中升集團控股有限公司

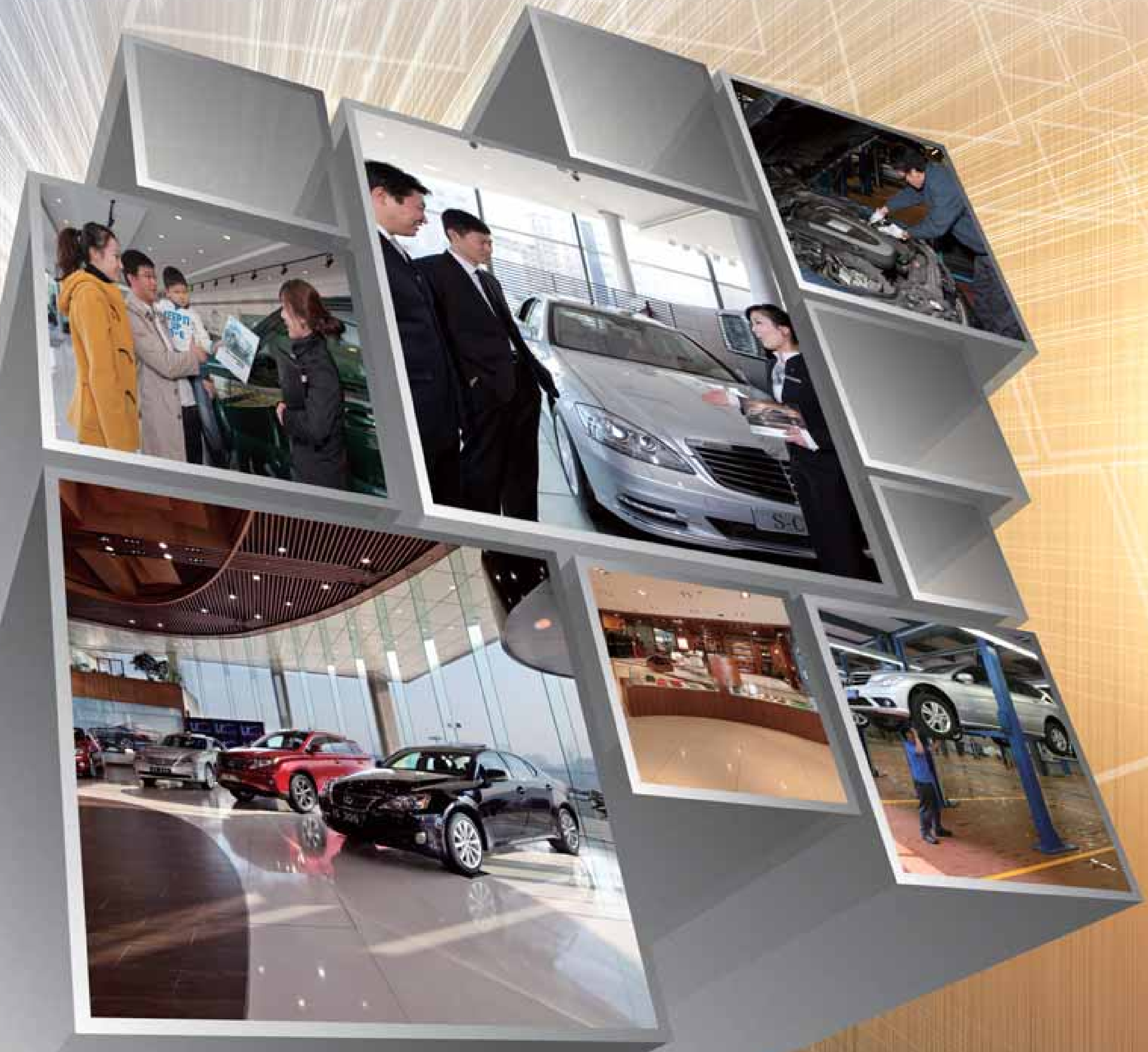
ZHONGSHENG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 881

Zhongsheng Group - Lifetime Partner

中升集團 • 終生夥伴



Annual Report 2010

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

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

Corporate Headquarters

32nd Floor, Taikang Financial Tower
38 East Third Ring Road North Street
Chaoyang District
Beijing
PRC

Principal Place of Business In Hong Kong

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

Registered Office

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

Principal Share Registrar and Transfer Office

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

Legal Advisers to Hong Kong Law

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

Joint Company Secretaries

Ms. Kam Mei Ha Wendy
Ms. Mak Sze Man

Authorized Representatives

Mr. Huang Yi
Ms. Kam Mei Ha Wendy

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Compliance Committee

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

Compliance Adviser

Haitong International Capital Limited
25th Floor, New World Tower
16–18 Queen's Road Central
Hong Kong

Hong Kong Share Registrar

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

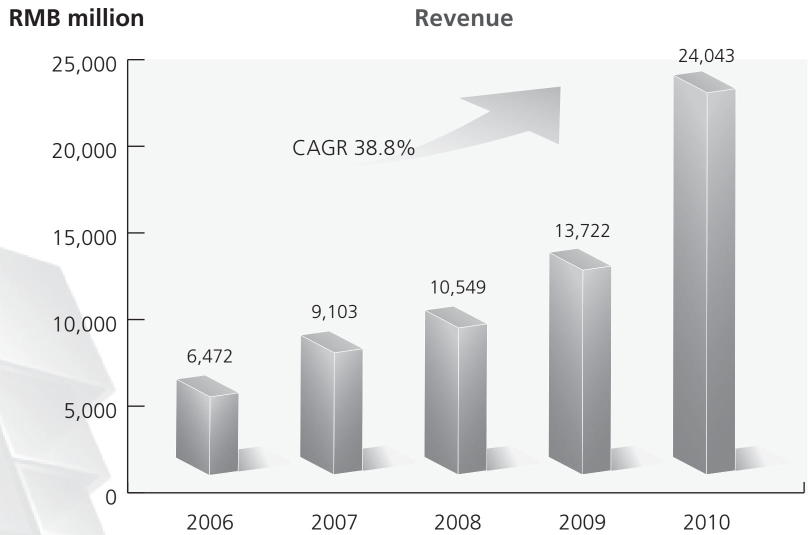
Stock Code

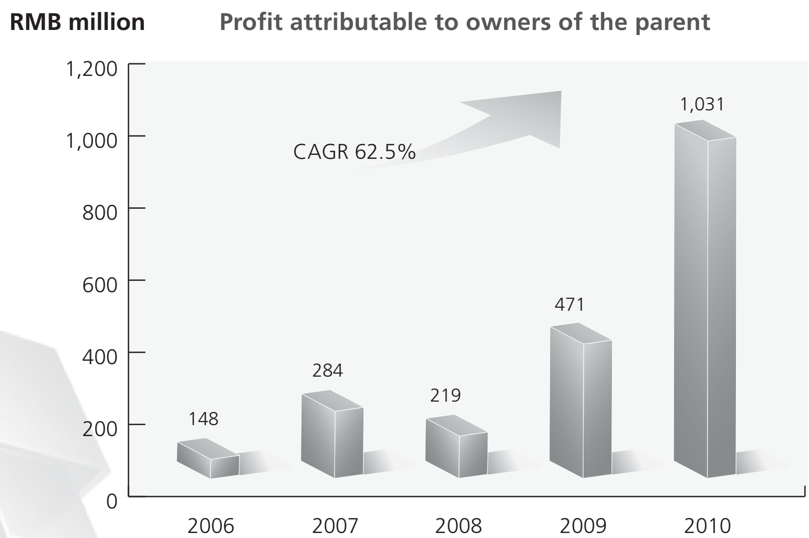
881

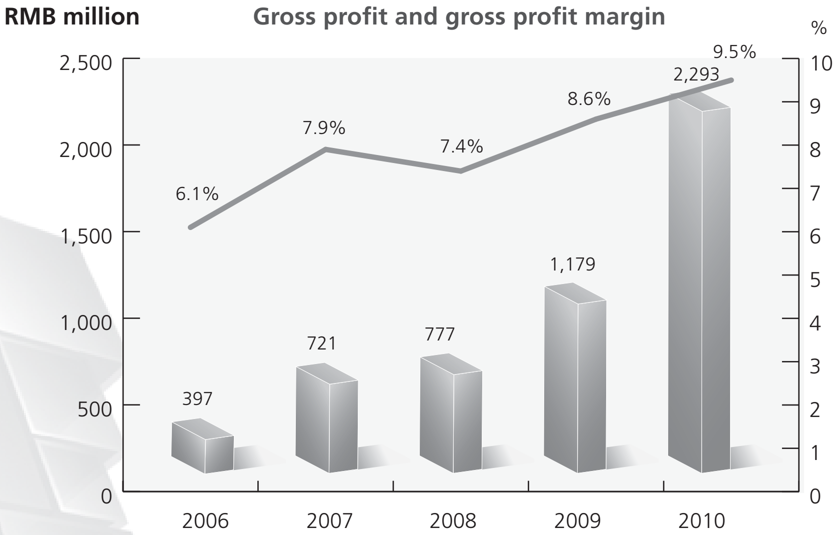
Auditors

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

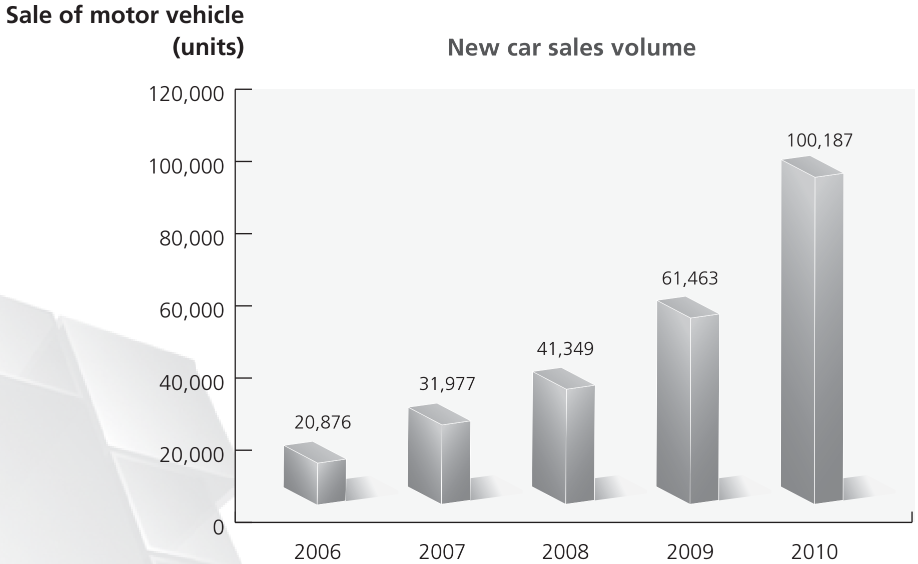
Financial Highlights







RMB million
Gross profit and gross profit margin
%
2,500
2,000
1,500
1,000
500
0
10
9
8
7
6
5
4
3
2
1
0
6.1%
7.9%
7.4%
8.6%
9.5%
397
721
777
1,179
2,293
2006
2007
2008
2009
2010



Sale of motor vehicle (units)
New car sales volume
120,000
100,000
80,000
60,000
40,000
20,000
0
20,876
31,977
41,349
61,463
100,187
2006
2007
2008
2009
2010

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Zhongsheng Group Holdings Limited ("Zhongsheng" or the "Company"), it is my pleasure to present the annual results of the Company and its subsidiaries (the "Group") for the year 2010.

During the year ended 31 December 2010, the growth of the passenger vehicle market in China maintained strong momentum. Zhongsheng further expanded its 4S dealership network through organic growth and strategic acquisitions. Through improvement of our after-sale services as well as consolidation of our existing customers base, the Company achieved continuous growth in its businesses. Our various performance indicators showed remarkable and distinguished results. During the year under review, the Company recorded a revenue of RMB24,042.9 million, representing an increase of 75.2% from RMB13,722.2 million in 2009. Our profit reached RMB1,082.4 million, representing an increase of 119.6% from RMB493.0 million in 2009. Earnings per share was RMB0.56 (2009: RMB0.30).

The Company has been proactive in expanding its business and achieving development since its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2010. During the year under review, the Company was selected as a constituent of Hang Seng Composite Index, which magnificently enhanced our international reputation and corporate image. This also allowed investors to assess the potential in the development of Zhongsheng. In addition, the innovative service model created by Zhongsheng also expedited the innovation of the enterprise as a whole, and became the primary driving force for the sustainable and rapid development of the Company. In November 2010, the Company was awarded "Distinguished Management Models in China" on the basis of this unique service model, which contributed to the unceasing growth in our business.

Sustainable Growth of Passenger Vehicle Market in China

In 2010, China achieved a faster recovery from the financial crisis than other countries. China's economy maintained a high growth and remains buoyant. Income of the residents increased as the economy turned prosperous, which stimulated the demand for passenger vehicles to a substantial extent. According to the statistics of the China Association of Automobile Manufacturers, the automobiles manufactured and sold in China was approximately 18 million units in 2010, representing an increase of 32.4% year-on-year. This figure surpassed the historical record set by the United States, and China remained the first in terms of both the output and new car sales in the world for the second consecutive year.

Expansion of 4S Dealership Network through Strategic Acquisitions

During the year under review and the first quarter of 2011, Zhongsheng further expanded the existing 4S dealership network by capitalizing on the opportunities arising from the market through organic growth and strategic acquisitions. The Company achieved an enhanced efficiency from scale and an effective control over costs and inventories. In order to expand our market share in certain regions such as Fujian, Beijing, Tianjin, Liaoning, Sichuan, Shandong, Jiangsu, Zhejiang and Shaanxi, the Company made a number of mergers and acquisitions. Three of such mergers and acquisitions that were most significant were the acquisitions of 100% equity interest in Fuzhou Huarui Automobile Sales Service Co., Ltd. and Fuzhou Grand Rich Da Trade Co., Ltd., the acquisition of a 50% equity interest in B&L Motor Holding Co., Ltd. and the acquisition of a 55% equity interest in New Wing Enterprises Limited.

As of the date of this report, the Group had 98 4S dealership throughout China, which are primarily located at the coastal cities in northeastern China, northern China, eastern China and southern China as well as selected inland regions in southwestern China and northwestern China, all of which are more affluent regions in China.

Focus on Luxury and Mid-to-High Brands

As the living standards of the people in China continue to improve, Zhongsheng has been active in developing different target markets so as to fulfill the needs of different customers. The Company introduced two more brands, Porsche and Lamborghini in 2010, which further enriched our brand mix. At present, the automobile brand portfolio of Zhongsheng covers luxury brands such as Mercedes-Benz, Lexus, Audi, Porsche and Lamborghini as well as mid-to-high brands such as Toyota, Nissan and Honda. In terms of sales and the number of 4S dealerships, we are one of the largest automobile dealership groups for Toyota and Lexus in China, and both brands are our top sales brands.

Customer Oriented After-sales Services

By adhering to a customer oriented rationale, Zhongsheng is always committed to understand the different needs of customers, and to provide quality and reliable after-sales services to our customers, such as repair, maintenance and detailing. During the year under review, the Company opened quick repair shops in Liaoning and other areas, which expanded our service network and succeeded in consolidating our existing customers base whilst acquiring new customers. The Company believes that the loyalty of the customers is the driving force for us to improve our services. On the other hand, the after-sales services segment, which is of higher gross profit margin, can enhance the profitability of the Company and bring steady income.

Future Outlook

Looking ahead, the Company will continue to expand its businesses in the luxury and mid-to-high end passenger vehicle market by capitalizing on the opportunities arising from the market and exploring acclaimed brands with potential. The Company will consolidate its development in coastal cities at northeastern China, northern China, eastern China and southern China as well as selected inland regions where the customers have higher consumption power, so as to increase our market share in these regions. In terms of strategic network layout, the Company is planning to develop luxury brands in the first and second tier cities, and mid-to-high end brands in the third and fourth tier cities when opening new dealerships in 2011. We will also continue to identify merger and acquisitions opportunities and aim to increase the number of our 4S dealerships to over 130.

By adhering to our motto of "Zhongsheng Group – Lifetime Partner", the Company is committed to maintain a close relationship with its customers. In order to provide "one-stop service" in a more comprehensive manner, the Company will continue to expand and consolidate the businesses in quick repair shop, second-hand automobiles, car rental, insurance brokerage and automobile financing brokerage. The Company is planning to offer internal and external training to senior management and staff at all levels through various means. At the same time, we will introduce advanced performance appraisal mechanisms and optimize the existing Zhongsheng's unique ERP administration platform so as to ensure the delivery of better services to our customers and satisfactory return to shareholders for their support.

The remarkable results we achieved in 2010 were attributable to the loyal services and contribution of all employees of the Company as well as the support and encouragement from all shareholders and business partners. On behalf of the Board, I wish to express my sincere gratitude to the employees, shareholders and business partners of the Group.

Huang Yi
Chairman

Hong Kong, 21 March 2011

Chief Executive Officer's Statement

Market Review

The world's economy gradually began to recover in 2010 as various governments continued to take positive measures to stabilise their economies amidst the crisis. The Chinese economy managed to pick up at a faster pace than developed countries, and has fast become the second largest economic power in the world.

According to the National Bureau of Statistics of China, China's gross domestic product was RMB39.8 trillion in 2010, a growth of 10.3% from the same period last year. As the overall Chinese economy continued to grow rapidly, citizens' disposable income increased and would in turn lead to the emergence of the affluent and the middle class. With an increasing purchasing power, the demand for luxury and mid-to-high-end automobiles also climbed. As the country's rate of industrialization and urbanization speed up, the development of the mid-west interior regions would drive the continuous development of the passenger vehicle market in China. Furthermore, under the influence of various policies that encourage consumer spending, such as tax concessions for low-emission automobiles, trade-ins, "Vehicles to Countryside" Scheme (汽車下鄉), and subsidy program for purchases of energy-saving vehicles etc., the passenger vehicle market in China saw rapid growth in 2010.

After surpassing the United States to become the biggest automobile market in the world by selling 14 million cars in 2009, China has continued to set new milestones in the car industry in 2010. According to the China Association of Automobile Manufacturers, the annual car output and sales amounted to 18 million in 2010, representing an increase of 32.4% compared with the same period last year, surpassing the historical high of the global sales of 17 million cars previously set by the United States. China remains the world's largest car manufacturer as well as the biggest new car sales market.

Business Review

Strategical Mergers and Acquisitions to Consolidate our Nationwide 4S Dealership Network

Given China's strong demand for passenger vehicles, we actively seized market opportunities by further expanding our existing 4S dealership network through organic growth and strategic acquisitions, aiming to establish a strategic nationwide distribution network. As at the date of this report, our nationwide network has 98 dealerships, consisting of 27 luxury brand dealerships and 71 mid-to-high-end brand dealerships, representing an increase of 51 dealerships from the same period last year.

During the year under review to the date of this report, as part of our development strategy, we carried out several strategic acquisitions, thereby strengthening our developments in Fujian, Beijing, Tianjin, Liaoning, Shandong, Jiangsu, Sichuan, Zhejiang and Shaanxi regions, as well as reinforcing our leading market position in these regions. From the second half of 2010 to the date of this report, we acquired 100% equity interests in Fuzhou Huarui Automobile Sales Service Co., Ltd. and Fuzhou Grand Rich Da Trade Co., Ltd, 50% equity interest in B&L Motor Holding Co., Ltd and 55% equity interest in New Wing Enterprises Limited. These companies acquired collectively owned 6 dealerships in Fujian , 8 dealerships in Beijing and Tianjin, as well as 15 dealerships in Liaoning and Shaanxi, and they further deepened the penetration of the Group's nationwide dealership network.

Our nationwide 4S dealership network are concentrated in cities with relatively affluent populations and stronger consumption power, including cities in the northeastern, northern, eastern and southern coastal regions, as well as inland areas of southwestern and northwestern regions etc. Our distribution network covers 14 municipalities and provinces including Beijing, Tianjin, Heilongjiang, Jilin, Liaoning, Shaanxi, Shandong, Shanghai, Jiangsu, Sichuan, Yunnan, Guangdong, Zhejiang and Fujian, marking a total of 45 cities.

The Coverage of Zhongsheng Group's 4S Dealership Network as of the date of this report

	As of 31 December 2009	**As of the date of this report**	Change
Northeastern region	18	**34**	16
Northern region	0	**8**	8
Eastern region	14	**20**	6
Southern region	8	**18**	10
Southwestern and Northwestern interior regions	7	**18**	11
Total	47	**98**	+51

Note: Northeastern region includes Liaoning Province, Jilin Province and Heilongjiang Province. Northern region includes Beijing and Tianjin. Eastern region includes Shandong Province, Jiangsu Province, Zhejiang Province and Shanghai Municipality. Southern region includes Fujian Province and Guangdong Province. Southwestern and Northwestern interior regions include Yunnan Province, Sichuan Province and Shaanxi Province.

Focus on Development of Luxury and Mid-to-high-end Brand Portfolio

As the standard of living in China increases gradually, demand for passenger vehicles by various customer groups became more diversified. In order to meet the different needs of different customer groups on the market, we have identified different customer groups and segmented them into different target markets. Meanwhile, by reinforcing our brand portfolios, we were able to further expand our operation scale and thus enhancing our competitive advantages. During the year under review, we further expanded our Group's operations in areas including Beijing and Tianjin and reinforced our leading market position in these regions through acquiring B&L Motor Holding Co. We also enriched our brand portfolio by introducing two luxurious brands of Porsche and Lamborghini.

The brand portfolio we have dealerships now covers luxury and mid-to-high-end international automobile brands, including luxury automobile brands such as Mercedes-Benz, Lexus, Audi, Porsche and Lamborghini, as well as mid-to-high-end automobile brands, such as Toyota, Nissan, and Honda, etc. As of 31 December 2010, in terms of sales volume and number of 4S dealerships, we are one of the largest automobile dealership groups in China for both Toyota and Lexus and both brands are our top sales brands.

Customer-orientated After-sales Service

As a leading nationwide automobile dealership group, we are well-positioned to be a "one-stop automobile shop". Apart from our new automobile sales business, we also provide our customers with other quality after-sales services including services and products comprising repair, maintenance, detailing services, quick service shops, regional insurance brokerage services and automobile accessories at our 4S dealerships.

We always adhere to our motto of "Zhongsheng Group-Lifetime Partner" and placed great emphasis on the customer-orientated service philosophy; providing our customers with quality and reliable services as well as a satisfying consumer experience. By understanding the customers' needs, our professional customer service teams were able to actively build a long-term and stable relationship with our customers, so that they would continue to use the after-sales services provided by our 4S dealership network after they purchase the cars there, as well as revisiting our 4S dealership network for new car purchase.

Future Outlook and Strategies

Benefiting from China's sustained economic growth, citizen's increasing consumption power, as well as the state's "Twelfth Five-Year Plan" to boost domestic demand and income, the China's passenger vehicle market has been seeing huge opportunities for further growth. In order to meet the demand of the fast growing affluent and middle classes, we will continue to focus on the luxury and mid-to-high-end automobile markets. During the year under review, we have also introduced two luxury brands, Porsche and Lamborghini, through acquisitions, thereby further enriching our brand portfolio and increasing our market share. We will continue to actively seek new brands with development potential in order to provide a more diversified brand portfolio for our high-income consumers.

With China's rapid urbanisation in recent years, various cities in the mid-western interior regions are being developed consecutively, with second and third-tier cities growing quickly, thereby driving the development of the passenger vehicle industry in China. Firstly, we established our dealership network by utilising the good relationship we have already established with the car manufacturers through the years. We strengthened our scale and brand portfolio of the 4S dealership network by selecting regions where we already had a strong presence, so as to consolidate our regional leading position. The Group will also continue to expand and diversify our brand dealership with new car manufacturers, whilst actively and prudently expanding by strategic acquisitions in our selected region or brands. Lastly, with our Group's strength in large-scale development and reputation among manufacturers, we will develop a chain that integrates production, supply, and sales by forming strategic partnerships with car manufacturers, thereby creating better social and economic benefits.

With the increased penetration of car ownership in China, there is huge room for market growth for after-sales services that supported the new car sales. The Group has always upheld the company motto of "Zhongsheng Group – Lifetime Partner" and placed much emphasis on understanding customer needs and has strived to build close and long-term relationships with our clients. By providing quality and reliable after-sales service, we are able to strengthen and expand our existing customer base. In order to further develop our after-sales service, we have set up quick service shops near the 4S dealerships to provide swift and efficient repairing, maintenance, detailing services as well as focusing on the more comprehensive repair services; hence providing the customers with a comprehensive one-stop service. The Group has also diversified and enhanced its business operations in the second-hand market, car rental, insurance brokerage and car financing brokerage services, allowing us to fully capitalize on the profit growth of the automobile industry in scope and in scale, thereby further enhancing our Group's profit structure.

Looking forward, we will continue to strengthen the Group's internal control and business integration, so as to enhance the Group's core competitiveness. To this end, we plan to provide various internal and external trainings for our senior management, general managers of our subsidiary 4S dealerships, middle-level executives as well as other employees, so as to improve the management capability and quality throughout the Group, growing more "Quality" employees into "Outstanding" ones. In addition, advanced performance appraisal and incentive measures will be introduced to encourage employees to improve themselves and make breakthroughs by achieving better performance. As our enterprise's scale grows in size, we will utilise the unique features of our ERP management platform to further optimise our management system and process, improve our management standards, lower costs and thus enhance the effectiveness, so as to ensure better services to our customers and satisfactory return for our shareholders for their continuous support.

Li Guoqiang
Vice-Chairman and Chief Executive Officer

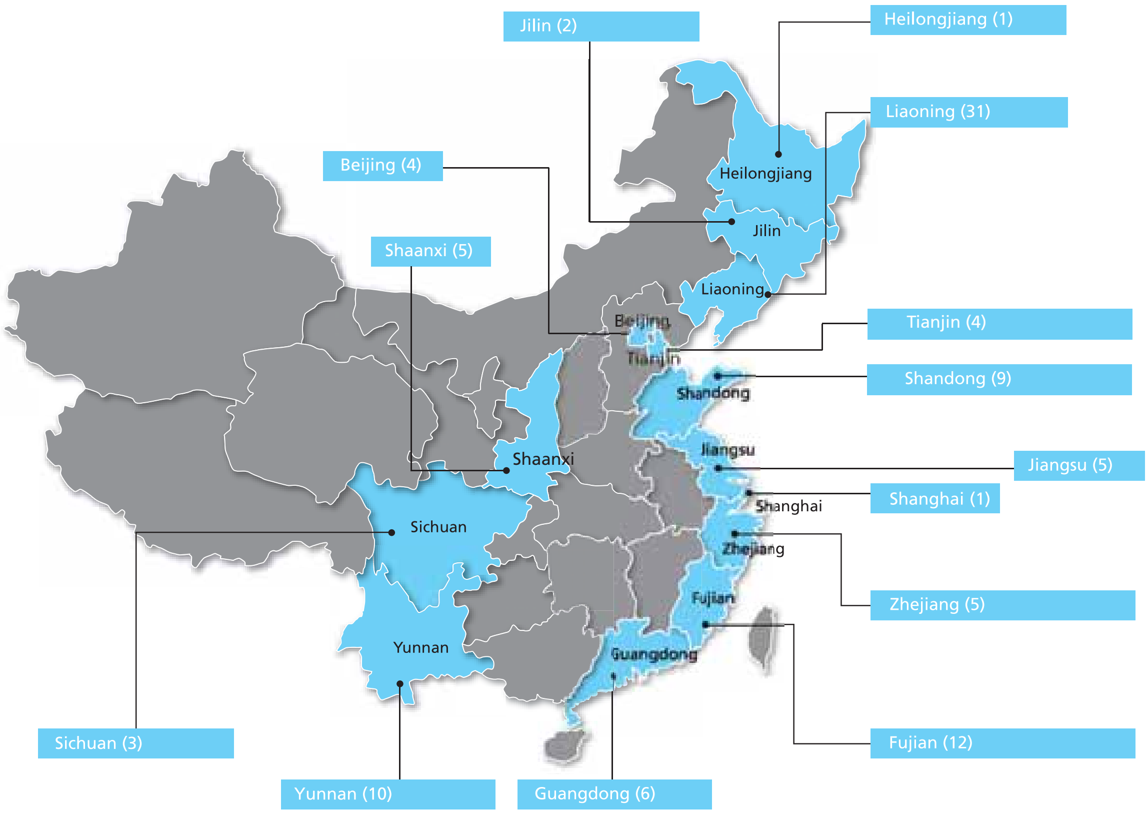
Hong Kong, 21 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Our 4S dealerships are concentrated in cities with relatively affluent populations in the northeastern, northern, eastern and southern coastal regions of China, as well as inland areas in southwestern and northwestern regions of China. We have grown rapidly from 47 4S dealerships as of 31 December 2009 to 98 4S dealerships as of the date of this report.

The following map illustrates the geographic coverage of our 4s dealership network as of the date of this report:



We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus, Audi, Porsche and Lamborghini, and mid-to-high-end automobile brands including Toyota, Nissan and Honda. We are one of the largest automobile dealership groups in China in terms of sales volume and number of 4S dealerships for Toyota and Lexus.

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

The following table sets forth our consolidated income statements for the years indicated:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
REVENUE	**24,042,907**	13,722,185
Cost of sales and services provided	**(21,750,181)**	(12,542,762)
Gross profit	**2,292,726**	1,179,423
Other income and gains, net	**321,779**	69,203
Selling and distribution costs	**(693,372)**	(346,521)
Administrative expenses	**(318,414)**	(161,967)
Profit from operations	**1,602,719**	740,138
Finance costs	**(226,917)**	(80,688)
Share of profits of jointly-controlled entities	**8,195**	7,254
Profit before tax	**1,383,997**	666,704
Tax	**(301,624)**	(173,701)
Profit for the year	**1,082,373**	493,003
Attributable to:		
Owners of the parent	**1,031,190**	470,881
Non-controlling interests	**51,183**	22,122
	1,082,373	493,003
Earnings per share attributable to equity holders of the parent		
Basic		
– For profit for the year	**0.56**	0.30
Diluted		
– For profit for the year	**0.56**	0.30

The following table sets forth our consolidated statement of financial position as at the dates indicated:

	31 December	
	2010	2009
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**1,788,709**	838,379
Land use rights	**700,650**	422,899
Prepayments	**703,785**	56,271
Intangible assets	**1,382,349**	254,632
Goodwill	**790,947**	200,492
Interests in jointly-controlled entities	**46,894**	38,699
Available-for-sale investments	**178,294**	100
Held-to-maturity investments	**–**	5,283
Deferred tax assets	**8,785**	4,532
Total non-current assets	**5,600,413**	1,821,287
CURRENT ASSETS		
Inventories	**3,453,046**	1,024,240
Trade receivables	**284,951**	86,764
Prepayments, deposits and other receivables	**2,615,120**	1,113,186
Amounts due from related parties	**2,229**	556
Financial assets at fair value through profit or loss	**83,369**	–
Pledged bank deposits	**1,029,932**	382,929
Cash in transit	**140,852**	44,542
Cash and cash equivalents	**2,989,718**	1,030,960
Total current assets	**10,599,217**	3,683,177
CURRENT LIABILITIES		
Bank loans and other borrowings	**4,924,455**	1,797,149
Trade and bills payables	**2,984,507**	1,093,013
Other payables and accruals	**954,396**	277,702
Amounts due to related parties	**10,026**	24,236
Income tax payable	**188,161**	60,012
Dividends payable	**919**	–
Total current liabilities	**9,062,464**	3,252,112
NET CURRENT ASSETS	**1,536,753**	431,065
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,137,166**	2,252,352
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**422,597**	104,545
NET ASSETS	**6,714,569**	2,147,807
EQUITY		
Equity attributable to owners of the parent		
Share capital	**168**	–
Reserves	**5,742,660**	2,110,915
Proposed final dividends	**192,765**	–
	5,935,593	2,110,915
Non-controlling interests	**778,976**	36,892
Total equity	**6,714,569**	2,147,807

Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The significant accounting judgements and estimates are set out in note 3 to the financial statements.

Financial Review

Revenue

Revenue for the year ended 31 December 2010 was RMB24,042.9 million, representing an increase of RMB10,320.7 million or 75.2% as compared to the corresponding period in 2009. This increase was primarily due to the increase in the number of our dealerships in operation and the mid-to-high-end and luxury passenger vehicle sales and after-sale business of our existing dealerships continued to maintain a stable growth. Revenue from new automobile sales amounted to RMB21,936.8 million, representing an increase of RMB9,470.5 million or 76.0% compared to the corresponding period in 2009. Revenue from after-sales business amounted to RMB2,106.0 million, representing an increase of RMB850.2 million or 67.7% compared to the corresponding period in 2009. Our new automobile sales business generated a substantial portion of our revenue, accounting for 91.2% of our revenue for the year ended 31 December 2010. The remaining portion of our revenue during the period was generated by our after-sales business. All of our revenue is derived from our business located in the PRC.

For the year ended 31 December 2010, revenue from sales of mid-to-high-end brand automobiles amounted to RMB13,749.5 million (2009: RMB8,679.6 million), accounting for 62.6% (2009: 69.5%) of our revenue from new automobile sales. Revenue from sales of luxury brand automobiles amounted to RMB8,210.3 million (2009: RMB3,802.5 million), accounting for 37.4% (2009: 30.5%) of our revenue from new automobile sales for the same period.

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2010 amounted to RMB21,750.2 million, representing an increase of RMB9,207.4 million or 73.4% as compared to the corresponding period in 2009. Costs attributable to our new automobile sales business amounted to RMB20,674.4 million for the year ended 31 December 2010, representing an increase of RMB8,831.0 million or 74.6% as compared to the corresponding period in 2009. Costs attributable to our after-sales business amounted to RMB1,075.8 million for the year ended 31 December 2010, representing an increase of RMB376.5 million or 53.8% as compared to the same period of 2009.

Gross Profit

Gross profit for the year ended 31 December 2010 amounted to RMB2,292.7 million, representing an increase of RMB1,113.3 million or 94.4% as compared to the corresponding period in 2009, of which the gross profit from new automobile sales business amounted to RMB1,262.5 million, representing an increase of RMB639.6 million or 102.7% as compared to the corresponding period in 2009. Gross profit from after-sales services was RMB1,030.3 million, representing an increase of RMB473.7 million or 85.1% as compared to the same period of 2009. During the year ended 31 December 2010, the gross profit from after-sales services accounted for 44.9% of the total gross profit. Our gross profit margin for the year ended 31 December 2010 was 9.5% (2009: 8.6%), of which the gross profit margin of new automobile sales business was 5.8% (2009: 5.0%). Gross profit margin of after-sales services was 48.9% (2009: 44.3%). The increase in gross profit margin for the year ended 31 December 2010 was primarily due to our achievements in cost reduction through our brand mix optimization, strengthened the internal management of our 4S dealerships and centralized procuring of automobile products at the group level.

Profit from Operations

Profit from operations for the year ended 31 December 2010 amounted to RMB1,602.7 million, representing an increase of RMB862.6 million or 116.5% as compared to the corresponding period in 2009. Our operating profit margin for the year ended 31 December 2010 was 6.7% (2009: 5.4%).

Profit for the Year

Our profit for the year ended 31 December 2010 amounted to RMB1,082.4 million, representing an increase of RMB589.4 million or 119.6% as compared to the corresponding period in 2009. Our net profit margin for the year ended 31 December 2010 was 4.5% (2009: 3.6%).

Profit Attributable to Owners of the Parent

Our profit attributable to owners of our Company for the year ended 31 December 2010 was RMB1,031.2 million, representing an increase of RMB560.3 million or 119.0% as compared to the corresponding period in 2009.

Liquidity and Capital Resources

Cash Flow

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

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

Cash Flow Used in Operating Activities

For the year ended 31 December 2010, our net cash used in operating activities was RMB855.7 million, consisting primarily of an increase in inventories of RMB1,763.4 million, an increase in pledged bank deposit of RMB647.0 million and an increase in prepayments, deposits and other receivables of RMB627.0 million, primarily offset by profit before taxation of RMB1,384.0 million and an increase in trade and bills payable of RMB1,068.2 million.

Cash Flow Used in Investing Activities

For the year ended 31 December 2010, our net cash used in investing activities was RMB2,300.5 million, consisting primarily of purchases of property, plant and equipment of RMB627.3 million, purchases of land use rights of RMB588.5 million, prepayment for potential acquisition of RMB265.2 million and acquisition of subsidiaries of RMB604.6 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB103.4 million.

Cash Flow Generated from Financing Activities

For the year ended 31 December 2010, our net cash generated from financing activities was RMB5,150.6 million, consisting of proceeds from bank loans and other borrowing of RMB10,423.3 million and net proceeds from issue of new shares in connection with the listing of RMB2,910.5 million, partially offset by repayment of bank loans and other borrowings of RMB7,943.4 million and interest paid of RMB 238.4 million.

Net Current Assets

As at 31 December 2010, we had net current assets of RMB1,536.8 million, representing an increase of RMB1,105.7 million from our net current assets as at 31 December 2009. The increase in our net current assets was primarily due to the net proceeds from issue of new shares in connection with our initial public offering.

Capital Expenditure and Investment

Our capital expenditures comprise expenditures on property, plant and equipment and land use rights. During the year ended 31 December 2010, our total capital expenditures were RMB858.9 million.

Inventory Analysis

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our 4S dealerships individually manages the quotas and orders for new automobiles and after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network. We manage our quotas and inventory levels through our information technology systems, including our ERP system. Our inventories increased by 237.1% from RMB1,024.2 million as at 31 December 2009 to RMB3,453.0 million as at 31 December 2010. The increase is primarily due to an increase in our sales resulting from the increased market demand during the year ended 31 December 2010, which facilitated an increase in our inventory of new automobiles by RMB2,288.7 million, or 259.8%, to RMB3,169.5 million as at 31 December 2010.

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

	Year ended 31 December	
	2010	2009
Average inventory turnover days	**37.6**	31.4

Our average inventory turnover days in 2010 increased to 37.6 days from 31.4 days in 2009, primarily due to the significant increase of new dealership stores, which not yet reached their optimal level of new car sales.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as at 31 December 2010 were RMB4,924.5 million. Our bank loans and other borrowings were increased during the year to finance our expanded operations.

Pledge of the Group's Assets

The Group pledged its group assets as securities for bank loans and other loans and banking facilities which were used to finance our daily business operation. As at 31 December 2010, the pledged group assets amounted to approximately RMB2.4 billion (2009: RMB0.8 billion).

Mergers and Acquisitions of the Group

During the year ended 31 December 2010 and till the date of this report, the Group entered into a series of mergers and acquisitions in order to expand our operations and enhance our competitive strength, the most important three of which were the acquisition of 100% equity interest in Fuzhou Huarui Automobile Sales Service Co., Ltd. and Fuzhou Grand Rich Da Trade Co., Ltd., the acquisition of 50% equity interest in B&L Motor Holding Co., Ltd. and the acquisition of 55% equity interest in New Wing Enterprises Limited.

Acquisition of 100% equity interest in Fuzhou Huarui Automobile Sales Service Co., Ltd. and Fuzhou Grand Rich Da Trade Co., Ltd.

The Group acquired 100% equity interest in Fuzhou Huarui Automobile Sales Service Co., Ltd. and Fuzhou Grand Rich Da Trade Co., Ltd. The acquisition added 6 4S dealerships to the Group's 4S dealership network and further expanded the Group's operational scale and competitive advantages in Fujian Province. The Group's market share in Fujian Province was also further enlarged as a result.

Acquisition of 50% equity interest in B&L Motor Holding Co., Ltd.

The Group acquired 50% equity interest in B&L Motor Holding Co., Ltd. The acquisition further expanded the Group's operational scale in Beijing and Tianjin, strengthened the Group's market position in these areas and facilitated the Group's better services to the high-end customers located in these areas. In addition, the acquisition further enriched the Group's automobile brand mix by introducing new luxurious automobile brands, such as Porsche and Lamborghini.

Acquisition of 55% equity interest in New Wing Enterprises Limited

During January 2011, the Group acquired 55% equity interest in New Wing Enterprises Limited. The acquisition further expanded the Group's operational scale and competitive advantages in Liaoning and Shaanxi Provinces, further enhanced the Group's market position in those areas and facilitated the Group's better services to the customers located in those areas.

Future Plans and the Expected Funding

Going forward, the Company will continue to expand its business in the luxury and mid-to-high end passenger vehicle market by capitalizing on the opportunities arising from the market and exploring acclaimed brands with potential. We aim to increase the number of our 4S dealerships to over 130 in 2011 through new establishment and appropriate mergers and acquisitions. We currently plan to fund our future capital expenditure through various resources including but not limited to our internal fund and borrowings from banks, and we currently have sufficient credit facilities granted by our banks.

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

All our businesses are conducted in mainland China and we conduct our business primarily in Renminbi. We make all our procurement with Renminbi and all our incomes are denominated in Renminbi as well. We do not expect any material impact on our business from the exchange rate fluctuations, and we currently do not engage in hedging activities designed or intended to manage the foreign exchange risks. However, we will consider arranging for proper financial instruments at appropriate times to avoid the currency risks when necessary.

Employees' Remuneration Policies and Training

As at 31 December 2010, the Group had a total of 9,705 employees. As at 31 December 2010, the total staff costs (including Directors' remunerations) amounted to approximately RMB482.8 million.

The remuneration we paid to our staff mainly comprised wages, commissions, discretionary bonuses and contributions to defined contribution welfare schemes (including pension funds). The management determines the remuneration of the employees with reference to performance, experiences and industry practice.

Share option scheme were adopted to attract and retain eligible employees to contribute to the Group. Please refer to the section headed "share option scheme" in the Report of Directors for details. In the future, we plan to provide various internal and external trainings for our senior management, general managers of our subsidiary 4S dealerships, middle-level executives as well as other employees, so as to improve the management capability and quality throughout the Group, growing more "Quality" employees into "Outstanding" ones.

Future Outlook

Looking ahead, the Company will continue to expand its businesses in the luxury and mid-to-high end passenger vehicle market by capitalizing on the opportunities arising from the market and exploring acclaimed brands with potential. The Company will consolidate its development in coastal cities at northeastern China, northern China, eastern China and southern China as well as selected inland regions where the customers have higher consumption power, so as to increase our market share in these regions. In terms of strategic network layout, the Company is planning to develop luxury brands in the first and second tier cities, and mid-to-high end brands in the third and fourth tier cities when opening new dealerships in 2011. We will also continue to identify merger and acquisitions opportunities and aim to increase the number of our 4S dealerships to over 130.

By adhering to our motto of "Zhongsheng Group – Lifetime Partner", the Company is committed to maintain a close relationship with its customers. In order to provide "one-stop service" in a more comprehensive manner, the Company will continue to expand and consolidate the businesses in quick repair shop, second-hand automobiles, car rental, insurance brokerage and automobile financing brokerage. The Company is planning to offer internal and external training to senior management and staff at all levels through various means. At the same time, we will introduce advanced performance appraisal mechanisms and optimize the existing Zhongsheng's unique ERP administration platform so as to ensure the delivery of better services to our customers and satisfactory return to shareholders for their support.

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2010.

Corporate Governance Practices of the Company

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

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

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

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

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

b) Recommended best practices for guidance only, which listed issuers are encouraged to comply with or to give considered reasons for deviation.

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

Since the listing of the Company's shares on the Main Board of the Stock Exchange on 26 March 2010 and up to the year ended 31 December 2010, the Company is in compliance with the mandatory code provisions of the CG Code.

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

A. The Board

1. Responsibilities

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

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

2. Delegation of Management Function

The Board takes responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information, appointment of directors and other significant financial and operational matters.

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

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

3. Board Composition

The Board of the Company comprises the following directors:

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

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

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

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

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

4. Appointment and re-election of directors

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

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

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

According to article 83(3) of the Company's articles of association and in the opinion of the Board, all the Directors, namely Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Leng Xuesong, Mr. Shigeno Tomihei, Mr. Ng Yuk Keung and Mr. Shen Jinjun retired at the Annual General Meeting held on 21 June 2010 and offered themselves for re-election at the same meeting. Meanwhile, the Directors to be retired from office by rotation at the coming annual general meeting pursuant to article 84 shall be eligible for re-election as Directors of the Company at the same meeting.

5. Induction and Continuing Development for Directors

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

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

6. Board Meetings

Number of Meetings and Directors' Attendance

Code provision A.1.1 prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Board met 6 times during the year ended 31 December 2010 for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

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

Name of Director	Attendance/Number of Meetings
Mr. HUANG Yi	6/6
Mr. LI Guoqiang	6/6
Mr. DU Qingshan	6/6
Mr. YU Guangming	6/6
Mr. LENG Xuesong	6/6
Mr. SHIGENO Tomihei	6/6
Mr. NG Yuk Keung	6/6
Mr. SHEN Jinjun	6/6

Practices and Conduct of Meetings

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

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

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

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

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

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

B. Chairman and Chief Executive Officer

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

The Chairman of the Board is Mr. Huang Yi, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for the strategic management of the Group and for formulating the Group's overall corporate direction and focus. The Chief Executive Officer is Mr. Li Guoqiang, who is responsible for the overall management and operations of the Group. He is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

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

C. Board Committees

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

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

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

1. Remuneration Committee

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

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

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

The Remuneration Committee held 1 meeting during the year ended 31 December 2010 to review the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and senior management.

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

Name of Director	Attendance/Number of Meetings
Mr. SHIGENO Tomihei	1/1
Mr. SHEN Jinjun	1/1
Mr. LI Guoqiang	1/1

2. Audit Committee

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

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

The Audit Committee held two meetings during the year ended 31 December 2010 to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditors.

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

Name of Director	Attendance/Number of Meetings
Mr. NG Yuk Keung	2/2
Mr. SHEN Jinjun	2/2
Mr. LENG Xuesong	2/2

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

3. Nomination Committee

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

The Nomination Committee held one meeting during the year ended 31 December 2010 to review the structure, size and composition of the Board regularly to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

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

Name of Director	Attendance/Number of Meetings
Mr. SHEN Jinjun	1/1
Mr. HUANG Yi	1/1
Mr. SHIGENO Tomihei.	1/1

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

4. Compliance Committee

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

The Compliance Committee held one meeting during the year ended 31 December 2010. The attendance records of the Nomination Committee are set out below:

Name of Director	Attendance/Number of Meetings
Mr. DU Qingshan	1/1
Mr. HUANG Yi	1/1
Mr. LI Guoqiang	1/1

D. Model Code for Securities Transactions

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

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

E. Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

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

F. External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 41 to 42.

During the year, the remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2010 amounted to RMB5,000,000.

G. Internal Controls

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

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

H. Communications with Shareholders and Investors

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

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

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

I. Shareholder Rights

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

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

J. Going Concern

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

Directors and Senior Management

Directors

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

Name	Age	Position
HUANG Yi	48	Chairman and executive director
LI Guoqiang	47	Vice-chairman, executive director and chief executive officer
DU Qingshan	48	Executive director
YU Guangming	53	Executive director
LENG Xuesong	41	Non-executive director
SHIGENO Tomihei	58	Independent non-executive director
NG Yuk Keung	46	Independent non-executive director
SHEN Jinjun	53	Independent non-executive director

Executive Directors

HUANG Yi (黃毅), aged 48, is our Chairman and executive director. Mr. Huang is one of our two founders, and has been chairman of our Group since its inception in 1998. Mr. Huang has been serving as an executive director of our Board since 23 June 2008 and he is also a director of the various companies in the Group. Mr. Huang is responsible for the strategic management of our Group and for formulating our overall corporate direction and focus. Prior to founding our Group, Mr. Huang was a director and deputy general manager at China Resources Machinery Co., Ltd. ("China Resources Machinery"), a state-owned enterprise engaged in importing and exporting automobiles and other machinery. Mr. Huang held numerous management positions in business administration, product procurement and sales operations in China Resources Machinery during his tenure between 1984 and 1994. In 1994, Mr. Huang joined China Automobile Company Limited ("China Automobile") as a director, and was responsible for China Automobile's procurement and sales divisions. In 1996, Mr. Huang invested in, and became a shareholder of, China Automobile. China Automobile, currently known as Hokuryo Holdings Company Limited, which is presently an indirect wholly-owned subsidiary of our Group. Mr. Huang is currently a council member of the Lexus China Dealer Council, as well as a council member of the National Dealer Advisory Council of FAW Toyota Motor Sales Co., Ltd. Mr. Huang has substantial senior management experience and more than 23 years' of experience and in– depth knowledge of the PRC automobile industry. He received a bachelor's degree in Economics from Xiamen University in 1983 and was awarded the title of "Economist" by MOFCOM in 1990, a work-related qualification title usually awarded to the government officials or managerial staff in state-owned enterprises by the government in recognition of their relevant working experiences. Mr. Huang also served on a pro bono basis as a director of Pok Oi Hospital, a charitable organization providing medical and educational services in the New Territories in Hong Kong, between 1997 and 1999.

LI Guoqiang (李國强), aged 47, is the other founder of our Group, and has been serving as our Group's Chief Executive Officer and vice-chairman since 1998 and as an executive director of our Board since 23 June 2008 and he is also a director of the various companies in the Group and Mr. Li is responsible for the overall management and operations of our Group. Mr. Li has served as deputy chairman and a member of standing committee for China Automobile Dealers Association since December 2009. In 1995, Mr. Li founded Dalian Aotong Automobile Repair & Assembly Factory ("Aotong Repair & Assembly"), a company engaged in automobile repair and maintenance services. Mr. Li served as the factory director and legal representative of Aotong Repair & Assembly, and he was responsible for its overall management and operations. From 1996 to 1998, Mr. Li served as the vice chairman of Dalian Toyota Maintenance & Service Co., Ltd. and general manager of Dalian Bonded Zone Toyota Automobile Sales Co., Ltd., and was responsible for the decisions of procurement and sales of automobiles as well as the management of the national distribution networks during his tenure. In 1998, Mr. Li founded Dalian Aotong Industry Co., Ltd. ("Aotong Industry"), a company engaged in distribution of automobiles. Aotong Industry is the predecessor of Zhongsheng (Dalian) Holdings Co., Ltd., which is presently an indirect wholly-owned subsidiary of our Group. Mr. Li has substantial senior management experience and more than 21 years' of experience and in-depth knowledge of the PRC automobile industry. Mr. Li also received a Distinguished Lexus Dealer award in 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

DU Qingshan (杜青山), aged 48, has been serving as deputy general manager of our Group since 2007. Mr. Du has been an executive director of our Board since 23 June 2008. He is responsible for the financial planning, strategy and management of our Group, and oversees all the accountancy and financial aspects of our Group. Prior to joining our Group in 2007, Mr. Du was appointed by State-owned Assets Supervision and Administration Commission of Dalian Municipal Government to serve as the chief financial officer of a large PRC corporation, Dalian DHI.DCW Group Co., Ltd. ("Dalian DHI.DCW") and was in charge of the general financial and accounting affairs of Dalian DHI.DCW. Mr. Du was primarily responsible for the financial operations of Dalian DHI.DCW, which contributed to his over 21 years' experience in the areas of accountancy and finance. Mr. Du received a bachelor degree in Economics from the Shanghai University of Finance and Economics in 1986 and a master's degree in Business Administration from Dongbei University of Finance and Economics in 2002.

YU Guangming (俞光明), aged 53, has been serving as deputy general manager of our Group since 2004. Mr. Yu has been an executive director of our Board since 23 June 2008. He is responsible for the strategic business development of our Group as well as selecting and training middle-to-senior level managers of 4S dealerships of our Group. Since joining our Group in 2000, Mr. Yu has held numerous management positions in several of our principal subsidiaries, including Zhongsheng (Dalian) Holdings Co., Ltd., Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd., Shanghai Guoxin Automobile Sales Co., Ltd. and Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily in charge of setting up, overseeing and improving the management teams of our subsidiaries, implementing the strategic decisions of our Group and liaising with the automakers and customers regarding business relationship building. Prior to joining our Group, Mr. Yu served as a manager of Shanghai Material Office of the PRC Ministry of Railways from 1975 to 1994, and he was primarily responsible for the management of its business operations. From 1994 to 2000, Mr. Yu served as a deputy managing director of Hong Kong Union Park Company Limited, a Hong Kong subsidiary of China Railway Materials Commercial Corporation, a large-scale PRC state-owned enterprise, and was in charge of its overall management and operations during his tenure. Mr. Yu has more than 9 years' of relevant experience in the PRC automobile industry. Mr. Yu received a graduation certificate in respect of an associate degree majoring in English from Shanghai International Studies University in 1985.

Non-executive Director

LENG Xuesong (冷雪松), aged 41, has been serving as a non-executive director of our Board since 1 August 2008. Mr. Leng is a managing director at General Atlantic LLC. He is based in Hong Kong, where he focuses on General Atlantic LLC's investment opportunities in North Asia. Prior to joining General Atlantic LLC, Mr. Leng served as a managing director at Warburg Pincus, an international private equity firm from 1999 to 2007. Mr. Leng also served as non-executive director of China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司), a company listed on the Stock Exchange (stock code: 1886) from July 2006 to August 2007. Mr. Leng is also the non-executive directors of two companies listed on the New York Stock Exchange, namely Wuxi Pharmatech (Cayman) Inc. (stock code: WX) and Soufun Holdings Ltd. (stock code: SFUN). Mr. Leng earned his master's degree in Business Administration from the Wharton School of the University of Pennsylvania in 1999, and his Bachelor of International Industrial Trade degree from Shanghai Jiao Tong University in 1992.

Independent Non-executive Directors

SHIGENO Tomihei (茂野富平), aged 58, has been serving as an independent non-executive director of our Board since 1 August 2008. Prior to joining Minebea Shanghai in 2007, Mr. Shigeno worked for Nissan Motor Co., Ltd. ("Nissan Motor") from 1976 to 2006. Mr. Shigeno was part of the team which established Nissan Motor's Beijing office, and he served as its chief representative from 1991 to 1997. He was also chief representative of Nissan Motor's China operations from 2000 to 2003, specialising in sales and marketing, and was primarily responsible for developing Nissan Motor's distribution and service networks by establishing authorized distributors and automobile dealerships across the PRC. Mr. Shigeno was assigned by Nissan Motor to assist the president of Dongfeng Commercial Vehicle Company. Mr. Shigeno has over 32 years' of experience and in-depth knowledge of the automobile industry, sales and business management. He earned his bachelor's degree in Chinese language studies from Tokyo University of Foreign Studies in 1976.

NG Yuk Keung (吳育强), aged 46, has been serving as an independent non-executive director of our Board since 27 October 2009. Mr. Ng is the honorary adviser to China Huiyuan Juice Group (stock code: 1886), a company listed on the Stock Exchange. Mr. Ng also serves as an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司) (stock code: 0631), Xinjiang Xinxin Mining Industry Co., Ltd. (新疆新鑫礦業股份有限公司) (stock code: 3833), Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司) (stock code: 1733) and Beijing Capital Land Ltd. (首創置業股份有限公司) (stock code: 2868) all of the Companies are listed on the Stock Exchange. Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Electronics Group Company Limited (彩虹集團電子股份有限公司) (stock code: 0438), a company listed on the Stock Exchange. From 2006 to 2010, Mr Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司). Mr. Ng graduated from The University of Hong Kong with a Bachelor degree in Social Sciences in 1988 and a Master degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

SHEN Jinjun (沈進軍), aged 53, has been serving as an independent non-executive director of our Board since 16 November 2009. Mr. Shen has served as deputy chairman and secretary chief for China Automobile Dealers Association since 2005. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical section of the State Administration of Supplies, and the chief of the Automobile section and Electrical, Mechanical and Metallic section of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile dealing industry and participated in formulations of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronic at the Beijing Open University in 1982.

Other Senior Management

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

Name	Age	Position
WU Hailong	46	Vice-president of new automobile sales business
ZHANG Zhicheng	38	Vice-president of luxury brand automobile sales business
LIU Geng	41	Vice-president of after-sales and accessories businesses

WU Hailong (吳海龍), aged 46, joined our Group at its inception in 1998 and currently serves as vice-president of our new automobile sales business. Since 1998, he has served in senior management positions for several of our principal subsidiaries, including Zhongsheng (Dalian) Holdings Co., Ltd., Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., Dalian Zhongsheng Group Automobile Accessories Co., Ltd., Dalian Zhongsheng Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd., primarily responsible for the day-to-day administration of 4S dealerships of our Group, including both sales and after-sales businesses. Mr. Wu currently oversees the sales and management of our Group's mid-to-high-end brand automobile sales business. Prior to joining our Group, Mr. Wu worked in the Dalian City representative office of Toyota Tsusho Corporation, a company listed on the Tokyo Stock Exchange (stock code: 8015) and the sole trading company of the Toyota group, between 1990 and 1996, and his work was closely related to the PRC automobile industry. Mr. Wu has over 18 years' of relevant experience and in-depth expertise in automobile sales. Mr. Wu received a bachelor's degree in Chemical Engineering and Machinery from East China Institute of Technology in 1986.

ZHANG Zhicheng (張志誠), aged 38, has served as vice-president of our Group's luxury brand automobile sales business since 2008. Mr. Zhang joined our Group in 2003, and has held numerous management positions in several of our key operating subsidiaries, including Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd., Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily responsible for implementing the strategic decisions of our Group and liaising with the automakers regarding developing our luxury brand automobile sales business. Mr. Zhang currently oversees the sales and management of our luxury brand automobile sales business. Mr. Zhang has over 6 years' of relevant experience and in-depth expertise in the PRC automobile industry. Mr. Zhang received a master's degree in Business Administration from Dongbei University of Finance and Economics in 2003. Mr. Zhang also received Peak Performance General Manager awards in both 2006 and 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

LIU Geng (劉耕), aged 41, joined our Group in 2000 and currently serves as vice-president of our Group's after-sales and accessories businesses. Mr. Liu held management positions in two of our principal subsidiaries before being promoted to be our vice-president in 2009. Mr. Liu served as service manger of Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd. from 2000 to 2004, and as general manager of Dalian Yingbin Zhongsheng Toyota Automobile Sales & Services Co., Ltd. from 2004 to 2008, and he served as general manger of Dalian Zhongsheng Group Automobile Accessories Co., Ltd. from 2008 to 2009. Mr. Liu joined the PRC automobile industry since 1993 and has much experience and in-depth understanding of the PRC automobile industry. Mr. Liu earned a bachelor's degree in the automobile department of Harbin Institute of Technology in 1991.

Appointment and Dismissal

According to article 83(3) of the Company's articles of association and in the opinion of the Board, all the Directors, namely Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Leng Xuesong, Mr. Shigeno Tomihei, Mr. Ng Yuk Keung and Mr. Shen Jinjun retired at the annual general meeting held on 21 June 2010 and were re-elected at the same meeting.

On 1 July 2010, Mr. Lai Hau Yin resigned as company secretary and authorized representative of the Company. The Company appointed Ms. Kam Mei Ha Wendy ("Ms Kam") and Ms. Mak Sze Man ("Ms Mak") as the joint company secretaries of the Company, and the Company also appointed Ms. Kam as the authorized representative of the Company. The above appointment became effective on 1 July 2010.

KAM Mei Ha Wendy (甘美霞), aged 43, was appointed as joint company secretary of the Company on 1 July 2010. She is a senior manager of Corporate Services Division of Tricor Services Limited and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Kam has over 17 years of experience in corporate secretarial area.

MAK Sze Man (麥詩敏), aged 36, was appointed as joint company secretary of the Company on 1 July 2010. She is a manager of Corporate Services Division of Tricor Services Limited and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms Mak has over 10 years of experience in corporate secretarial area.

Report of the Directors

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010 (the "Financial Statements").

Corporate Reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 23 June 2008. Through a series of the group reorganization procedures, the Company became the holding company of the Group on 22 February 2010. Details of the Group Reorganisation are set out in the prospectus of the Company dated 16 March 2010.

Initial Public Offering and Share Capital

The Company's shares were listed on the Main Board of the Stock Exchange on 26 March 2010. A total of 348,488,500 shares were issued during the Initial Public Offering (including the shares issued upon the exercise of the over-allotment option by the joint bookrunners and the anti-dilution right by General Atlantic Partners (Dalian), L.P.). Upon the completion of the Initial Public Offering, there were a total of 1,000,000,000,000 shares in the authorised share capital of the Company, of which 1,908,481,295 shares were issued shares.

The price as determined for the Initial Public Offering was HK$10. A total of HK$3,315 million (after deducting the issue expenses) were raised and were applied according to the uses as set out in the prospectus of the Company dated 16 March 2010. As of 31 December 2010, the Company used HK$1,558 million for expansion of our distribution network of 4S dealerships by way of new establishment and acquisition, upgrading, maintenance and refurbishment of 4S dealerships, establishment of quick service shops and automobile accessories exhibition centres, and development of our used automobile sales business. The Company used HK$291 million to replenish the working capital and fund our general corporate purposes. The remaining HK$1,466 million was saved at our bank as deposits.

Upon the completion of the Initial Public Offering and until the end of the reporting period, there is no change to the authorised or issued share capital of the Company.

Principal Activities

The Group's operations are conducted in the PRC through its subsidiaries in the PRC. The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale and service of motor vehicles. There were no significant changes in the nature of the Group's principal activities during the reporting period.

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

Results

The results of the Group for the year ended 31 December 2010 are set out in the Financial Statements on pages 43 to 135 of this annual report.

Final Dividend

The Board resolved to propose to the shareholders of the Company on the forthcoming Annual General Meeting ("AGM") for the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2010 payable to the shareholders of the Company whose names are listed in the register of the Company on 28 June 2011, in an aggregate of HK$229.0 million (equivalent to RMB192.8 million). The proposal for the payment of the final dividend above is subject to the consideration and approval of the shareholders at the AGM of the Company.

Capital

Details of the capital of the Group during the reporting period are set out in note 33 to the financial statements.

Reserves

Details of the movements in reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2010, the Company has distributable reserves of RMB5,286.0 million in total available for distribution, of which RMB192,765,000 has been proposed as final dividend for the year.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 136 of this annual report.

Donations

The Company made a donation of HK$1,000,000 to The Community Chest of Hong Kong in February 2010.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the reporting period are set out in note 14 to the Financial Statements.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group during the reporting period are set out in note 28 to the Financial Statements.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of our Directors, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

Pre-emptive Rights

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

Directors

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

Executive Directors

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

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

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

Pursuant to the Articles of Association of the Company, Mr. Huang Yi, Mr. Li Guoqiang and Mr. Du Qingshan shall retire from their offices by rotation at the forthcoming AGM of the Company and, being eligible, will offer themselves for re-election at the said meeting.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 30 to 33 of this annual report.

Directors' Service Contracts

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

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

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Shigeno Tomihei, Mr. Ng Yuk Keung and Mr. Shen Jinjun, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2010 and remain so as of the date of this annual report.

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

As at 31 December 2010, the interests of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Interest in Shares of the Company

Name of Director	Capacity/ Nature of Interest	Total number of shares	Approximate percentage of shareholding (%)
Mr. Huang Yi	Deemed interest, interest of controlled company	1,245,993,876 (Long position)	65.29
Mr. Li Guoqiang	Deemed interest, interest of controlled company	1,245,993,876 (Long position)	65.29

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

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

As at 31 December 2010, the followings persons, other than the Directors or chief executives of the Company, had the following interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interest	Total number of shares	Approximate percentage of shareholding (%)
General Atlantic Partners (Dalian), L.P.	Beneficial owner	181,384,042 (Long position)	9.50
GAP Bermuda Limited	Deemed interest, interest of controlled company	223,403,419 (Long position)	11.71
Blue Natural Development Ltd.	Beneficial owner	1,245,993,876 (Long position)	65.29
Light Yield Ltd.	Deemed interest, interest of controlled company	1,245,993,876 (Long position)	65.29
Vest Sun Ltd.	Deemed interest, interest of controlled company	1,245,993,876 (Long position)	65.29

Save as disclosed above, as at the end of the reporting period, the Directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2010 was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors and Controlling Shareholders' Interests in Competing Business

For the year ended 31 December 2010 and up to the date of this annual report, none of the Directors and Controlling Shareholders (i.e. Mr. Huang Yi, Mr. Li Guoqiang, Light Yield Ltd., Vest Sun Ltd. and Blue Natural Development Ltd.) of the Company was interested in any business which competes or is likely to compete with the businesses of our Group.

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

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed during the financial year ended 31 December 2010 and up to the date of this annual report based on information and confirmation provided by or obtained from Controlling Shareholders, and were satisfied that our Controlling Shareholders, including Mr. Huang Yi and Mr. Li Guoqiang, have duly complied with the Non-competition Deed.

Connected Transactions

During the year ended 31 December 2010 and up to the date of this annual report, we have not entered into any continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of our Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2010 and up to the date of this annual report.

Directors' Remuneration

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

Details of the Directors' remuneration during the reporting period are set out in note 9 to the Financial Statements.

Retirement Schemes

Details of the retirement benefits plans of our Group are set out in note 31 to the Financial Statements.

Management Contracts

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

Share Option Scheme

The Share Option Scheme was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years on the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon of a grant of option is HK$1.00.

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

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

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

During the reporting period and up to the date of this annual report, no options have been granted pursuant to the Share Option Scheme.

Major Customers and Suppliers

During the reporting period, the percentage of the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 28.9% and 76.9%.

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Events After the Reporting Period

Details of the significant events after the reporting period of our Group are set out in note 45 to the Financial Statements.

Code of Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. Since the listing of the Company's shares on the Main Board of the Stock Exchange on 26 March 2010 and up to the year ended 31 December 2010, the Company has complied with all the applicable code provisions set out in CG Code. Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this annual report

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2010 have been audited by Ernst & Young, certified public accountants. Ernst & Young retire and a resolution to re-appoint Ernst & Young as the auditors of the Company in the following year will be proposed at the Company's forthcoming AGM.

By order of the Board
Huang Yi
Chairman

Hong Kong, 21 March 2011

Independent Auditors' Report

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安永

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

We have audited the consolidated financial statements of Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

21 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	5(a)	**24,042,907**	13,722,185
Cost of sales and services provided	6(b)	**(21,750,181)**	(12,542,762)
Gross profit		**2,292,726**	1,179,423
Other income and gains, net	5(b)	**321,779**	69,203
Selling and distribution costs		**(693,372)**	(346,521)
Administrative expenses		**(318,414)**	(161,967)
Profit from operations		**1,602,719**	740,138
Finance costs	7	**(226,917)**	(80,688)
Share of profits of jointly-controlled entities	19	**8,195**	7,254
Profit before tax	6	**1,383,997**	666,704
Tax	8	**(301,624)**	(173,701)
Profit for the year		**1,082,373**	493,003
Attributable to:			
Owners of the parent	13	**1,031,190**	470,881
Non-controlling interests		**51,183**	22,122
		1,082,373	493,003
Earnings per share attributable to equity holders of the parent			
Basic			
– For profit for the year	12	**0.56**	0.30
Diluted			
– For profit for the year	12	**0.56**	0.30

Details of the dividends payable and proposed for the year are disclosed in Note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Profit for the year	**1,082,373**	493,003
Other comprehensive income		
Available-for-sale investments:		
Changes in fair value	**2,981**	–
Income tax effect	**(492)**	–
Exchange differences on translation of foreign operations	**(39,610)**	(3,404)
Other comprehensive income for the year, net of tax	**(37,121)**	(3,404)
Total comprehensive income for the year, net of tax	**1,045,252**	489,599
Attributable to:		
Owners of the parent	**994,069**	467,477
Non-controlling interests	**51,183**	22,122
	1,045,252	489,599

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,788,709	838,379
Land use rights	15	700,650	422,899
Prepayments	16	703,785	56,271
Intangible assets	17	1,382,349	254,632
Goodwill	18	790,947	200,492
Interests in jointly-controlled entities	19	46,894	38,699
Available-for-sale investments	20	178,294	100
Held-to-maturity investments		–	5,283
Deferred tax assets	32(b)	8,785	4,532
Total non-current assets		5,600,413	1,821,287
CURRENT ASSETS			
Inventories	21	3,453,046	1,024,240
Trade receivables	22	284,951	86,764
Prepayments, deposits and other receivables	23	2,615,120	1,113,186
Amounts due from related parties	43(b)(i)	2,229	556
Financial assets at fair value through profit or loss	24	83,369	–
Pledged bank deposits	25	1,029,932	382,929
Cash in transit	26	140,852	44,542
Cash and cash equivalents	27	2,989,718	1,030,960
Total current assets		10,599,217	3,683,177
CURRENT LIABILITIES			
Bank loans and other borrowings	28	4,924,455	1,797,149
Trade and bills payables	29	2,984,507	1,093,013
Other payables and accruals	30	954,396	277,702
Amounts due to related parties	43(b)(ii)	10,026	24,236
Income tax payable	32(a)	188,161	60,012
Dividends payable		919	–
Total current liabilities		9,062,464	3,252,112
NET CURRENT ASSETS		1,536,753	431,065
TOTAL ASSETS LESS CURRENT LIABILITIES		7,137,166	2,252,352

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	32(b)	**422,597**	104,545
NET ASSETS		**6,714,569**	2,147,807
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**168**	–
Reserves	34	**5,742,660**	2,110,915
Proposed final dividends	11	**192,765**	–
		5,935,593	2,110,915
Non-controlling interests		**778,976**	36,892
Total equity		**6,714,569**	2,147,807

Huang Yi
Director

Li Guoqiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium* RMB'000	Discretionary reserve fund * RMB'000	Statutory reserve * RMB'000	Merger reserve * RMB'000	Available-for-sale investments revaluation reserve * RMB'000	Exchange fluctuation reserve * RMB'000	Retained profits * RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	–	–	11,434	96,284	794,258	–	13,309	717,813	–	1,633,098	52,673	1,685,771
Contribution by the Controlling Shareholder	–	–	–	–	41,675	–	–	–	–	41,675	–	41,675
Acquisition of non-controlling interests by the Group	–	–	–	–	(31,335)	–	–	–	–	(31,335)	(37,904)	(69,239)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	1	1
Transfer from retained profits	–	–	7,278	38,920	–	–	–	(46,198)	–	–	–	–
Comprehensive income for the year	–	–	–	–	–	–	(3,404)	470,881	–	467,477	22,122	489,599
At 31 December 2009	–	–	18,712	135,204	804,598	–	9,905	1,142,496	–	2,110,915	36,892	2,147,807
Issue of shares in connection with the Reorganisation	137	2,110,778	–	–	(2,110,915)	–	–	–	–	–	–	–
Issue of shares in connection with the Listing	27	2,687,718	–	–	–	–	–	–	–	2,687,745	–	2,687,745
Over-allotment of shares	4	377,384	–	–	–	–	–	–	–	377,388	–	377,388
Share issue expenses	–	(154,665)	–	–	–	–	–	–	–	(154,665)	–	(154,665)
Disposal of interest in a subsidiary to non-controlling shareholder	–	–	–	–	364	–	–	–	–	364	1,636	2,000
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	690,184	690,184
Consideration for acquisition of non-controlling interests by the Group	–	–	–	–	(80,223)	–	–	–	–	(80,223)	–	(80,223)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(919)	(919)
Proposed final 2010 dividend	–	–	–	–	–	–	–	(192,765)	192,765	–	–	–
Transfer from retained profits	–	–	18,398	84,120	–	–	–	(102,518)	–	–	–	–
Comprehensive income for the year	–	–	–	–	–	2,489	(39,610)	1,031,190	–	994,069	51,183	1,045,252
At 31 December 2010	**168**	**5,021,215**	**37,110**	**219,324**	**(1,386,176)**	**2,489**	**(29,705)**	**1,878,403**	**192,765**	**5,935,593**	**778,976**	**6,714,569**

* These reserve accounts comprise the consolidated reserves of RMB5,742,660,000 (2009: RMB2,110,915,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before tax		**1,383,997**	666,704
Adjustments for:			
– Share of profits of jointly-controlled entities	*19(b)*	**(8,195)**	(7,254)
– Depreciation and impairment of property, plant and equipment	*14*	**109,508**	67,765
– Amortisation of land use rights	*15*	**9,223**	7,036
– Amortisation of intangible assets	*17*	**34,306**	13,352
– (Reversal)/provision for impairment of trade receivables and other receivables	*6(c)*	**(485)**	7
– Interest income	*5(b)*	**(27,199)**	(10,100)
– Net gain on disposal of items of property, plant and equipment	*5(b)*	**(69,685)**	(3,933)
– Net gain on disposal of land use rights	*5(b)*	**(46,009)**	–
– Finance costs	*7*	**226,917**	80,688
– Fair value gain, net			–
– Listed equity investments held for trading	*5(b)*	**(4,066)**	–
– Equity linked notes	*5(b)*	**(2,110)**	–
– Gain on disposal of held-to-maturity investments	*5(b)*	**(299)**	–
– Gain on disposal of a subsidiary	*36*	**(6,789)**	–
		1,599,114	814,265
Increase in pledged bank deposits		**(647,003)**	(182,792)
Increase in cash in transit		**(96,310)**	(14,852)
(Increase)/decrease in trade receivables		**(135,817)**	6,323
Increase in prepayments, deposits and other receivables		**(627,021)**	(565,291)
(Increase)/decrease in inventories		**(1,763,407)**	309,909
Increase/(decrease) in trade and bills payables		**1,068,227**	(42,740)
Decrease in other payables and accruals		**(67,913)**	(37,770)
Increase in amounts due from related parties – trade related		**(1,673)**	(97)
(Decrease)/increase in amounts due to related parties – trade related		**(12,902)**	21,981
Cash (used in)/generated from operations		**(684,705)**	308,936
Tax paid		**(170,975)**	(119,619)
Net cash (used in)/generated from operating activities		**(855,680)**	189,317

	Notes	2010 RMB'000	2009 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(627,251)**	(218,993)
Proceeds from disposal of items of property, plant and equipment		**103,422**	27,088
Purchase of land use rights		**(588,516)**	(108,241)
Proceeds from disposal of land use rights		**6,289**	–
Purchase of intangible assets		**(5,455)**	(4,645)
Decrease in term deposits		**–**	10,583
Purchase of shareholding in a jointly-controlled entity		**–**	(10,270)
Purchase of financial assets at fair value through profit or loss		**(206,541)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**127,898**	–
Proceeds from disposal of held-to-maturity investment		**5,582**	–
Purchase of available-for-sale investments		**(211,957)**	(100)
Proceeds from disposal of available-for-sale investments		**34,192**	–
Collection of advances to third parties		**–**	146,735
Acquisition of equity interests by the Group from the Controlling Shareholder		**–**	(53,346)
Prepayment for the potential acquisition of equity interests from third parties		**(265,202)**	–
Acquisition of non-controlling interests		**(110,223)**	(49,239)
Acquisition of subsidiaries		**(604,570)**	(199,008)
Disposal of subsidiaries		**15,757**	13,369
Proceeds from disposal of equity interests in a subsidiary		**2,000**	–
Interest received		**24,063**	10,100
Net cash used in investing activities		**(2,300,512)**	(435,967)
Financing activities			
Proceeds from bank loans and other borrowings		**10,423,312**	5,267,187
Repayment of bank loans and other borrowings		**(7,943,442)**	(4,663,576)
Contributions from the Controlling Shareholder		**–**	41,675
Advances from third parties		**–**	(93,576)
Advances from non-controlling shareholders		**–**	254
Repayment of advances from the Controlling Shareholder		**(1,308)**	(154,519)
Net proceeds from issue of new shares in connection with the Listing		**2,910,468**	–
Interest paid		**(238,425)**	(80,688)
Net cash generated from financing activities		**5,150,605**	316,757
Net increase in cash and cash equivalents		**1,994,413**	70,107
Cash and cash equivalents at beginning of year		**1,030,960**	964,245
Effect of foreign exchange rate changes, net		**(35,655)**	(3,392)
Cash and cash equivalents at end of year		**2,989,718**	1,030,960

Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	42	2,124,820	–
Amounts due from subsidiaries	42	2,620,685	–
Available-for-sale investments	20	178,094	–
Total non-current assets		4,923,599	–
CURRENT ASSETS			
Prepayments, deposits and other receivables		3,371	8,719
Financial assets at fair value through profit or loss	24	83,369	–
Cash and cash equivalents		133,785	16
Total current assets		220,525	8,735
CURRENT LIABILITIES			
Other payables and accruals		182	–
Amounts due to subsidiaries	42	14,692	8,859
Income tax payable		318	–
Total current liabilities		15,192	8,859
NET CURRENT ASSETS/(LIABILITIES)		205,333	(124)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,128,932	(124)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,073	–
NET ASSETS/(LIABILITIES)		5,126,859	(124)
EQUITY			
Share capital	33	168	–
Reserves	34	4,933,926	(124)
Proposed final dividends	11	192,765	–
Total equity		5,126,859	(124)

Huang Yi
Director

Li Guoqiang
Director

Notes to the Financial Statements

Year ended 31 December 2010

1. Corporate Information

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 3504-12, 35/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The shares of the Company were listed on the Hong Kong Stock Exchange on 26 March 2010.

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

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

2.1 Basis of Presentation

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History and Reorganisation" in the Prospectus dated 16 March 2010 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 22 February 2010. Since Mr. Huang Yi and Mr. Li Guoqiang (the "Controlling Shareholder") control the Group before and after the Reorganisation, the Reorganisation is accounted for as a reorganisation under common control using the principles of merger accounting in accordance with Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These consolidated financial statements include the financial statements of the companies now comprising the Group, as if the group structure resulted from the Reorganisation had been in existence from the beginning of the financial years presented, or since their respective dates of incorporation, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of Presentation (continued)

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs issued in October 2008*	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation *4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in Improvements to HKFRSs 2009 and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

2.2 Changes in Accounting Policy and Disclosures (continued)

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements (continued)

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 Leases: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 Leases included in Improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has no land leases in Hong Kong. The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures –Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
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 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets[5]

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[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 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 Business Combinations: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the scope of the measurement choices of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 Presentation of Financial Statements: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 Consolidated and Separate Financial Statements: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

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

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

2.4 Summary of Significant Accounting Policies (continued)

Joint ventures (continued)

A joint venture is treated as:

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

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

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

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

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its jointly-controlled entities is included in the consolidated income statements and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 consolidated income statement 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 consolidated income statement in the period in which it arises.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

	Estimated useful life	Estimated residual value
Category		
Buildings	10-20 years	5%
Leasehold improvements	5 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	5 years	5%
Motor vehicles	5 years	5%

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

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	3-5 years
Dealership agreements	20 years
Customer relationships	15 years
Favourable contracts	20 years
Club memberships	20-44 years

2.4 Summary of Significant Accounting Policies (continued)

Leases

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

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

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

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such a 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 investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, dividends receivable, amounts due from related parties, and quoted and unquoted financial instruments.

Subsequent measurement

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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

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

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 by 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 expenses.

Held-to-maturity investments

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt 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 market conditions.

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, and bank and other borrowings.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by 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 or includes 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.

Offsetting of financial instruments

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

Fair value of financial instruments

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

2.4 Summary of Significant Accounting Policies (continued)

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

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

Income tax

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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 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 or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

(b) from the rendering of services, on the percentage of completion basis, 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 recognised as a deduction from cost of sales on an accruals 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 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 statement as they become payable in accordance with the rules of the central pension scheme.

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

2.4 Summary of Significant Accounting Policies (continued)

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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.33% and 7.45% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

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

The functional currencies of the Company and 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 statement are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3 Significant Accounting Judgements and Estimates

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets recognised were RMB8,785,000 (2009: RMB4,532,000) as at 31 December 2010. More details are given in Note 32(b).

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were RMB790,947,000 (2009: RMB200,492,000) as at 31 December 2010. More details are given in Note 18.

Impairment of non-financial assets (other than goodwill)

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

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2010, no impairment losses have been recognised for available-for-sale assets.

Useful lives of intangible assets

The intangible assets are depreciated on a straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated.

4. Operating Segment Information

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

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

Information about geographical area

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

Information about major customers

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

5. Revenue, Other Income and Gains, Net

(a) Revenue:

	2010 **RMB'000**	2009 RMB'000
Revenue from the sale of motor vehicles	**21,936,868**	12,466,358
Others	**2,106,039**	1,255,827
	24,042,907	13,722,185

5. Revenue, Other Income and Gains, Net (continued)

(b) Other income and gains, net:

	2010 **RMB'000**	2009 RMB'000
Commission income	**113,614**	46,535
Advertisement support received from motor vehicle manufacturers	**18,225**	3,120
Rental income	**782**	2,682
Interest income	**27,199**	10,100
Government grants	**4,783**	141
Net gain on disposal of property, plant and equipment	**69,685**	3,933
Net gain on disposal of land use rights	**46,009**	–
Gain on disposal of a subsidiary	**6,789**	–
Gain on disposal of held-to-maturity investments	**299**	–
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	**4,066**	–
– equity linked notes	**2,110**	–
Others	**28,218**	2,692
	321,779	69,203

6. Profit Before Tax

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

		2010 RMB'000	2009 RMB'000
(a)	**Employee benefit expense (including directors' remuneration (note9))**		
	Wages and salaries	399,516	142,415
	Pension scheme contributions	55,318	24,816
	Other welfare	27,966	13,027
		482,800	180,258
(b)	**Cost of sales and services:**		
	Cost of sales of motor vehicles	20,674,431	11,843,413
	Others	1,075,750	699,349
		21,750,181	12,542,762
(c)	**Other items**		
	Depreciation and impairment of property, plant and equipment	109,508	67,765
	Amortisation of land use rights	9,223	7,036
	Amortisation of intangible assets	34,306	13,352
	Auditors' remuneration	5,000	4,000
	Lease expenses	33,325	20,184
	Advertisement expenses	83,796	37,202
	Office expenses	64,375	30,822
	Logistics expenses	36,821	9,664
	Business promotion expenses	73,787	26,723
	(Reversal)/provision for impairment of trade receivables and other receivables	(485)	7
	Net gain on disposal of property, plant and equipment	(69,685)	(3,933)
	Net gain on disposal of land use rights	(46,009)	–
	Gain on disposal of a subsidiary	(6,789)	–
	Gain on disposal of held-to-maturity investments	(299)	–
	Fair value gains, net:		
	Financial assets at fair value through profit or loss		
	– listed equity investments held for trading	(4,066)	–
	– equity linked note	(2,110)	–

7. Finance Costs

	2010 RMB'000	2009 RMB'000
Interest expense on bank borrowings wholly repayable within five years	212,487	76,877
Interest expense on other borrowings	25,938	3,811
Less: Interest capitalised	(11,508)	–
	226,917	80,688

8. Tax

(a) Tax in the consolidated income statements represents:

	2010 RMB'000	2009 RMB'000
Current Mainland China corporate income tax	297,200	151,898
Current Hong Kong corporate income tax	1,924	–
Deferred tax (Note 32(b))	2,500	21,803
	301,624	173,701

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which 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.

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

8. Tax (continued)

(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:

	2010 RMB'000	2009 RMB'000
Profit before tax	**1,383,997**	666,704
Tax at applicable tax rate (25%)	**345,999**	166,676
Tax effect of non-deductible expenses	**3,564**	2,634
Income not subject to tax	**(28,494)**	–
Profits attributable to jointly-controlled entities	**(2,049)**	(1,814)
Effect of tax concessions obtained	**(17,396)**	(17,521)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries of Mainland China	**–**	23,726
Tax charge	**301,624**	173,701

9. Directors' Remuneration

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

	Year ended 31 December 2010				
	Directors' fees RMB'000	**Salaries, allowances and other benefits RMB'000**	**Discretionary bonuses RMB'000**	**Contributions to defined contribution retirement schemes RMB'000**	**Total RMB'000**
Executive directors					
– Mr. Li Guoqiang	–	3,158	–	51	3,209
– Mr. Huang Yi	–	2,251	–	10	2,261
– Mr. Yu Guangming	–	1,379	–	55	1,434
– Mr. Du Qingshan	–	1,385	–	39	1,424
Independent non-executive directors					
– Mr. Shigeno Tomihei	–	216	–	–	216
– Mr. Ng Yuk Keung	–	216	–	–	216
– Mr. Shen Jinjun	–	216	–	–	216
	–	8,821	–	155	8,976

9. Directors' Remuneration (continued)

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

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

No emoluments were paid to the non-executive director of the Company during year.

10. Five Highest Paid Individuals

The five highest paid employees during the year included four (2009: two) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining one (2009: three) non-director, highest paid employees for the year are as follows:

	2010 RMB'000	2009 RMB'000
Salaries, bonuses, allowances and benefits in kind	**1,385**	1,412
Pension scheme contributions	**39**	81
	1,424	1,493

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

	Number of employees	
	2010	2009
Nil to RMB1,000,000	**–**	3
RMB1,000,001 to RMB1,500,000	**1**	–
	1	3

11. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Proposed final – HK$0.12 (2009: Nil) (approximately RMB0.10) per ordinary share	**192,765**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares in issue, during the year 2010 and 2009, respectively.

Earnings

	2010 RMB'000	2009 RMB'000
Profit attributable to ordinary equity holders of the parent	**1,031,190**	470,881

Shares

	2010	2009
Weighted average number of ordinary shares in issue during the year	**1,828,281,202**	1,559,992,795

The weighted average number of shares used to calculate the basic earnings per share in 2009 includes the pro forma issued share capital of the Company of 1,559,992,795 shares, comprising the 100,000 shares of the Company issued on incorporation; and the 1,559,892,795 shares of the Company issued as consideration for the acquisition of subsidiaries now comprising the Group pursuant to the Reorganisation (Note 1), on the assumption that the shares had been issued on 1 January 2009.

The weighted average number of shares used to calculate the basic earnings per share for the year of 2010 includes the weighted average of 348,488,500 shares issued in connection with the Company's IPO and over-allotment option as defined in the Prospectus, in addition to the aforesaid 1,559,992,795 ordinary shares.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (continued)

Earnings per share

	2010 RMB	2009 RMB
Basic	**0.56**	0.30
Diluted	**0.56**	0.30

No adjustment has been made to the basic earnings per share amounts presented in 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2010 and 2009.

13. Profit Attributable to Owners of the Parent

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2010 includes a profit of RMB9,609,000 which has been dealt with in the financial statements of the Company (Note 34).

14. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2010	665,285	16,813	90,402	73,860	128,134	116,222	1,090,716
Exchange realignment	–	(26)	–	(7)	(64)	–	(97)
Additions	43,157	14,881	31,045	35,688	222,239	289,161	636,171
Acquisition of subsidiaries (Note 35)	272,684	143,759	41,424	33,521	124,725	7,171	623,284
Transfer	252,047	–	3,756	463	–	(256,266)	–
Disposals	(50,470)	(5,319)	(1,672)	(5,040)	(58,097)	(29)	(120,627)
Disposal of a subsidiary (Note 36)	–	–	(2,310)	(862)	(515)	–	(3,687)
At 31 December 2010	1,182,703	170,108	162,645	137,623	416,422	156,259	2,225,760
Accumulated depreciation and impairment:							
At 1 January 2010	121,549	8,146	35,503	35,869	51,270	–	252,337
Exchange realignment	–	(3)	–	(1)	(10)	–	(14)
Depreciation and impairment provided during the year	42,045	8,269	10,396	15,240	33,558	–	109,508
Acquisition of subsidiaries (Note 35)	30,489	26,773	14,836	16,425	25,248	–	113,771
Disposals	(11,777)	(54)	(1,460)	(4,038)	(19,141)	–	(36,470)
Disposal of a subsidiary (Note 36)	–	–	(1,531)	(403)	(147)	–	(2,081)
At 31 December 2010	182,306	43,131	57,744	63,092	90,778	–	437,051
Net book amount:							
At 31 December 2010	1,000,397	126,977	104,901	74,531	325,644	156,259	1,788,709
Cost:							
At 1 January 2009	477,393	10,193	56,084	46,185	95,436	24,606	709,897
Exchange realignment	–	(1)	–	–	(3)	–	(4)
Additions	18,170	2,080	16,155	17,118	41,356	124,114	218,993
Acquisition of subsidiaries	124,070	5,574	20,768	11,542	23,557	14,759	200,270
Transfer	46,977	–	–	280	–	(47,257)	–
Disposals	(1,325)	(1,033)	(2,605)	(1,265)	(32,212)	–	(38,440)
At 31 December 2009	665,285	16,813	90,402	73,860	128,134	116,222	1,090,716
Accumulated depreciation and impairment:							
At 1 January 2009	77,385	3,876	23,176	19,248	37,433	–	161,118
Exchange realignment	–	–	–	–	(1)	–	(1)
Depreciation and impairment provided during the year	29,145	4,177	6,048	11,481	16,914	–	67,765
Acquisition of subsidiaries	15,046	1,063	8,597	5,446	8,588	–	38,740
Disposals	(27)	(970)	(2,318)	(306)	(11,664)	–	(15,285)
At 31 December 2009	121,549	8,146	35,503	35,869	51,270	–	252,337
Net book amount:							
At 31 December 2009	543,736	8,667	54,899	37,991	76,864	116,222	838,379

14. Property, Plant and Equipment (continued)

As at 31 December 2010, the application for the property ownership certificates of certain buildings with a net book amount of approximately RMB550,211,000 (2009: RMB231,844,000) was still in progress.

As at 31 December 2010, certain of the Group's buildings with aggregate net book amount of approximately RMB89,734,000 (2009: RMB79,610,000) was pledged as security for the Group's bank borrowings (Note 28(a)).

15. Land Use Rights

	2010 RMB'000	2009 RMB'000
Cost:		
At the beginning of the year	**447,579**	272,634
Additions	**222,719**	104,007
Acquisition of subsidiaries (Note 35)	**82,547**	70,938
Disposals	**(15,943)**	–
At the end of the year	**736,902**	447,579
Amortisation:		
At the beginning of the year	**24,680**	15,647
Charge for the year	**9,223**	7,036
Acquisition of subsidiaries (Note 35)	**3,547**	1,997
Disposals	**(1,198)**	–
At the end of the year	**36,252**	24,680
Net book value:		
At the end of the year	**700,650**	422,899

15. Land Use Rights (continued)

The lease prepayments of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 25 to 47 years.

As at 31 December 2010, certain of the Group's land use rights with an aggregate net book value of approximately RMB87,165,000 (2009: RMB41,655,000) were pledged as security for the Group's bank borrowings (Note 28(a)).

As at 31 December 2010, the Group had yet to obtain the legal title of certain land use rights in Mainland China subject to certain administrative procedures to be completed by the Group and the local government authorities. The net book value of these land use rights as at 31 December 2010 amounted to RMB173,401,000 (2009: RMB219,748,000).

16. PREPAYMENTS

	2010 **RMB'000**	2009 RMB'000
Prepaid lease for land	**15,005**	2,952
Prepayment for land use rights	**350,277**	–
Prepaid lease for buildings	**33,101**	13,119
Prepayments for potential acquisitions	**305,402**	40,200
	703,785	56,271

17. Intangible Assets

	Software RMB'000	Dealership agreements RMB'000	Customer relationships RMB'000	Favourable contract RMB'000	Club memberships RMB'000	Total RMB'000
Cost:						
At 1 January 2010	14,935	216,595	47,181	–	–	278,711
Exchange realignment	(14)	–	–	–	–	(14)
Additions	2,981	–	–	–	2,474	5,455
Acquisition of subsidiaries (Note 35)	2,786	876,280	276,650	2,890	–	1,158,606
Disposals	(31)	–	–	–	–	(31)
Disposal of a subsidiary (Note 36)	(28)	(1,150)	(510)	–	–	(1,688)
At 31 December 2010	20,629	1,091,725	323,321	2,890	2,474	1,441,039
Accumulated amortisation:						
At 1 January 2010	4,061	15,826	4,192	–	–	24,079
Exchange realignment	(9)	–	–	–	–	(9)
Amortisation provided during the year	2,487	25,628	6,094	40	57	34,306
Acquisition of subsidiaries (Note 35)	525	–	–	–	–	525
Disposals	(31)	–	–	–	–	(31)
Disposal of a subsidiary (Note 36)	(27)	(64)	(89)	–	–	(180)
At 31 December 2010	7,006	41,390	10,197	40	57	58,690
Net book value:						
At 31 December 2010	13,623	1,050,335	313,124	2,850	2,417	1,382,349
Cost:						
At 1 January 2009	9,756	80,323	19,282	–	–	109,361
Exchange realignment	(1)	–	–	–	–	(1)
Additions	4,645	–	–	–	–	4,645
Acquisition of subsidiaries	535	136,272	27,899	–	–	164,706
At 31 December 2009	14,935	216,595	47,181	–	–	278,711
Accumulated amortisation:						
At 1 January 2009	1,550	5,475	1,775	–	–	8,800
Amortisation provided during the year	2,217	8,718	2,417	–	–	13,352
Acquisition of subsidiaries	294	1,633	–	–	–	1,927
At 31 December 2009	4,061	15,826	4,192	–	–	24,079
Net book value:						
At 31 December 2009	10,874	200,769	42,989	–	–	254,632

17. Intangible Assets (continued)

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

18. Goodwill

	2010 RMB'000	2009 RMB'000
At the beginning of the year	200,492	76,566
Acquisition of subsidiaries (Note 35)	593,117	123,926
Disposal of a subsidiary (Note 36)	(2,662)	–
At the end of the year	790,947	200,492

Impairment testing of goodwill

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

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

Key assumptions used in the value in use calculation

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

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

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

19. Interests in Jointly-Controlled Entities

	2010 RMB'000	2009 RMB'000
Share of net assets	**46,894**	38,699

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

(a) Particulars of jointly-controlled entities

Jointly-controlled entity	Place and date of incorporation/ registration	Authorised registered/paid-in/ issued capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Xiamen Zhongsheng	Xiamen, the PRC, 2002	RMB12,000,000	50%	50%	50%	Sale and service of motor vehicles
Zhongsheng Tacti	Dalian, the PRC, 2009	RMB20,540,000	50%	50%	50%	Service of motor vehicles

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

	2010 RMB'000	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**4,080**	2,880
Current assets	**66,262**	63,730
Current liabilities	**(23,448)**	(27,911)
Net assets	**46,894**	38,699

19. Interests in Jointly-Controlled Entities (continued)

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

Share of the jointly-controlled entities' results:

	2010 **RMB'000**	2009 RMB'000
Income	**275,057**	221,594
Expenses	**(264,069)**	(212,372)
Tax	**(2,793)**	(1,968)
Profit for the year	**8,195**	7,254

20. Available-For-Sale Investments

	Group		**Company**	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Unlisted equity investments, at cost	**200**	100	**–**	–
Corporate bonds, at fair value	**178,094**	–	**178,094**	–
	178,294	100	**178,094**	–

The unlisted equity investments in Dalian Mingshi Cheyuan Exhibiting Co., Ltd. and Tianjin Beifang Automobile Exchange Market Co., Ltd. (two unlisted companies with registered capital of RMB510,000 and RMB1,000,000, respectively) were designated as available-for-sale financial assets. The investments were stated at cost because the investments do not have a quoted market price in an active market and, in the opinion of the Directors, the fair value estimate can not be measured reliably.

The corporate bonds investments are all listed bonds, with fixed payments amounting to US dollars (US$) 26,000,000. The bonds earn interest at rates ranging from 6.125% to 9.750% per annum.

21. Inventories

	2010 **RMB'000**	2009 RMB'000
Motor vehicles	**3,169,476**	880,753
Spare parts	**276,636**	128,294
Others	**6,934**	15,193
	3,453,046	1,024,240

As at 31 December 2010, certain of the Group's inventories with a carrying amount of approximately RMB711,358,000 (2009: RMB76,735,000) were pledged as security for the Group's bank loans and other borrowings (Note 28(a)).

As at 31 December 2010, certain of the Group's inventories with a carrying amount of approximately RMB502,918,000 (2009: RMB221,427,000) were pledged as security for the Group's bills payable.

22. Trade Receivables

	2010 **RMB'000**	2009 RMB'000
Trade receivables	**285,183**	87,054
Impairment	**(232)**	(290)
	284,951	86,764

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

22. Trade Receivables (continued)

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

	2010 **RMB'000**	2009 RMB'000
Within 3 months	**263,126**	76,885
More than 3 months but less than 1 year	**18,855**	9,692
Over 1 year	**2,970**	187
	284,951	86,764

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

	2010 **RMB'000**	2009 RMB'000
Neither past due nor impaired	**281,981**	86,577
Over one year past due	**2,970**	187
	284,951	86,764

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 Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2010 **RMB'000**	2009 RMB'000
At the beginning of the year	**290**	490
Impairment losses recognised	**2**	37
Acquisition of subsidiaries	**138**	138
Amounts written off as uncollectible	**(16)**	(338)
Impairment losses reversed	**(182)**	(37)
At the end of the year	**232**	290

23. Prepayments, Deposits and Other Receivables

	2010 RMB'000	2009 RMB'000
Prepayments and deposits to suppliers	**1,680,213**	907,339
Deposits paid for acquisition of land use rights	**53,800**	51,580
Advances to certain companies to be acquired	**78,000**	–
Vendor rebate receivables	**389,113**	73,266
VAT recoverable (i)	**183,992**	17,972
Receivables on disposal of subsidiaries	**21,264**	14,817
Prepayment related to the listing of the Company's shares	**–**	8,719
Receivables on disposal of property, plant and equipment	**50,420**	–
Receivables on disposal of land use rights	**54,465**	–
Interest receivables of available-for-sale investments	**3,371**	–
Others	**100,482**	39,493
	2,615,120	1,113,186

Note:

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

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

	2010 RMB'000	2009 RMB'000
Prepayments, deposits, and other receivables	**2,615,135**	1,113,657
Impairment	**(15)**	(471)
	2,615,120	1,113,186

23. Prepayments, Deposits and Other Receivables (continued)

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

	2010 RMB'000	2009 RMB'000
At the beginning of the year	**471**	151
Impairment losses recognised	**8**	7
Acquisition of subsidiaries	**–**	313
Amounts written off as uncollectible	**(151)**	–
Impairment losses reversed	**(313)**	–
At the end of the year	**15**	471

24. Financial Assets at Fair Value Through Profit or Loss

	Group and Company	
	2010 RMB'000	2009 RMB'000
Listed equity investments — Hong Kong (1)	**40,113**	–
Equity linked note (2)	**43,256**	–
	83,369	–

(1) The above equity investments at 31 December 2010 were classified as held for trading, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

(2) The equity linked note was a two-month HK$ monthly callable bullish daily accrual note due in January 2011 and its redemption was linked to the ordinary H shares of China Life Insurance Co., Ltd. The equity investment was designated by the Group as financial assets at fair value through profit or loss upon initial recognition.

25. Pledged Bank Deposits

	2010 **RMB'000**	2009 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks	**1,029,932**	382,929

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

	2010 **RMB'000**	2009 RMB'000
HK$	**–**	12,327

26. Cash in Transit

	2010 **RMB'000**	2009 RMB'000
Cash in transit	**140,852**	44,542

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

27. Cash and Cash Equivalents

	2010 **RMB'000**	2009 RMB'000
Cash and bank balances	**2,670,952**	828,980
Short term deposits	**318,766**	201,980
Cash and cash equivalents	**2,989,718**	1,030,960

As at 31 December 2010, the cash and bank balances and short term deposits of the Group denominated in a currency other than RMB amounted to RMB220,498,000 (2009: RMB56,287,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

28. Bank Loans and Other Borrowings

	2010		2009	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current bank borrowings	**4-9**	**4,488,969**	4-7	1,597,699
Other borrowings	**5-8**	**435,486**	5-7	199,450
		4,924,455		1,797,149

Bank borrowings and other borrowings representing:

	Notes	**2010 RMB'000**	2009 RMB'000
– secured	*(a)*	**859,384**	117,076
– entrusted		**20,000**	30,000
– guaranteed	*(b)*	**1,182,000**	448,500
– unsecured		**2,863,071**	1,201,573
		4,924,455	1,797,149

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

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

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying amount of approximately RMB87,165,000 (2009: RMB41,655,000) as at 31 December 2010;

(ii) mortgages over the Group's buildings, which had an aggregate carrying amount of approximately RMB89,734,000 (2009: RMB79,610,000) as at 31 December 2010; and

(iii) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB711,358,000 (2009: RMB76,735,000) as at 31 December 2010, respectively.

(b) Certain of the Group's bank loans which amounted to RMB1,127,000,000 (2009: RMB382,500,000) were guaranteed by the Controlling Shareholder as at 31 December 2010. The other borrowings which amounted to RMB55,000,000 (2009: RMB66,000,000) were guaranteed by three third parties as at 31 December 2010.

29. Trade and Bills Payables

	2010 RMB'000	2009 RMB'000
Trade payables	**269,480**	111,976
Bills payable	**2,715,027**	981,037
Trade and bill payables	**2,984,507**	1,093,013

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

	2010 RMB'000	2009 RMB'000
Within 3 months	**2,370,683**	1,080,587
3 to 6 months	**529,650**	11,383
6 to 12 months	**78,527**	648
Over 12 months	**5,647**	395
	2,984,507	1,093,013

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

30. Other Payables and Accruals

	2010 RMB'000	2009 RMB'000
Payables for purchase of property, plant and equipment and land use rights	**107,255**	27,088
Advances and deposits from distributors	**60,230**	14,032
Advances from customers	**649,624**	148,134
Payables for purchase of equity interests from third parties	**25,987**	35,283
Staff payroll and welfare payables	**25,675**	19,282
Others	**85,625**	33,883
	954,396	277,702

31. Employee Retirement Benefits

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

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries in Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% (2009: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 12% (2009: 7% to 10%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2010, the Group had no significant obligation apart from the contributions as stated above.

32. Income Tax Payable and Deferred Tax

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

	2010 **RMB'000**	2009 RMB'000
At the beginning of the year	**60,012**	27,733
Provision for current tax for the year	**299,124**	151,898
Current tax paid	**(170,975)**	(119,619)
At the end of the year	**188,161**	60,012

32. Income Tax Payable and Deferred Tax (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets:

	Losses available for offset against future taxable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	**4,208**	**324**	**4,532**
Deferred tax arising from acquisition of subsidiaries (Note 35)	**9,741**	**1,059**	**10,800**
Deferred tax recognised in the consolidated income statement during the year (Note 8(a))	**(6,437)**	**(110)**	**(6,547)**
At 31 December 2010	**7,512**	**1,273**	**8,785**
At 1 January 2009	3,084	48	3,132
Deferred tax arising from acquisition of subsidiaries	2,432	–	2,432
Deferred tax recognised in the consolidated income statement during the year	(1,308)	276	(1,032)
At 31 December 2009	4,208	324	4,532

32. Income Tax Payable and Deferred Tax (continued)

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

Deferred tax liabilities:

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Change in the fair value of available-for-sale investments RMB''000	Change in fair value of financial assets at fair value through profit or loss RMB'000	Capitalisation of interest expenses RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2010	**69,162**	**–**	**–**	**–**	**35,383**	**104,545**
Deferred tax arising from acquisition of subsidiaries (Note 35)	**304,567**	**–**	**–**	**–**	**17,417**	**321,984**
Deferred tax recognised in the consolidated income statement during the year (Note 8(a))	**(8,505)**	**–**	**1,581**	**2,877**	**–**	**(4,047)**
Deferred tax recognised in the consolidated statement of comprehensive income during the year	**–**	**492**	**–**	**–**	**–**	**492**
Disposal of a subsidiary (Note 36)	**(377)**	**–**	**–**	**–**	**–**	**(377)**
As 31 December 2010	**364,847**	**492**	**1,581**	**2,877**	**52,800**	**422,597**
At 1 January 2009	22,181	–	–	–	11,657	33,838
Deferred tax arising from acquisition of subsidiaries	49,936	–	–	–	–	49,936
Deferred tax recognised in the consolidated income statement during the year	(2,955)	–	–	–	23,726	20,771
As 31 December 2009	69,162	–	–	–	35,383	104,545

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

In the opinion of the directors, it is not probable that the Group's subsidiaries established in Mainland China will, in the foreseeable future, distribute earnings with an aggregated amount of temporary differences of approximately RMB967,490,000 (2009: Nil) associated with investments in these subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2010.

33. Share Capital

Shares	2010 HK$'000
Authorised:	
1,000,000,000,000 shares of HK$0.0001 each	100,000
Issued and fully paid	
1,908,481,295 shares of HK$0.0001 each	191
Equivalent to RMB'000	168

A summary of the transaction in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Equivalent total RMB'000
On incorporation	100,000	–	–	–	–	–
Issue of shares in connection with the Reorganisation	1,559,892,795	156	2,401,067	137	2,110,778	2,110,915
Issue of new shares (note (a))	305,564,500	31	3,055,614	27	2,687,718	2,687,745
Over-allotment (note (b))	42,924,000	4	429,236	4	377,384	377,388
	1,908,481,295	191	5,885,917	168	5,175,880	5,176,048
Share issue expenses	–	–	(175,836)	–	(154,665)	(154,665)
As at 31 December 2010	1,908,481,295	191	5,710,081	168	5,021,215	5,021,383

Notes:

(a) On 26 March 2010, in connection with the company's IPO as defined in the Prospectus, 305,564,500 new ordinary shares of the Company of HK$0.0001 each were issued at a price of HK$10.0 per share with gross proceeds of HK$3,055,645,000 (equivalent to approximately RMB2,687,745,000).

(b) On 31 March 2010, an over-allotment option was exercised and an additional 42,924,000 ordinary shares of HK$0.0001 each were issued at a price of HK$10.0 per share with gross proceeds of HK$429,240,000 (equivalent to approximately RMB377,388,000).

34. Reserves

Group

(i) Discretionary reserve fund

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

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

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 42 to the consolidated financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(iii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The deductions during the year represent the excess of the consideration over the carrying amount of the non-controlling interests acquired.

(iv) Exchange fluctuation reserve

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

Company

	Share Premium RMB'000 (Note 33)	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profit/ (accumulated loss) RMB'000	Total RMB'000
As at 1 January 2010	–	–	–	(124)	(124)
Issue of shares in connection with the Reorganisation and issue of new shares and over-allotment	5,021,215	–	–	–	5,021,215
Total comprehensive income for the year	–	2,489	(161,768)	264,879	105,600
Proposed final 2010 dividend	–	–	–	(192,765)	(192,765)
As at 31 December 2010	5,021,215	2,489	(161,768)	71,990	4,933,926

35. Business Combination — Acquisition Of Subsidiaries

(a) As part of the Group's plan to expand its motor vehicle sales and service business in Sichuan province, the Group acquired 90% of the equity interests of 成都益佳汽車銷售服務有限責任公司 (Chengdu Yijia Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business from a third party on 30 April 2010, at a total consideration of RMB20,716,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the year.

The Group has elected to measure the non-controlling interest in the subsidiary at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

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

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	*14*	12,599
Intangible assets	*17*	12,283
Deferred tax assets	*32(b)*	5
Inventories		19,337
Trade receivables		3,732
Prepayments, deposits and other receivables		7,377
Cash and cash equivalents		14,536
Trade and bills payables		(10,148)
Other payables and accruals		(32,326)
Deferred tax liabilities	*32(b)*	(3,117)
Income tax payable		(1,542)
Net identifiable assets and liabilities		22,736
Non-controlling interests arising from a business combination		(2,274)
Goodwill on acquisition	*18*	254
Total purchase consideration		20,716

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

Satisfied by cash	(20,716)
Cash acquired	14,536
Net cash outflow	(6,180)

Since the acquisition, the subsidiary contributed RMB166,620,000 to the Group's revenue and RMB7,806,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,152,028,000 and RMB1,083,686,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(b) As part of the Group's plan to expand its motor vehicle sales and service business in Shandong province, the Group acquired 100% of the equity interests of 青島日產汽車銷售服務有限公司 (Qingdao Nissan Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 30 April 2010 at a total consideration of RMB32,021,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the year.

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

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	*14*	1,888
Intangible assets	*17*	14,860
Deferred tax assets	*32(b)*	1,117
Inventories		18,778
Trade receivables		946
Prepayments, deposits and other receivables		25,151
Cash and cash equivalents		5,050
Trade and bills payables		(3,034)
Other payables and accruals		(52,018)
Deferred tax liabilities	*32(b)*	(3,886)
Net identifiable assets and liabilities		8,852
Goodwill on acquisition	*18*	23,169
Total purchase consideration		32,021

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

Satisfied by cash	(32,021)
Cash acquired	5,050
Net cash outflow	(26,971)

Since the acquisition, the subsidiary contributed RMB164,316,000 to the Group's revenue and RMB6,921,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,111,835,000 and RMB1,080,669,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(c) As part of the Group's plan to expand its motor vehicle sales and service business in Shandong province, the Group acquired 100% of the equity interests of 烟台市盛悦汽車銷售服務有限公司 (Yantai Shengyue Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 30 April 2010 at a total consideration of RMB3,700,000. The purchase consideration for the acquisition was in the form of cash, with RMB3,223,000 paid during the year.

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

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	*14*	2,718
Intangible assets	*17*	2,476
Deferred tax assets	*32(b)*	1,110
Inventories		7,748
Trade receivables		411
Prepayments, deposits and other receivables		12,206
Cash and cash equivalents		64,651
Trade and bills payables		(77,470)
Other payables and accruals		(9,612)
Deferred tax liabilities	*32(b)*	(642)
Net identifiable assets and liabilities		3,596
Goodwill on acquisition	*18*	104
Total purchase consideration		3,700

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

Satisfied by cash	(3,223)
Cash acquired	64,651
Net cash inflow	61,428

Since the acquisition, the subsidiary contributed RMB114,070,000 to the Group's revenue and RMB3,665,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,077,620,000 and RMB1,082,264,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(d) As part of the Group's plan to expand its motor vehicle sales and service business in Liaoning province, the Group acquired 50% of the equity interests of 大連天久汽車服務有限公司 (Dalian Tianjiu Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 30 April 2010 at a total consideration of RMB26,000,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the year.

The Group has elected to measure the non-controlling interest in the subsidiary at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

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

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	*14*	12,784
Intangible assets	*17*	28,560
Deferred tax assets	*32(b)*	2,789
Inventories		32,935
Trade receivables		15
Prepayments, deposits and other receivables		17,841
Cash and cash equivalents		48,877
Trade and bills payables		(76,154)
Other payables and accruals		(7,193)
Deferred tax liabilities	*32(b)*	(7,632)
Bank loans and other borrowings		(27,800)
Income tax payable		(40)
Net identifiable assets and liabilities		24,982
Non-controlling interests arising from a business combination		(12,491)
Goodwill on acquisition	*18*	13,509
Total purchase consideration		26,000

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

Satisfied by cash	(26,000)
Cash acquired	48,877
Net cash inflow	22,877

Since the acquisition, the subsidiary contributed RMB268,965,000 to the Group's revenue and RMB12,443,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,137,160,000 and RMB1,077,249,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(e) As part of the Group's plan to expand its motor vehicle sales and service business in Liaoning province, the Group acquired 50% of the equity interests of 大連恒盛汽車服務有限公司 (Dalian Hengsheng Automobile Services Co., Ltd., formerly known as 大連天貿汽車銷售服務有限公司), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 30 April 2010 at a total consideration of RMB39,176,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the year.

The Group has elected to measure the non-controlling interest in the subsidiary at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

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

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	*14*	7,114
Intangible assets	*17*	16,310
Deferred tax assets	*32(b)*	173
Prepayments, deposits and other receivables		8,699
Cash and cash equivalents		145
Other payables and accruals		(23)
Deferred tax liabilities	*32(b)*	(5,734)
Net identifiable assets and liabilities		26,684
Non-controlling interests arising from a business combination		(13,342)
Goodwill on acquisition	*18*	25,834
Total purchase consideration		39,176

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

Satisfied by cash	(39,176)
Cash acquired	145
Net cash outflow	(39,031)

Since the acquisition, the subsidiary contributed RMB105,563,000 to the Group's revenue and RMB2,069,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,042,907,000 and RMB1,081,690,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(f) As part of the Group's plan to expand its motor vehicle sales and service business in Jiangsu province, the Group acquired 100% of the equity interests of 泰州中升豐田汽車銷售服務有限公司 (Taizhou Zhongsheng Toyota Automobile Sales & Services Co., Ltd., formerly known as 泰州康福豐田汽車銷售服務有限公司), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 31 August 2010 at a total consideration of RMB18,917,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the year.

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

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	*14*	2,115
Intangible assets	*17*	8,892
Inventories		6,585
Trade receivables		890
Prepayments, deposits and other receivables		7,318
Cash and cash equivalents		8,853
Trade and bills payables		(1,174)
Other payables and accruals		(6,028)
Deferred tax liabilities	*32(b)*	(2,210)
Bank loans and other borrowings		(10,000)
Net identifiable assets and liabilities		15,241
Goodwill on acquisition	*18*	3,676
Total purchase consideration		18,917

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

Satisfied by cash	(18,917)
Cash acquired	8,853
Net cash outflow	(10,064)

Since the acquisition, the subsidiary contributed RMB71,052,000 to the Group's revenue and RMB1,306,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,137,445,000 and RMB1,080,737,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(g) As part of the Group's plan to expand its motor vehicle sales and service business in Fujian province, the Group acquired equity interests of the following companies engaged in the motor vehicle sales and service business in Mainland China, from three third parties on 1 August 2010 at a total consideration of RMB208,500,000. The purchase consideration for the acquisition was in the form of cash, with RMB203,500,000 paid during the year.

The Group has elected to measure the non-controlling interests in these subsidiaries at the non-controlling interests' proportionate share of the subsidiaries' identifiable net assets.

Companies name	Acquired equity interests %
福州華瑞汽車銷售服務有限公司 (Fuzhou Huarui Automobile Sales & Services Co., Ltd.)	100
福州廣裕達貿易有限公司 (Fuzhou Guangyuda Trading Co., Ltd.)	100
莆田市華寶投資有限公司 (Putian Huabao Investment Co., Ltd)	51
三明華榮汽車銷售服務有限公司 (Sanming Huarong Automobile Sales & Services Co., Ltd.)	51
福清市華盛汽車銷售服務有限公司 (Fuqing Huasheng Automobile Sales & Services Co., Ltd.)	51
福州華裕汽車銷售服務有限公司 (Fuzhou Huayu Automobile Sales & Services Co., Ltd.)	100
福州美瑞達貿易有限公司 (Fuzhou Meiruida Trading Co., Ltd.)	100

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

	Notes	Recognised fair values on acquisition RMB'000
Property, plant and equipment	*14*	59,040
Land use rights	*15*	35,499
Deferred tax assets	*32(b)*	154
Intangible assets	*17*	83,237
Inventories		97,991
Trade receivables		12,267
Prepayments, deposits and other receivables		85,371
Cash in transit		5,596
Cash and cash equivalents		76,967
Trade and bills payables		(130,130)
Other payables and accruals		(53,144)
Deferred tax liabilities	*32(b)*	(27,313)
Bank loans and other borrowings		(56,900)
Income tax payable		(2,735)
Net identifiable assets and liabilities		185,900
Non-controlling interests arising from a business combination		(31,718)
Goodwill on acquisition	*18*	54,318
Total purchase consideration		208,500

35. Business Combination — Acquisition of Subsidiaries (continued)

(g) (continued)

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

Satisfied by cash	(203,500)
Cash acquired	82,563
Net cash outflow	(120,937)

Since the acquisitions, the subsidiaries contributed RMB422,924,000 to the Group's revenue and RMB14,376,000 to the consolidated profit for the year ended 31 December 2010.

Had the combinations taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,659,556,000 and RMB1,103,247,000 respectively.

(h) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 50% equity interests of the following companies engaged in the motor vehicle sales and service business in Mainland China, from a third party on 29 September 2010 at a total consideration of RMB1,100,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB1,090,000,000 paid during the year .

The Group has elected to measure the non-controlling interests in these subsidiaries at the non-controlling interests' proportionate share of the subsidiaries' identifiable net assets.

B&L Motor Holding Co., Ltd

Betterlife International Motor Co., Ltd

北京百得利汽車進出口集團有限公司	(Beijing Betterlife Automobile Import & Export Group Co., Ltd.)
北京百得利汽車銷售有限公司	(Beijing Betterlife Automobile Sales Co., Ltd.)
天津百得利汽車服務有限公司	(Tianjin Betterlife Automobile Service Co., Ltd.)
北京百得利汽車貿易有限公司	(Beijing Betterlife Automobile Trading Co., Ltd.)
天津百得利之迪汽車銷售有限公司	(Beijing Betterlife Zhidi Automobile Sales Co., Ltd.)
北京百得利之星汽車銷售有限公司	(Beijing Betterlife Star Automobile Sales Co., Ltd.)
北京百得利之達汽車銷售有限公司	(Beijing Betterlife Zhida Auto Sales Co., Ltd.)
天津百得利汽車銷售有限公司	(Tianjin Betterlife Automobile Sales Co., Ltd.)
天津百得利投資控股有限公司	(Tianjin Betterlife Investment & Holdings Co., Ltd.)
天津周氏興業國際貿易有限公司	(Chou Dynasty (Tianjin) International Trading Co., Ltd.)
百得利天津國際貿易有限公司	(Betterlife (Tianjin) International Trading Co., Ltd.)
北京百得利之星舊機動車經紀有限公司	(Beijing Betterlife Star Used Automobile Agency Co., Ltd)
杭州百得利汽車有限公司	(Hangzhou Betterlife Automobile Co., Ltd)
成都百得利汽車貿易有限公司	(Chengdu Betterlife Automobile Trading Co., Ltd)

35. Business Combination — Acquisition of Subsidiaries (continued)

(h) (continued)

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

	Notes	Recognised fair values on acquisition RMB'000
Property, plant and equipment	*14*	397,410
Land use rights	*15*	43,501
Prepayments		3,170
Available-for-sale investments		100
Deferred tax assets	*32(b)*	1,803
Intangible assets	*17*	983,213
Inventories		463,734
Trade receivables		42,328
Prepayments, deposits and other receivables		531,534
Pledged bank deposits		303,741
Cash in transit		8,506
Cash and cash equivalents		276,898
Trade and bills payables		(491,995)
Other payables and accruals		(434,313)
Amounts due to non-controlling shareholder		(33,853)
Deferred tax liabilities	*32(b)*	(269,078)
Bank loans and other borrowings		(543,936)
Income tax payable		(22,045)
Net identifiable assets and liabilities		1,260,718
Non-controlling interests arising from a business combination		(630,359)
Goodwill on acquisition	*18*	469,641
Total purchase consideration		1,100,000

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

Satisfied by cash	(1,090,000)
Cash acquired	589,145
Net cash outflow	(500,855)

Since the acquisitions, the subsidiaries contributed RMB1,767,472,000 to the Group's revenue and RMB51,210,000 to the consolidated profit for the year ended 31 December 2010.

Had the combinations taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB28,113,330,000 and RMB1,221,690,000, respectively.

35. Business Combination — Acquisition of Subsidiaries (continued)

(i) As part of the Group's plan to expand its motor vehicle sales and service business in Zhejiang province, the Group acquired 100% of the equity interests of 台州信威汽車有限公司 (Taizhou Xinwei Automobile Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China from three third parties on 31 October 2010 at a total consideration of RMB17,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB8,500,000 paid during the year.

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

	Notes	**Recognised fair values on acquisition RMB'000**
Property, plant and equipment	*14*	13,845
Intangible assets	*17*	8,250
Deferred tax assets	*32(b)*	3,649
Inventories		19,981
Trade receivables		1,719
Prepayments, deposits and other receivables		3,680
Cash and cash equivalents		27,663
Trade and bills payables		(33,180)
Other payables and accruals		(20,047)
Deferred tax liabilities	*32(b)*	(2,372)
Bank loans and other borrowings		(8,800)
Net identifiable assets and liabilities		14,388
Goodwill on acquisition	*18*	2,612
Total purchase consideration		17,000

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

Satisfied by cash	(8,500)
Cash acquired	27,663
Net cash inflow	19,163

Since the acquisition, the subsidiary contributed RMB27,637,000 to the Group's revenue and RMB1,106,000 net loss to the consolidated profit for the year ended 31 December 2010.

Had the combinations taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB24,161,494,000 and RMB1,076,947,000, respectively.

36. Disposal of a Subsidiary

The Group disposed of its entire equity interests in 烟台中升上通汽車銷售服務有限公司 (Yantai Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.) on 30 November 2010. This company was engaged in the automotive distribution business.

	Notes	**RMB'000**
Net assets disposed of:		
Property, plant and equipment	*14*	1,606
Intangible assets	*17*	1,508
Inventories		1,690
Trade receivables		118
Prepayments, deposits and other receivables		1,761
Amounts due from related parties		14,258
Cash and cash equivalents		2,060
Trade and bills payables		(18)
Other payables and accruals		(457)
Dividends payable		(7,336)
Deferred tax liabilities	*32(b)*	(377)
		14,813
Goodwill	*18*	2,662
Gain on disposal of subsidiaries		6,789
Total disposal consideration		24,264
Satisfied by:		
Cash		3,000

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

	RMB'000
Cash received	3,000
Cash and cash equivalents disposed of	(2,060)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiary	940

37. Financial Instruments by Category

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

Group

2010

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investment RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	83,369	–	–	83,369
Available-for-sale investments	–	178,294	–	178,294
Trade receivables	–	–	284,951	284,951
Financial assets included in prepayments deposits and other receivables	–	–	697,115	697,115
Amounts due from related parties	–	–	2,229	2,229
Pledged bank deposits	–	–	1,029,932	1,029,932
Cash in transit	–	–	140,852	140,852
Cash and cash equivalents	–	–	2,989,718	2,989,718
	83,369	178,294	5,144,797	5,406,460

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,984,507
Financial liabilities included in other payables and accruals	244,542
Amounts due to related parties	10,026
Bank loans and other borrowings	4,924,455
	8,163,530

37. Financial Instruments by Category (continued)

Group (continued)

2009

Financial assets

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

Financial liabilities

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

37. Financial Instruments by Category (continued)

Company

2010

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investment RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	83,369	–	–	83,369
Available-for-sale investments	–	178,094	–	178,094
Financial assets included in prepayment deposits and other receivables	–	–	3,371	3,371
Amounts due from subsidiaries	–	–	2,365,415	2,365,415
Cash and cash equivalents	–	–	133,785	133,785
	83,369	178,094	2,502,571	2,764,034

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	182
Amounts due to subsidiaries	14,692
	14,874

37. Financial Instruments by Category (continued)

Company (continued)

2009

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investment RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets included in prepayments deposits and other receivables	–	–	8,719	8,719
Cash and cash equivalents	–	–	16	16
	–	–	8,735	8,735

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to subsidiaries	8,859
	8,859

38. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2010, the Group and the Company held the following financial instruments measured at fair value:

Assets measured at fair value:

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments, at fair value	178,094	–	–	178,094
Financial assets at fair value through profit or loss:				
Listed equity investments-Hong Kong	40,113	–	–	40,113
Equity linked notes	–	43,256	–	43,256
	218,207	43,256	–	261,463

During the year ended 31 December 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The Group and the Company did not have any financial assets measured at fair value as at 31 December 2009.

Liabilities measured at fair value:

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2010 and 2009, respectively.

39. Contingent Liabilities

As at 31 December 2010, neither the Group nor the Company had any significant contingent liabilities.

40. Commitments

(a) Capital commitments

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

	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for land use rights and buildings	**171,619**	97,866
Contracted, but not provided for potential acquisitions	**85,605**	–
Authorised, but not contracted for land use rights and buildings	**–**	6,755
	257,224	104,621

(b) Operating lease commitments

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

	2010		2009	
	Properties	**Land**	Properties	Land
	RMB'000	**RMB'000**	RMB'000	RMB'000
Within one year	**42,772**	**11,024**	4,713	5,794
After 1 year but within 5 years	**138,765**	**49,499**	17,833	28,708
After 5 years	**151,820**	**148,439**	13,878	82,674
	333,357	**208,962**	36,424	117,176

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

41. Pledge of Assets

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in Note 14, Note 15 and Note 21 to the consolidated financial statements.

42. Investments in Subsidiaries

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**2,124,820**	–

The amounts due from and due to subsidiaries included in the Company's non-current assets and current liabilities of RMB2,620,685,000 and RMB14,692,000, respectively, are unsecured, interest-free and had no fixed repayment terms.

Particulars of the principal subsidiaries are as follows:

			Proportion of ownership interest		
Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Held by the Company %	Held by a subsidiary %	Principal activities
中升(大連)集團有限公司 (Zhongsheng (Dalian) Group Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of RMB700,000,000	–	100%	Investment holding
大連中升豐田汽車銷售服務有限公司 (Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of US$8,000,000	–	100%	Sale and service of motor vehicles
大連中升豐田汽車銷售有限公司 (Dalian Zhongsheng Toyota Automobile Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB20,000,000	–	100%	Sale of motor vehicles
大連中升集團汽車用品有限公司 (Dalian Zhongsheng Group Automobile Accessories Co., Ltd., formerly known as 大連保稅區豐田汽車銷售有限公司)	Dalian, the PRC 1997	Registered and paid-in capital of US$3,000,000	–	100%	Sale of spare parts and accessories
大連中升日產汽車銷售服務有限公司 (Dalian Zhongsheng Nissan Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of US$7,500,000	–	100%	Sale and service of motor vehicles
大連中升奧通汽車銷售有限公司 (Dalian Zhongsheng Aotong Automobile Sales Co., Ltd.)	Dalian, the PRC 2003	Registered and paid-in capital of RMB30,000,000	–	100%	Sale of motor vehicles
大連中升東本汽車銷售服務有限公司 (Dalian Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of US$6,500,000	–	100%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

			Proportion of ownership interest		
Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Held by the Company %	Held by a subsidiary %	Principal activities
大連中升滙迪汽車銷售服務有限公司 (Dalian Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1999	Registered and paid-in capital of RMB16,550,000	–	100%	Sale and service of motor vehicles
昆明中升汽車銷售服務有限公司 (Kunming Zhongsheng Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
昆明中升豐田汽車銷售服務有限公司 (Kunming Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2002	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
福州中升豐田汽車服務有限公司 (Fuzhou Zhongsheng Toyota Automobile Services Co., Ltd.)	Fuzhou, the PRC 2002	Registered and paid-in capital of US$6,000,000	–	100%	Service of motor vehicles
福州中升豐田汽車銷售有限公司 (Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd.)	Fuzhou, the PRC 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale of motor vehicles
福建中升汽車服務有限公司 (Fujian Zhongsheng Automobile Services Co., Ltd.)	Fuzhou, the PRC 2001	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
上海中升豐田汽車銷售服務有限公司 (Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
上海國信汽車銷售有限公司 (Shanghai Guoxin Automobile Sales Co., Ltd.)	Shanghai, the PRC 2001	Registered and paid-in capital of RMB12,000,000	–	100%	Sale of motor vehicles
南京中升豐田汽車服務有限公司 (Nanjing Zhongsheng Toyota Automobile Services Co., Ltd.)	Nanjing, the PRC 2003	Registered and paid-in capital of HK$13,860,000	–	60%	Service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
大連迎賓中升豐田汽車銷售服務有限公司(Dalian Yingbin Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of US$6,000,000	–	100%	Sale and service of motor vehicles
大連中升之星汽車銷售服務有限公司 (Dalian Zhongsheng Star Automobile Sales & Services Co., Ltd., formerly known as 大連迎賓中升豐田汽車銷售有限公司)	Dalian, the PRC 2005	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
廣州中升豐田汽車銷售服務有限公司 (Guangzhou Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2004	Registered and paid-in capital of US8,000,000	–	100%	Sale and service of motor vehicles
深圳中升豐田汽車銷售服務有限公司 (Shenzhen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2004	Registered and paid-in capital of US$2,250,000	–	60%	Sale and service of motor vehicles
廣州中升凌志汽車銷售服務有限公司 (Guangzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2002	Registered and paid-in capital of US$10,000,000	–	100%	Sale and service of motor vehicles
大連中升凌志汽車銷售服務有限公司 (Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of US$17,500,000	–	100%	Sale and service of motor vehicles
大連中升汽車銷售服務有限公司 (Dalian Zhongsheng Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2006	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
成都中道成豐田汽車銷售服務有限公司 (Chengdu Zhongdaocheng Toyota Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2003	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
泉州隆星汽車銷售服務有限公司 (Quanzhou Longxing Automobile Sales & Services Co., Ltd.)	Quanzhou, the PRC 2006	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest: Held by the Company %	Held by a subsidiary %	Principal activities
玉溪中升東本汽車銷售服務有限公司 (Yuxi Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd.)	Yuxi, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
大連中升搏通汽車銷售服務有限公司 (Dalian Zhongsheng Botong Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2007	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
大連奧通東本汽車銷售服務有限公司 (Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
雲南中升雷克薩斯汽車銷售服務有限公司 (Yunnan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
福州中升雷克薩斯汽車銷售服務有限公司 (Fuzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Fuzhou, the PRC 2006	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
曲靖中升豐田汽車銷售服務有限公司 (Qujing Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Qujing, the PRC 2007	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
南京中升迎賓豐田汽車銷售服務有限公司 (Nanjing Zhongsheng Yingbin Toyota Automobile Sales & Services Co., Ltd.)	Nanjing, the PRC 2004	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
Zhongsheng Holdings Co., Ltd.	HK 1996	Registered and paid-in capital of HK$32,000,000	–	100%	Investment holding
HOKURYO (Hong Kong) Co., Ltd.	HK 1997	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
大連新盛荣新實業有限公司 (Dalian Xinshengrong New Industrial Co., Ltd.)	Dalian, the PRC 2007	Registered and paid-in capital of RMB200,000,000	–	100%	Investment holding

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
大連新盛荣豐田汽車銷售服務有限公司 (Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
大連新盛荣汽車銷售服務有限公司 (Dalian Xinshengrong Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
大連中升宏達汽車銷售服務有限公司 (Dalian Zhongsheng Hongda Automobile Sales & Services Co., Ltd., formerly known as 大連新盛荣貿易有限公司)	Dalian, the PRC 2002	Registered and paid-in capital of RMB11,000,000	–	100%	Sale and service of motor vehicles
雲南中升廣福汽車銷售服務有限公司 (Yunnan Zhongsheng Guangfu Automobile Sales & Services Co., Ltd.)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
東莞中升雷克薩斯汽車銷售服務有限公司 (Dongguan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of US$10,000,000	–	100%	Sale and service of motor vehicles
烟台中升豐田汽車銷售服務有限公司 (Yantai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2004	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
深圳中升迎賓豐田汽車銷售服務有限公司 (Shenzhen Zhongsheng Yingbin Toyota Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2008	Registered and paid-in capital of US$10,000,000	–	100%	Sale and service of motor vehicles
成都中升豐田汽車銷售服務有限公司 (Chengdu Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	80%	Sale and service of motor vehicles
SUPER CHARM Limited	HK 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
BILLION GREAT Limited	HK 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
大連裕增實業有限公司 (Dalian Yuzeng Industrial Co., Ltd.)	Dalian, the PRC 2008	Registered and paid-in capital of RMB30,000,000	–	100%	Investment holding
大連裕德豐田汽車銷售服務有限公司 (Dalian Yude Toyota Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
諸暨裕豐豐田汽車銷售服務有限公司 (Zhuji Yufeng Toyota Automobile Sales & Services Co., Ltd.)	Zhuji, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
營口華盛汽車銷售服務有限公司 (Yingkou Huasheng Automobile Sales & Services Co., Ltd.)	Yingkou, the PRC 2004	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
大連中升滙馳汽車服務有限公司 (Dalian Zhongsheng Huichi Automobile Services Co., Ltd.)	Dalian, the PRC 2009	Registered and paid-in capital of RMB15,000,000	–	100%	Service of motor vehicles
中升汽車(庄河)服務有限公司 (Zhongsheng Automobile (Zhuanghe) Services Co., Ltd.)	Dalian, the PRC 2009	Registered and paid in capital of RMB8,000,000	–	100%	Service of motor vehicles
青島中升搏通汽車銷售服務有限公司 (Qingdao Zhongsheng Botong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	–	100%	Sale and service of motor vehicles
青島中升慶通汽車銷售服務有限公司 (Qingdao Zhongsheng Qingtong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2001	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
青島中升智通汽車銷售服務有限公司 (Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	–	100%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
烟台中升華美汽車銷售服務有限公司 (Yantai Zhongsheng Huamei Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2004	Registered and paid-in capital of RMB4,000,000	–	100%	Sale and service of motor vehicles
龍口中升上通汽車銷售服務有限公司 (Longkou Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)	Longkou, the PRC 2005	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
烟台中升滙迪汽車銷售服務有限公司 (Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2002	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
OLYMPIA WELL Limited	HK 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
NOBLE VILLA Investments Limited	BVI 2008	Registered and paid-in capital of US$50,000/US$1	100%	–	Investment holding
昆明中升滙馳汽車銷售服務有限公司 (Kunming Zhongsheng Huichi Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2009	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
佛山中升之星汽車銷售服務有限公司 (Foshan Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Foshan, the PRC 2009	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
厦門中升滙馳汽車銷售服務有限公司 (Xiamen Zhongsheng Huichi Automobile Sales & Services Co., Ltd.)	Xiamen, the PRC 2009	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
大理中升豐田汽車銷售服務有限公司 (Dali Zhongsheng Toyota Automobile Sales & Services Co., Ltd., formerly known as 大理中升汽車銷售服務有限公司)	Dali, the PRC 2009	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
常熟華星汽車銷售服務有限公司 (Changshu Huaxing Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2008	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
沈陽中升駿馳汽車銷售服務有限公司 (Shenyang Zhongsheng Junchi Automobile Sales & Services Co., Ltd., formerly known as 沈陽中升駿通商務諮詢有限公司)	Shenyang, the PRC 2009	Registered and paid-in capital of US$15,000,000	–	100%	Sale and service of motor vehicles
營口中升汽車銷售服務有限公司 (Yingkou Zhongsheng Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2009	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
遼寧中升捷通汽車銷售服務有限公司 (Liaoning Zhongsheng Jietong Automobile Sales & Services Co., Ltd.)	Liaoning, the PRC 2007	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
吉林市成邦汽車銷售服務有限公司 (Jilin Chengbang Automobile Sales & Services Co., Ltd.)	Jilin, the PRC 2009	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
長春市成邦商貿有限公司 (Changchun Chengbang Trading Co., Ltd.)	Changchun, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
紹興市滙鑫汽車銷售服務有限公司 (Shaoxing Huixin Automobile Sales & Services Co., Ltd.)	Shaoxing, the PRC 2001	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
紹興中升東本汽車銷售服務有限公司 (Shaoxing Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd., formerly known as 紹興市中鑫汽車銷售有限公司)	Shaoxing, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of vehicles

42. Investments in Subsidiaries (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
無錫國信汽車銷售服務有限公司 (Wuxi Guoxin Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2009	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
哈爾濱中升豐田汽車銷售服務有限公司 (Harbin Zhongsheng Toyota Automobile Sales & Services Co., Ltd., formerly known as 哈爾濱天巳豐田汽車銷售服務有限公司)	Harbin, the PRC 2004	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
温州中升滙馳汽車銷售服務有限公司 (Wenzhou Zhongsheng Huichi Automobile Sales & Services Co., Ltd.)	Wenzhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
中升(中國)企業管理有限公司 (Zhongsheng (China) Enterprise Management Co., Ltd., formerly known as 北京中升企業管理有限公司)	Beijing, the PRC 2010	Registered and paid-in capital of US$40,000,000	–	100%	Enterprise management
楚雄中升駿通汽車銷售服務有限公司 (Chuxiong Zhongsheng Juntong Automobile Sales & Services Co., Ltd.)	Chuxiong, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
成都益佳汽車銷售服務有限公司 (Chengdu Yijia Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2003	Registered and paid-in capital of RMB6,000,000	–	90%	Sale and service of motor vehicles
青島日產汽車銷售服務有限公司 (Qingdao Nissan Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
烟台市盛悅汽車銷售服務有限公司 (Yantai Shengyue Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2008	Registered and paid-in capital of RMB31,000,000	–	100%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name		Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
大連天久汽車服務有限公司 (Dalian Tianjiu Automobile Services Co., Ltd.)	*	Dalian, the PRC 1999	Registered and paid-in capital of RMB12,000,000	–	50%	Service of motor vehicles
大連恒盛汽車服務有限公司 (Dalian Hensheng Automobile Sales & Services Co., Ltd., formerly known as 大連天貿汽車銷售服務有限公司)	*	Dalian, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	50%	Sale and service of motor vehicles
昆明中升廣菲汽車銷售服務有限公司 (Kunming Zhongsheng Guangfei Automobile Sales & Services Co., Ltd.)		Kunming, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
泰州中升豐田汽車銷售服務有限公司 (Taizhou Zhongsheng Toyota Automobile Sales & Services Co., Ltd., formerly known as 泰州康福豐田汽車銷售服務有限公司)		Taizhou, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
福州華瑞汽車銷售服務有限公司 (Fuzhou Huarui Automobile Sales & Services Co., Ltd.)		Fuzhou, the PRC 2002	Registered and paid-in capital of RMB37,100,000	–	100%	Sale and service of motor vehicles
福州廣裕達貿易有限公司 (Fuzhou Guangyuda Trading Co., Ltd.)		Fuzhou, the PRC 2002	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
莆田市華寶投資有限公司 (Putian Huabao Investments Co., Ltd.)		Putian, the PRC 2008	Registered and paid-in capital of RMB15,000,000	–	51%	Sale and service of motor vehicles
三明華荣汽車銷售服務有限公司 (Sanming Huarong Automobile Sales & Services Co., Ltd.)		Sanming, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	51%	Sale and service of motor vehicles
福清市華盛汽車銷售服務有限公司 (Fuqing Huasheng Automobile Sales & Services Co., Ltd.)		Fuqing, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	51%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name		Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
福州華裕汽車銷售服務有限公司 (Fuzhou Huayu Automobile Sales & Services Co., Ltd.)		Fuzhou, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
福州美瑞達貿易有限公司 (Fuzhou Meiruida Trading Co., Ltd.)		Fuzhou, the PRC 2008	Registered and paid-in capital of RMB1,000,000	–	100%	Sale and service of motor vehicles
台州信威汽車有限公司 (Taizhou Xinwei Automobile Co., Ltd.)		Taizhou, the PRC 1994	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
北京百得利汽車進出口集團有限公司 (Beijing Betterlife Automobile Import & Export Group Co., Ltd.)	*	Beijing, the PRC 1998	Registered and paid-in capital of RMB60,000,000	–	50%	Sale and service of motor vehicles
北京百得利汽車銷售有限公司 (Beijing Betterlife Automobile Sales Co., Ltd.)	*	Beijing, the PRC 2008	Registered and paid-in capital of RMB20,000,000	–	50%	Sale and service of motor vehicles
天津百得利汽車服務有限公司 (Tianjin Betterlife Automobile Services Co., Ltd.)	*	Tianjin, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	50%	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.)	*	Beijing, the PRC 2004	Registered and paid-in capital of RMB20,000,000	–	50%	Sale and service of motor vehicles
天津百得利之迪汽車銷售有限公司 (Tianjin Betterlife Zhidi Automobile Sales Co., Ltd.)	*	Tianjin, the PRC 2007	Registered and paid-in capital of RMB20,000,000	–	50%	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.)	*	Beijing, the PRC 2008	Registered and paid-in capital of RMB40,000,000	–	50%	Sale and service of motor vehicles
北京百得利之達汽車銷售有限公司 (Beijing Betterlife Zhida Automobile Sales Co., Ltd.)	*	Beijing, the PRC 2004	Registered and paid-in capital of RMB10,000,000	–	50%	Sale and service of motor vehicles

42. Investments in Subsidiaries (continued)

Company name		Place and date of incorporation/ operations	Authorised/registered/paid-in/ issued capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
天津百得利汽車銷售有限公司 (Tianjin Betterlife Automobile Sales Co., Ltd.)	*	Tianjin, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	50%	Sale and service of motor vehicles
天津百得利投資控股有限公司 (Tianjin Betterlife Investments & Holdings Co., Ltd.)	*	Tianjin, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	50%	Investment holding
天津周氏興業國際貿易有限公司 (Chou Dynasty (Tianjin) International Trading Co., Ltd.)	*	Tianjin, the PRC 2007	Registered and paid-in capital of RMB224,820,000	–	50%	Investment holding
百得利天津國際貿易有限公司 (Betterlife Tianjin International Trading Co., Ltd.)	*	Tianjin, the PRC 2001	Registered and paid-in capital of US$7,060,000	–	50%	Investment holding
北京百得利之星舊機動車經紀有限公司 (Beijing Betterlife Star Used Automobile Agency Co., Ltd.)	*	Beijing, the PRC 2004	Registered and paid-in capital of RMB100,000	–	50%	Investment holding
杭州百得利汽車有限公司 (Hangzhou Betterlife Automobile Co., Ltd.)	*	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	50%	Sale and service of motor vehicles
成都百得利汽車貿易有限公司 (Chengdu Betterlife Automobile Trading Co., Ltd.)	*	Chengdu, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	50%	Sale and service of motor vehicles
B&L Motor Holdings Co., Ltd.	*	BVI 2010	Registered and paid-in capital of US$1/US$0	–	50%	Investment holding
Betterlife International Motor Co., Ltd.	*	HK 2010	Registered and paid-in capital of HK$10,000/HK$0	–	50%	Investment holding

* These companies are accounted for as subsidiaries as the Group has the power to control their financial and operating policies.

43. RELATED PARTY TRANSACTIONS AND BALANCES

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

The following key management personnel of the Group are considered to be related parties of the Group: 俞光明 (Yu Guangming)

(a) Transactions with related parties

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

		2010 **RMB'000**	2009 RMB'000
(i)	Sales of goods to jointly-controlled entities:		
	– Xiamen Zhongsheng	**9,228**	12,530
	– Zhongsheng Tacti	**672**	956
		9,900	13,486
(ii)	Purchase of goods or services from jointly-controlled entities:		
	– Xiamen Zhongsheng	**28,386**	13,378
	– Zhongsheng Tacti	**124,803**	38,318
		153,189	51,696

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

(iii) The Group's bank loans which amounted to RMB1,127,000,000 (2009: RMB332,500,000) were guaranteed by the Controlling Shareholder at 31 December 2010.

43. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

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

(i) Due from related parties:

	2010 RMB'000	2009 RMB'000
Trade related		
Jointly-controlled entities		
– Xiamen Zhongsheng	1,646	–
– Zhongsheng Tacti	583	556
	2,229	556

43. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties (continued)

(ii) Due to related parties:

	2010 RMB'000	2009 RMB'000
Non-trade related		
The Controlling Shareholder		
– Mr. Li Guoqiang and Mr. Huang Yi	–	1,308
Trade related		
A jointly-controlled entity		
– Zhongsheng Tacti	10,026	22,928
	10,026	24,236

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

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

	2010 RMB'000	2009 RMB'000
Short term employee benefits	13,150	6,936
Post-employee benefits	272	255
Total compensation paid to key management personnel	13,422	7,191

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (Note 25), and cash and cash equivalents (Note 27).

The Group's interest rate risk arises from its borrowings, details of which are set out in Note 27. Borrowings at variable rates expose the Group to the risk of changes on market interest rates.

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

The group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2010		
RMB	15	(5,041)
RMB	(15)	5,041
2009		
RMB	15	(2,216)
RMB	(15)	2,216

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily the Hong Kong dollar ("HK dollar"), which is relatively stable against the RMB. The Group considers that the exposure to the currency risk is not material and no hedging arrangement has been made.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK dollar exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit before tax
	%	RMB'000
2010		
If the HK dollar weakens against the RMB	5%	5,720
If the HK dollar strengthens the RMB	(5%)	(5,720)
2009		
If the HK dollar weakens against the RMB	5%	1,408
If the HK dollar strengthens against the RMB	(5%)	(1,408)

Credit risk

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	Year 2010					
		Less than	3 to 12			
	On demand	3months	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	–	2,561,029	2,620,017	–	–	5,181,046
Trade and bills payables	–	2,370,683	613,824	–	–	2,984,507
Other payables	–	155,117	89,425	–	–	244,542
Amounts due to related parties	10,026	–	–	–	–	10,026
	10,026	5,086,829	3,323,266	–	–	8,420,121

	Year 2009					
		Less than	3 to 12			
	On demand	3months	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	–	807,506	1,016,238	–	–	1,823,744
Trade and bills payables	–	1,077,073	15,940	–	–	1,093,013
Other payables	–	73,416	42,120	–	–	115,536
Amounts due to related parties	24,236	–	–	–	–	24,236
	24,236	1,957,995	1,074,298	–	–	3,056,529

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2010.

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

	2010 **RMB'000**	2009 RMB'000
Bank loans and other borrowings	**4,924,455**	1,797,149
Trade and bills payables	**2,984,507**	1,093,013
Other payables and accruals	**954,396**	277,702
Amounts due to related parties	**10,026**	24,236
Less: Cash and cash equivalents	**(2,989,718)**	(1,030,960)
Net debt	**5,883,666**	2,161,140
Equity attributable to owners of the parent	**5,935,593**	2,110,915
Gearing ratio	**49.8%**	50.6%

45. EVENTS AFTER THE REPORTING PERIOD

On 22 December 2010, the Group entered into an equity transfer agreement with Loyal Fine Limited in relation to the acquisition of its 55% equity interest in New Wing Enterprises Limited (the "Target Company") at a total consideration of RMB260 million. The Target Company and its subsidiaries (the "Target Group") mainly engage in businesses relating to automobile sales and services, hold a total of 15 4S dealerships and distribute automobile brands including DF-Nissan, GAC-Toyota and DF-Honda in China. Upon completion of the acquisition, the Target Company will become a subsidiary of the Group. As at the date of approval of the financial statements, the aforesaid acquisition of the Target Group has been completed.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2011.

Financial Summary

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

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**24,042,907**	13,722,185	10,548,577	9,103,134	6,472,043
Cost of sales and services provided	**(21,750,181)**	(12,542,762)	(9,771,214)	(8,382,066)	(6,074,757)
Gross profit	**2,292,726**	1,179,423	777,363	721,068	397,286
Other income and gains, net	**321,779**	69,203	33,412	27,361	24,162
Selling and distribution costs	**(693,372)**	(346,521)	(274,317)	(215,054)	(154,187)
Administrative expenses	**(318,414)**	(161,967)	(118,861)	(87,115)	(64,705)
Profit from operations	**1,602,719**	740,138	417,597	446,260	202,556
Finance costs	**(226,917)**	(80,688)	(104,443)	(50,744)	(31,065)
Share of profits of jointly – controlled entities	**8,195**	7,254	4,520	6,873	5,860
Profit before tax	**1,383,997**	666,704	317,674	402,389	177,351
Tax	**(301,624)**	(173,701)	(83,265)	(98,933)	(27,035)
Profit for the year	**1,082,373**	493,003	234,409	303,456	150,316
Attributable to:					
Owners of the parent	**1,031,190**	470,881	218,702	284,325	147,643
Non-controlling interests	**51,183**	22,122	15,707	19,131	2,673
	1,082,373	493,003	234,409	303,456	150,316
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**16,199,630**	5,504,464	4,170,559	2,949,136	2,180,108
TOTAL LIABILITIES	**(9,485,061)**	(3,356,657)	(2,484,788)	(2,142,485)	(1,636,912)
NON-CONTROLLING INTERESTS	**(778,976)**	(36,892)	(52,673)	(49,162)	(44,709)
	5,935,593	2,110,915	1,633,098	757,489	498,487