洲汽車銷售有限公司) from Yantai Xinchao Industrial Company Limited for a consideration of RMB32,285,168;

(8) an equity transfer agreement dated 5 March 2009 entered into between Ma Xiaodong (馬曉東), Yin Lijun (尹立君) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 51% and 49% equity interest in Qingdao Zhongsheng Qingtong Automobile Sales & Services Co., Ltd. (青島中升慶通汽車銷售服務有限公司) from Ma Xiaodong and Yin Lijun for a consideration of RMB5,100,000 and RMB4,900,000 respectively;

(9) an equity transfer agreement dated 5 March 2009 entered into between Ma Xiaodong (馬曉東), Yin Lijun (尹立君) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 80% and 20% equity interest in Qingdao Zhongsheng Botong Automobile Sales & Services Co., Ltd. (青島中升搏通汽車銷售服務有限公司) from Ma Xiaodong and Yin Lijun for a consideration of RMB8,800,000 and RMB2,200,000 respectively;

(10) an equity transfer agreement dated 5 March 2009 entered into between Ma Xiaodong (馬曉東), Yin Lijun (尹立君) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 80% and 20% equity interest in Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd. (青島中升智通汽車銷售服務有限公司) from Ma Xiaodong and Yin Lijun for a consideration of RMB8,800,000 and RMB2,200,000 respectively;

(11) an equity transfer agreement dated 27 April 2009 entered into between Zhongsheng Dalian and Tu Bin (塗彬), pursuant to which Zhongsheng Dalian agreed to dispose of 20% equity interest in Chengdu Zhongsheng Toyota Automobile Sales & Services Co., Ltd. (成都中升豐田汽車銷售服務有限公司) to Tu Bin for a consideration of RMB2,000,000;

(12) an equity transfer agreement dated 27 July 2009 entered into between P&B Nominee Services Limited, Charming Elements, Xin Wei (辛瑋), Jiang Hong (江紅) and Joint Easygain, pursuant to which Joint Easygain agreed to acquire 100% equity interest in Charming Elements from P&B Nominee Services Limited for a consideration of RMB125,000,000;

(13) an equity transfer agreement dated 10 August 2009 entered into between Ma Dazhuang (馬大莊) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 40% equity interest in Liaoning Yisheng Automobile Sales & Services Co., Ltd. (遼寧億盛汽車銷售服務有限公司) from Ma Dazhuang for a consideration of RMB4,000,000;

(14) an equity transfer agreement dated 10 August 2009 entered into between Lv Zhiyong (呂志勇) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 60% equity interest in Liaoning Yisheng Automobile Sales & Services Co., Ltd. (遼寧億盛汽車銷售服務有限公司) from Lv Zhiyong for a consideration of RMB6,000,000;

(15) an equity transfer agreement dated 26 September 2009 entered into between Shaoxing Huixin Automobile Sales & Services Co., Ltd. (紹興市匯鑫汽車銷售服務有限公司), Yang Lin (楊琳), Yang Hua (楊華) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 80%, 10% and 10% equity interest in Shaoxing Zhongxin Automobile Sales Co., Ltd. (紹興市中鑫汽車銷售有限公司) from Shaoxing Huixin Automobile Sales & Services Co., Ltd., Yang Lin and Yang Hua respectively for a total consideration of RMB9,938,232.53;

(16) an equity transfer agreement dated 26 September 2009 entered into between Yang Lin (楊琳),Yang Hua (楊華) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 80% and 20% equity interest in Shaoxing Huixin Automobile Sales & Services Co., Ltd. (紹興市匯鑫汽車銷售服務有限公司) from Yang Lin and Yang Hua respectively for a total consideration of RMB44,003,044.02;

(17) an equity transfer agreement dated 30 September 2009 entered into between Wei Zhijie (魏志杰), Wei Zhijian (魏志堅), Chen Xiaolong (陳曉龍) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 100% equity interest in Jilin Chengbang Automobile Sales & Services Co., Ltd. (吉林市成邦汽車銷售服務有限公司) from Wei Zhijie, Wei Zhijian and Chen Xiaolong for a total consideration of RMB30,000,000;

(18) an equity transfer agreement dated 30 September 2009 entered into between Dalian Tiansi Automobile Services Group Co., Ltd. (大連天巳汽車服務集團有限公司), Dalian Tiansi International Trade Co., Ltd. (大連天巳國際貿易有限公司) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 80% and 20% equity interest in Harbin Tiansi Toyota Sales & Services Co., Ltd. (哈爾濱天巳豐田銷售服務有限公司) from Dalian Tiansi Automobile Services Group Co., Ltd. and Dalian Tiansi International Trade Co., Ltd. respectively for a total consideration of RMB40,000,000;

(19) an equity transfer agreement dated 30 September 2009 entered into between Wei Zhijie (魏志杰), Wei Zhijian (魏志堅) and Zhongsheng Dalian, pursuant to which Zhongsheng Dalian agreed to acquire 100% equity interest in Changchun Chengbang Trading Co., Ltd. (長春市成邦商貿有限公司) from Wei Zhijie and Wei Zhijian for a total consideration of RMB50,000,000;

(20) a reorganization agreement dated 9 February 2010 entered into between Elegance Extreme, General Atlantic, Blue Natural, Noble Villa and our Company, pursuant to which Elegance Extreme first transferred all of its interest in Bright Friends, Well Snape, Charming Elements and Zhongsheng International to Noble Villa in exchange for an issue of 1,559,892,795 Shares in our Company on 22 February 2010. General Atlantic will then convert all the preferred shares it held in Elegance Extreme to the common shares in Elegance Extreme. Elegance Extreme agreed to repurchase all the issued common shares in Elegance Extreme from Blue Natural (with the exception of 85 common shares) and General Atlantic (with the exception of 15 common shares), respectively, and in consideration, Elegance Extreme agreed to transfer 1,325,993,876 Shares and 233,998,919 Shares in our Company, representing 85% and 15% of the total issued Shares of our Company, to Blue Natural and General Atlantic, respectively;

(21) A series of equity transfer agreements dated 10 July 2010, 13 August 2010, 10 September 2010 and 16 September 2010 entered into between Dalian Zhongsheng Aotong Automobile Sales Co., Ltd. and Beijing Zhongsheng Enterprise Management Co., Ltd, the Company's wholly owned subsidiaries, and Fujian Yatai Automobile Parts Co., Ltd., Xiamen Ruibao Automobile Sales Co., Ltd. and Sanming Chemical Construction Material Co., Ltd. respectively, pursuant to which Dalian Zhongsheng Aotong Automobile Sales Co., Ltd. and Beijing Zhongsheng Enterprise Management Co., Ltd. agreed to acquire 100% equity interest in Fuzhou Huarui Automobile Sales Service Co., Ltd. and Fuzhou Grand Rich Da Trade Co., Ltd. for a total consideration of RMB197,000,000; and

(22) an equity transfer agreement dated 29 September 2010 entered into between Famous Great International Limited, the Company's indirect wholly-owned subsidiary and Mr. Chou, Patrick Hsiao-Po, pursuant to which Famous Great International Limited agreed to acquire 50% equity interest in B&L Motor Holding Co., Ltd. for a consideration of RMB1.1billion.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date, which are or may be material.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which is contained in this circular:

Name	**Qualification**
Ernst & Young	Certified Public Accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect shareholding in any member of the Enlarged Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any assets which have been since 31 December 2009 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

9. GENERAL INFORMATION

(a) The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The address of the head office and principal place of business of the Company in Hong Kong is Room 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

(c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The joint company secretaries of the Company are Ms. Kam Mei Ha Wendy and Miss Mak Sze Man, both of whom are associate members of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays and public holidays) at the head office and principal office of the Company in Hong Kong at Room 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including 7 December 2010:

(a) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;

(b) the articles of association of the Company;

(c) the Company's prospectus containing financial information for three financial years ended 31 December 2007, 2008 and 2009, the Company's annual report for the financial year ended 31 December 2009 and the Company's interim report for six months ended 30 June 2010;

(d) the accountant's report on the audited financial information on the Target Group as set out in Appendix II to this circular;

(e) the accountant's report on the unaudited pro-forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(f) the letter of consent from Ernst & Young referred to under "Expert and Consent" in this Appendix; and

(g) this circular.