You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements included in Appendix I — "Accountants' Report", which has been prepared in accordance with the Hong Kong Financial Reporting Standards, or HKFRS, and Appendix II — "Unaudited Pro Forma Financial Information", in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a leading national automobile dealership group in China by revenue from 2006 to 2008, according to ACMR. Our 4S dealerships[(1)] are concentrated in cities with relatively affluent populations in the northeastern, eastern and southern coastal regions of China, as well as certain selected inland areas as described in the section entitled "Business" in this prospectus. We have grown rapidly from 15 4S dealerships at the beginning of 2006 to 47 4S dealerships as of 31 December 2009.

We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands including Toyota, Nissan, Honda and GM. Each of our 4S dealerships is designated to sell one brand of automobiles and to operate at a single point of sales only.

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

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

Our after-sales businesses provide a wide range of services and products to our customers including repair, maintenance, detailing services and automobile accessories. Services under warranties are included in the after-sales business. The profit margins for our after-sales businesses are generally higher than our profit margins for our new automobile sales business. In addition, after-sales businesses generally require relatively less working capital to operate at the 4S dealership level. For further details of our new automobile sales and after-sales businesses, please refer to the section entitled "Our Business" in this prospectus.

Note:

(1) In this prospectus, the term "4S dealership" refers to a dealership authorized to sell the products of a single brand of automobiles. Such dealership integrates four standard automobile-related businesses: sales, spare parts, service and survey, among which survey refers to the function of collecting market information for the automakers.

Our revenue for the three years ended 31 December 2006, 2007 and 2008 was RMB6,472.0 million, RMB9,103.1 million and RMB10,548.6 million, respectively, representing a CAGR of approximately 27.7% during such periods. Our revenue for the nine months ended 30 September 2009 was RMB9,212.6 million. Revenue generated from the sales of our mid-to-high end automobile brands[(1)] accounted for approximately 55.3%, 58.5%, 65.8% and 70.6% of our new automobile sales revenue for the three years ended 31 December 2006, 2007, 2008 and the nine months ended 30 September 2009, respectively, while revenue generated from the sales of our luxury automobile brands accounted for approximately 44.7%, 41.5%, 34.2% and 29.4% of our new automobile sales revenue for the same periods. The gross profit margin of our mid-to-high end brand automobiles was 5.5%, 5.5%, 4.0% and 4.1%, the gross profit margin of our luxury brand automobiles was 4.5%, 7.8%, 5.5% and 6.1%, and the gross profit margin of our after-sales businesses was 33.4%, 34.9%, 40.3% and 44.1% during the same periods, respectively. Revenue generated from our new automobile sales business accounted for approximately 95.9%, 94.7%, 91.9% and 90.4% and the revenue generated from our after-sales businesses accounted for approximately 4.1%, 5.3%, 8.1% and 9.6% of our revenue during the same periods. Our profit attributable to equity holders of the parent for the three years ended 31 December 2006, 2007 and 2008 was RMB147.6 million, RMB284.3 million and RMB218.7 million, respectively, representing a CAGR of approximately 21.7% during such periods. Our profit attributable to equity holders of the parent for the nine months ended 30 September 2009 was RMB287.4 million.

Based on the information provided by ACMR, we accounted for approximately 1.0%, 1.1% and 1.2% of the Chinese passenger car market in terms of total revenue[(2)] in 2006, 2007 and 2008, respectively. Our Group was ranked sixth, fifth and fourth among the passenger car dealerships in terms of revenue in 2006, 2007 and 2008, respectively, in the PRC.

Notes:

(1) In this prospectus, the term "revenue generated from the sales of automobiles" refers to the sales revenue generated from the sales of automobiles before deducting the applicable sales tax, unless indicated otherwise.

(2) The revenue referred to in the ACMR Survey includes revenue from new car sales business, after-sales businesses and used car business. All revenue includes VAT.

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

	Years ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	6,472,043	9,103,134	10,548,577	8,133,630	9,212,624
Cost of sales and services provided	(6,074,757)	(8,382,066)	(9,771,214)	(7,516,264)	(8,444,162)
Gross profit	397,286	721,068	777,363	617,366	768,462
Other income and gains, net	24,162	27,361	33,412	23,107	39,409
Selling and distribution costs	(154,187)	(215,054)	(274,317)	(198,567)	(227,051)
Administrative expenses	(64,705)	(87,115)	(118,861)	(86,010)	(108,297)
Profit from operations	202,556	446,260	417,597	355,896	472,523
Finance costs	(31,065)	(50,744)	(104,443)	(81,830)	(57,808)
Share of profits of jointly-controlled entities	5,860	6,873	4,520	4,029	4,545
Profit before tax	177,351	402,389	317,674	278,095	419,260
Tax	(27,035)	(98,933)	(83,265)	(72,116)	(113,601)
Profit for the year/period	150,316	303,456	234,409	205,979	305,659
Attributable to:					
Equity holders of the parent	147,643	284,325	218,702	192,884	287,431
Non-controlling interests	2,673	19,131	15,707	13,095	18,228
	150,316	303,456	234,409	205,979	305,659
Earnings per share attributable to equity holders of the parent	N/A	N/A	N/A	N/A	N/A

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

	31 December			30 September
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS				
Property, plant and equipment	351,539	460,462	548,779	776,876
Land use rights	173,782	191,710	256,987	408,678
Prepayments	9,000	16,287	33,273	53,346
Intangible assets	753	87,617	100,561	258,612
Goodwill	—	65,501	76,566	200,492
Interest in jointly-controlled entities	9,782	16,655	21,175	35,990
Available-for-sale investment	—	—	—	100
Held-to-maturity investments	6,028	5,618	5,291	5,287
Deferred tax assets	7,173	3,516	3,132	4,810
Total non-current assets	558,057	847,366	1,045,764	1,744,191
CURRENT ASSETS				
Financial assets at fair value through profit or loss	12,870	—	—	—
Inventories	427,143	705,577	1,133,415	890,577
Trade receivables	39,433	54,925	61,443	110,510
Prepayments, deposits and other receivables	486,468	706,221	724,823	1,027,457
Amounts due from related parties	10	10	459	1,563
Term deposits and pledged bank deposits	254,735	260,437	210,720	438,404
Cash in transit	20,654	29,603	29,690	46,493
Cash and cash equivalents	380,738	344,997	964,245	996,572
Total current assets	1,622,051	2,101,770	3,124,795	3,511,576
CURRENT LIABILITIES				
Trade and bills payables	410,987	645,582	835,699	1,238,098
Other payables and accruals	185,867	220,363	273,201	345,891
Amounts due to related parties	143,062	172,151	156,774	1,308
Bank loans and other borrowings	877,564	1,033,475	1,157,543	1,513,158
Income tax payable	19,432	50,407	27,733	58,739
Total current liabilities	1,636,912	2,121,978	2,450,950	3,157,194
NET CURRENT (LIABILITIES)/ASSETS	(14,861)	(20,208)	673,845	354,382

	31 December			30 September
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
TOTAL ASSETS LESS CURRENT LIABILITIES	543,196	827,158	1,719,609	2,098,573
NON-CURRENT LIABILITIES				
Deferred tax liabilities	—	20,507	33,838	98,117
NET ASSETS	543,196	806,651	1,685,771	2,000,456
EQUITY				
Equity attributable to equity holders of the parent				
Share capital	—	—	—	—
Reserves	498,487	757,489	1,633,098	1,933,771
	498,487	757,489	1,633,098	1,933,771
Non-controlling interests	44,709	49,162	52,673	66,685
Total equity	543,196	806,651	1,685,771	2,000,456

BASIS OF PRESENTATION

Pursuant to the Reorganization as described in the section entitled "Our History and Reorganization" in this prospectus, our Company became the holding company of the companies now comprising the Group on 22 February 2010. Since our Company and the companies now comprising the Group were under common control of the Controlling Shareholders both before and after the completion of the Reorganization, the Reorganization has been accounted for using merger accounting. The financial information has been prepared on the basis as if our Company has always been the holding company of the companies now comprising the Group.

The financial information presents the combined results, cash flows and financial positions of the companies comprising our Group as if the group structure had been in existence throughout the Track Record Period and as if all of the automobile-related business was transferred to our Group as of the earliest period presented.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand for mid-to-high end and luxury brand automobiles in the PRC

Our results of operations are affected by the demand for mid-to-high end and luxury brand automobiles in the PRC. Market demand for automobiles in China is driven by various factors including, among others, the growth of individual wealth, continued urbanization of the Chinese people and improvement of China's road networks and other infrastructure. The rapid growth of the PRC economy has led to accelerated urbanization and an increase in living standards and per capita disposable income. Furthermore, as per capita disposable income has increased, consumers in the PRC have tended to shift their spending more towards the consumption of branded lifestyle products, including automobiles. Retail sales of mid-to-high end and luxury brand automobiles in China have grown significantly in recent years. According to ACMR, the retail market for mid-to-high end and luxury brand passenger cars in China increased from RMB138 billion in 2003 to RMB496 billion in 2009. ACMR also projects that retail sales of mid-to-high end and luxury brand automobiles in the PRC will reach RMB675 billion in 2012.

Our 4S dealership network

Our sales are directly affected by the number, location and performance of our 4S dealerships. In response to the increasing demand for mid-to-high end and luxury brand automobiles, we have rapidly expanded our 4S dealership network through both organic growth and acquisitions. The number of our 4S dealerships increased from 15 as at 1 January 2006 to 30 as at 31 December 2008, while our sales volume increased from 20,876 units in 2006 to 41,349 units in 2008. As at 30 September 2009, we operated 47 4S dealerships and our sales volume for the nine months ended 30 September 2009 amounted to 40,512 units.

Products and services mix

Changes in product and services mix in connection with our sale of goods and provision of services may affect our profitability and total gross profit margin.

We offer a diversified portfolio of mid-to-high end and luxury automobile brands, which bear different gross profit margins. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, the gross profit margins of our mid-to-high end brand automobiles were 5.5%, 5.5%, 4.0% and 4.1%, and the gross profit margins of our luxury brand automobiles were 4.5%, 7.8%, 5.5% and 6.1% over the same periods, respectively. The decrease of gross profit margins of both mid-to-high end and luxury brand automobiles in 2008 reflected the impact of the global economic downturn. The aggregate gross profit margins from our new automobile sales business vary in accordance with the distribution of our sales attributable to mid-to-high end brand automobiles and luxury brand automobiles.

Our after-sales businesses generally have higher gross profit margins than our new automobile sales business. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, the gross profit margins of our after-sales businesses were 33.4%, 34.9%, 40.3% and 44.1%, respectively, while the gross profit margins of our new automobile sales business for the same period were 5.0%, 6.5%, 4.5% and 4.7%, respectively. The gross profit margin of after-sale businesses increased continuously because (i) the sale portion of automobile accessories with high gross profit margins increased as a result of the increased market demand during the period and (ii) the Group established a central purchase department in the second quarter of 2009, which implemented a strict purchase cost control plan and helped the Group to obtain more purchase discounts from the vendors of automobile accessories. Our after-sales businesses accounted for 4.1%, 5.3%, 8.1% and 9.6% of our revenue and 22.1%, 23.5%, 44.2% and 50.7% of our gross profit for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively. Although a substantial portion of our revenue is currently generated from our new automobile sales business, the proportion of revenue and profit contributed by our after-sales businesses has increased throughout the Track Record Period, primarily due to the rapid expansion of our after-sales customer base and increase in demand for repair, maintenance and detailing services and automobile accessories in China. We expect to continue expanding our after-sales businesses to meet the increasing market demand.

The following table sets out the gross profit margin of our new automobile sales business and after-sales businesses for the periods indicated, respectively:

	Years ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	(%)	(%)	(%)	(%)	(%)
New automobile sales business					
Mid-to-high end automobile brands	5.5	5.5	4.0	4.4	4.1
Luxury automobile brands	4.5	7.8	5.5	6.1	6.1
Average of new automobile sales	5.0	6.5	4.5	5.0	4.7
After-sales businesses	33.4	34.9	40.3	40.3	44.1
Overall average	6.1	7.9	7.4	7.6	8.3

Cost of sales and services and rebates

Our cost of sales and services primarily comprise the purchase cost of new automobiles from automakers. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, the cost of sales and services expressed as a percentage of revenue was 93.9%, 92.1%, 92.6% and 91.7%, respectively. Over the same periods, the purchase costs of new automobiles represented 97.1%, 96.2%, 94.8% and 94.1% of our cost of sales and services, respectively. The purchase costs of new automobiles are largely determined by the automakers, and we do not exercise any control or influence over their operations, strategies or business policies.

The other component of our cost of sales and services relates to the costs involved in our after-sales businesses, comprised primarily of the cost of purchasing spare parts for our repair, maintenance and detailing services business and the cost of purchasing automobile accessories supplied to our customers.

Our purchase arrangements with the automakers often include volume-based rebates, which are decided with reference to the units of new automobiles purchased and adjusted based on our satisfaction of certain targets set by the relevant automakers, including sales targets, customer satisfaction indices and dealership presentation standards. The automakers will settle the rebates with us from time to time taking into account the above factors by deducting the price payable by the Group in the subsequent purchases placed by the Group. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, we recorded rebates of approximately RMB47.0 million, RMB173.5 million, RMB171.2 million and RMB218.7 million, respectively. Our Company confirms that the provision of rebates by the automakers is a common industry practice and the rates of the rebates that we have received are in line with market rates.

Any significant change to our cost of sales and services, in particular the cost of new automobiles, or the rebates, will affect our results of operations and financial condition.

Terms and conditions of our dealership agreements with automakers

The automakers grant us the rights to operate our 4S dealerships and supply new automobiles and spare parts to us. Accordingly, our results of operations and financial condition are affected by the terms and conditions of our dealership agreements with the automakers. For example, the automakers may impose various restrictions on the dealership agreements, such as setting geographical limitation, precluding us from obtaining additional dealership rights, and setting retail price guidelines for new automobiles or certain spare parts. Such contractual restrictions and any future changes to them may affect our competitiveness in regard to our pricing policy, ability to meet customers' demands, product mix, management of our 4S dealerships, and other aspects of our operation, as well as our financial condition.

Pricing

We face increasing competition in the PRC and our results of operations may be affected not only by competition among automakers in terms of quality, delivery time and price, but also by competition from other dealerships in the same region who sell the same brands and models of automobiles as we do. Please see the section entitled "Risk Factors — Risks Relating to the PRC Automobile Industry — Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile industry" in this prospectus for more details.

The overall average selling price of the new automobiles sold decreased from RMB297,592 for 2006 to RMB234,637 for 2008, and further decreased to RMB205,875 for the nine months ended 30 September 2009. Such decrease in overall average selling price was primarily due to a decrease in the selling prices of certain brands of new automobiles sold by us, an increase in entry-level luxury automobiles in our product mix, the global economic slowdown in 2008 as well as an increase in our sales of automobile models produced locally that were previously imported.

The following table sets forth a breakdown of the average selling price of our new automobile sales for the periods indicated:

	Years ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Mid-to-high end automobile brands(1)	214,405	199,392	184,118	170,669	166,646
Luxury automobile brands(1)	572,913	535,283	497,723	475,677	474,695
Overall average(2)	297,592	269,633	234,637	221,449	205,875

Notes:

(1) The average selling price for this catalogue is calculated by dividing the revenue generated through sales of the automobiles of this catalogue, by the total number of automobiles of the catalogue sold by us during the relevant year or period.

(2) The overall average selling price is calculated by dividing the total revenue generated through sales of automobiles, by the total number of automobiles sold by us during the relevant year or period.

Taxation

During the Track Record Period, some of our subsidiaries in the PRC enjoyed tax preferential treatments pursuant to applicable tax laws and regulations of the PRC and local policies. These subsidiaries were entitled to exemptions from and/or reductions of the state or local enterprise income tax for certain years as confirmed by the relevant tax authorities in the PRC. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our effective tax rate was 15.2%, 24.6%, 26.2% and 27.1%, respectively. According to the New EIT Law which became effective on 1 January 2008, the statutory income tax rate of domestic companies was reduced from 33% to 25%. All of our PRC subsidiaries have been subject to the statutory income tax rate of 25% since 2008, except for Shenzhen Zhongsheng Toyota Sales and Services Co., Ltd., which was, or is, as the case may be, required to pay income tax at a tax rate of 20%, 22% and 24% for 2009, 2010 and 2011, respectively, and will start paying income tax at the statutory tax rate of 25% from 2012. Our PRC legal advisers, King & Wood, have confirmed that the tax preferential treatments to which we have been entitled are in compliance with the PRC laws and regulations.

Sales of new automobiles, spare parts and automobile accessories and revenues generated from our provision of repair, maintenance and detailing services are generally subject to a 17% value-added tax (VAT). Any modification of the foregoing tax treatments currently applicable to our subsidiaries and jointly-controlled entities will affect our financial condition and results of operations.

Seasonality

We have over the Track Record Period recorded higher revenues from new automobile sales in the first and fourth quarters of each year, which reflects higher spending patterns of PRC customers coinciding with periods before major holidays in the PRC, such as the Chinese New Year in the first quarter and the National Day holiday in the fourth quarter. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our performance. Please see the section headed "Risk Factors — Risks Relating to Our Business — Our sales may be affected by seasonality" in this prospectus.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Basis of combination

This prospectus includes our combined financial information for the Track Record Period. The acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition of all other subsidiaries during the Track Record Period is accounted for using the purchase method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

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

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

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

Judgments and Estimates

The preparation of our Group's combined financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

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

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax-planning strategies. The carrying values of deferred tax assets relating to recognised tax losses were RMB7.1 million, RMB3.4 million, RMB3.1 million and RMB4.4 million as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively.

Estimates

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

Impairment of goodwill

We determine 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 us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were Nil, RMB65.5 million, RMB76.6 million and RMB200.5 million as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangible assets with indefinite life 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, our 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.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

The following summarizes components of certain items appearing in the Accountants' Report set out in Appendix I to this prospectus, which we believe will be helpful in understanding the period-to-period discussion that follows below.

Revenue

Our new automobile sales business generated a substantial portion of our revenue, accounting for 95.9%, 94.7%, 91.9% and 90.4% of our revenue for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively. The remaining portion of our revenue during the Track Record Period was generated by our after-sales businesses. All of our revenue is derived from our operations in the PRC. We experienced a decline in average selling price of our new automobiles during the Track Record Period and a slowdown in the growth of new automobile sales volume in 2008 as a result of the global economic downturn. Our revenue generated from our operations in Liaoning Province represented 70%, 53%, 45% and 43% of our total revenue for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively. The decrease in the proportion of our revenue from Liaoning Province was primarily due to the continuing increase in revenue from other regions, which in turn reflected our business expansion in such other regions.

During the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, revenue from sales of mid-to-high end brand automobiles was RMB3,437.3 million, RMB5,042.6 million, RMB6,386.7 million and RMB5,891.4 million, accounting for 55.3%, 58.5%, 65.8% and 70.6% of our revenue from new automobile sales, respectively. Revenue from sales of our luxury brand automobiles was RMB2,775.2 million, RMB3,579.4 million, RMB3,315.3 million and RMB2,449.0 million, accounting for 44.7%, 41.5%, 34.2% and 29.4% of our revenue from new automobile sales, for the same periods, respectively.

Revenue from our after-sales businesses was RMB262.8 million, RMB486.9 million, RMB853.1 million and RMB883.4 million for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively, accounting for 4.1%, 5.3%, 8.1% and 9.6% of our total revenue, for the same periods, respectively.

Our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. The following table sets out a breakdown of our revenue and gross profit contributed by our after-sales businesses for the periods indicated:

	Years ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue					
Sales of spare parts and automobile accessories	5,913	32,730	169,134	131,035	189,467
Repair and maintenance services, detailing services and other services	256,860	454,181	683,979	485,950	693,892
Total	262,773	486,911	853,113	616,985	883,359
Gross profit					
Sales of spare parts and automobile accessories	1,286	10,339	78,258	59,727	94,214
Repair and maintenance services, detailing services and other services	86,476	159,405	265,128	189,153	295,048
Total	87,762	169,744	343,386	248,880	389,262
Gross profit margin					
Sales of spare parts and automobile accessories	21.7%	31.6%	46.3%	45.6%	49.7%
Repair and maintenance services, detailing services and other services	33.7%	35.1%	38.8%	38.9%	42.5%
Overall average	33.4%	34.9%	40.3%	40.3%	44.1%

We provide repair and maintenance services under warranties which are subject to the terms of sale to our customers, who purchase new automobiles through our 4S dealerships. The automakers set the price that we charge for providing repair and maintenance services under warranties. We derive gross profit from the difference between the fee charged and the cost of providing such services. During the Track Record Period, none of our claims for payment for repairs performed under warranty was rejected by the automaker and the contribution of revenue from repair and maintenance services under warranties to the total revenue from our after-sales businesses was insignificant. As at 31 December 2009, approximately 101,000 automobiles sold by us were still within their respective warranty period.

Cost of sales and services

Our cost of sales and services primarily comprises the cost of the new automobiles purchased from automakers, which represented 97.1%, 96.2%, 94.8% and 94.1% of our total cost of sales and services for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively. Our cost of sales and services also includes the costs involved in our after-sales businesses, primarily the cost of purchasing spare parts for our repair, maintenance and detailing services business and the cost of purchasing automobile accessories supplied to our customers. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our cost of sales and services represented 93.9%, 92.1%, 92.6% and 91.7% of our revenue, respectively.

The purchase cost of new automobiles is affected by the rebates received by us from the automakers. Our purchase arrangements with the automakers often include volume-based rebates, which are decided with reference to the units of new automobiles purchased, and adjusted based on our satisfaction of certain targets set by the relevant automakers, including sales targets, customer satisfaction indices and dealership presentation standards. The automakers will settle the rebates with us from time to time taking into account the above factors by deducting the price payable by the Group in the subsequent purchases placed by the Group. Purchase rebates are accrued at each reporting date based on the actual purchasing amounts, corresponding rebate rates as agreed with the automakers and our management's estimate on relevant factors, including without limitation, meeting certain sales and service targets set by the relevant automakers. Rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but still held on the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. There is no material discrepancy between accrued rebates and actual rebates we received from the automakers during the Track Record Period. For the three years ended 31 December 2006, 2007, 2008 and the nine months ended 30 September 2009, we recorded rebates of approximately RMB47.0 million, RMB173.5 million, RMB171.2 million and RMB218.7 million, respectively. Our Company confirms that the provision of rebates by the automakers is a common industry practice and the rates of the rebates that we received are in line with market rates.

Other income and gains

Our other income and gains primarily include commission received from insurance companies which provide their services to our customers at our 4S dealerships and interest income from bank deposits.

We received RMB6.8 million, RMB1.3 million, RMB2.1 million and RMB70,000 of government grants from local government authorities for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively, which were given on a non-recurring basis to encourage our business development. We understand that there is no specific standard for the entitlements to the grants and the grants received by us were given by the relevant local government authorities at their discretion.

For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our other income and gains represented 0.4%, 0.3%, 0.3% and 0.4% of our revenue, respectively.

Selling and distribution costs

Our selling and distribution costs primarily include salary expenses and welfare costs, advertising and promotion expenses and provisions for depreciation. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our selling and distribution costs represented 2.4%, 2.4%, 2.6% and 2.5% of our revenue, respectively.

Administrative expenses

Our administrative expenses primarily include expenditure on office supplies, entertainment expenses, taxation, utilities fees and travelling expenses. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our administrative expenses represented 1.0%, 1.0%, 1.1% and 1.2% of our revenue, respectively.

Finance costs

Our finance costs primarily include interest expenses on bank borrowings and other borrowings. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, finance costs represented 0.5%, 0.6%, 1.0% and 0.6% of our revenue, respectively. Our business requires sufficient financing for our increasing inventory level and prepayments for new automobiles that we purchased from the automakers. We expect the finance costs of the Group to increase as our inventory level and prepayments for new automobiles will increase due to the continuing expansion of our business.

Share of profits of jointly-controlled entities

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

Our Group has a 50% interest in Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd. (廈門中升豐田汽車銷售服務有限公司) ("**Xiamen Zhongsheng**"), which is a 4S dealership operating Toyota brand. Xiamen Zhongsheng is accounted for as a jointly-controlled entity of our Group, not a subsidiary, and it is not a connected person of our Company under Listing Rule 14A.11. Our Group's interest in Xiamen Zhongsheng is stated in the combined balance sheet at our Group's share of net assets under the equity method of accounting, less any impairment loss. Our Group's share of the results of Xiamen Zhongsheng is included in our combined income statement as share of profits of jointly-controlled entities. The remaining 50% interest in Xiamen Zhongsheng is owned by Xiamen ITG Motors Co., Ltd. (廈門國貿汽車股份有限公司), an Independent Third Party 4S dealership group and a subsidiary of Xiamen International Trade Group Co., Ltd. (廈門國貿集團股份有限公司). Xiamen International Trade Group Co., Ltd. is listed on the Shanghai Stock Exchange.

We have not entered into any jointly-controlled entity agreement with Xiamen International Trade Group Co., Ltd. with respect to Xiamen Zhongzheng. According to the updated articles of association of Xiamen Zhongsheng, its profit shall be divided among the shareholders proportionately according to the shareholders' percentage of contribution. The controlling power of the jointly-controlled entity shall be exercised pursuant to resolutions passed at the shareholders' meeting. Accordingly, any specific profit-sharing plan proposed by the board of directors will be reviewed and approved at the shareholders' meeting. If there is any circumstance which may lead to the termination of the jointly-controlled entity, the termination will also be decided by the shareholders' meeting of Xiamen Zhongsheng. Resolutions at the shareholders' meeting of Xiamen Zhongsheng require approval of the majority. As a result, under the current shareholding structure, in the event that the two shareholders of Xiamen Zhongsheng have different opinions, a deadlock at the shareholders meeting could arise. However, the directors of our Company are of the view that such deadlock is unlikely to occur, and if it occurs, we will endeavor to negotiate and reach a consensus with Xiamen International Trade Group Co., Ltd.

Our Group has a 50% interest in Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd. ("**Zhongsheng Tacti**"). Zhongsheng Tacti, which provides quick automobile repair services in China, is accounted for as a jointly-controlled entity of our Group, not a subsidiary. It is not a connected person of our Company under Listing Rule 14A.11. We did not record any profit from Zhongsheng Tacti during the Track Record Period.

Tax

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our 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 our 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.

Our subsidiaries incorporated in Hong Kong were subject to an income tax at the rates of 17.5% in both 2006 and 2007 and 16.5% in both 2008 and the nine months ended 30 September 2009. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Track Record Period.

Before 1 January 2008, enterprises incorporated in the PRC were normally subject to corporate income tax at a rate of 33%, of which 30% is attributable to national enterprise income tax and 3% attributable to local income tax. Certain subsidiaries of the Group enjoyed preferential income tax rates lower than 33% during the Track Record Period as approved by the relevant PRC tax authorities or operated in designated areas with preferential income tax policies in the PRC.

The National People's Congress approved the New EIT Law on 16 March 2007 and the State Council has announced the detailed implementation regulations to the New EIT Law on 6 December 2007, both of which have been effective since 1 January 2008. According to the New EIT Law, the income tax rates for both domestic and foreign investment enterprises in the PRC were unified at 25% effective from 1 January 2008.

Pursuant to the New EIT 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. See the section entitled "Risk Factors — Risks relating to conducting business in the PRC — There are significant uncertainties under the New EIT Law relating to our PRC enterprise income tax liabilities".

REVIEW OF HISTORICAL OPERATING RESULTS

The following table sets forth information relating to certain income and expense items from our combined income statement, for the periods indicated:

	Year ended 31 December			Nine-month period ended 30 September	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	6,472,043	9,103,134	10,548,577	8,133,630	9,212,624
Cost of sales and services provided	(6,074,757)	(8,382,066)	(9,771,214)	(7,516,264)	(8,444,162)
Gross profit	397,286	721,068	777,363	617,366	768,462
Other income and gains, net	24,162	27,361	33,412	23,107	39,409
Selling and distribution costs	(154,187)	(215,054)	(274,317)	(198,567)	(227,051)
Administrative expenses	(64,705)	(87,115)	(118,861)	(86,010)	(108,297)
Profit from operations	202,556	446,260	417,597	355,896	472,523
Finance costs	(31,065)	(50,744)	(104,443)	(81,830)	(57,808)
Share of profits of jointly-controlled entities	5,860	6,873	4,520	4,029	4,545
Profit before tax	177,351	402,389	317,674	278,095	419,260
Tax	(27,035)	(98,933)	(83,265)	(72,116)	(113,601)
Profit for the year/period	150,316	303,456	234,409	205,979	305,659
Attributable to:					
Equity holders of the parent	147,643	284,325	218,702	192,884	287,431
Non-controlling interests	2,673	19,131	15,707	13,095	18,228
	150,316	303,456	234,409	205,979	305,659

The following tables set out our gross profit and gross profit margin by product and service categories for the periods indicated:

	Years ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)
Gross profit from:										
— New automobile sales business	309,524	77.9	551,324	76.5	433,977	55.8	368,486	59.7	379,200	49.3
— After-sales businesses	87,762	22.1	169,744	23.5	343,386	44.2	248,880	40.3	389,262	50.7
	397,286	100.0	721,068	100.0	777,363	100.0	617,366	100.0	768,462	100.0

	Years ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	(%)	(%)	(%)	(%)	(%)
Gross profit margin					
— New automobile sales business	5.0	6.5	4.5	5.0	4.7
— After-sales businesses	33.4	34.9	40.3	40.3	44.1
Overall average	6.1	7.9	7.4	7.6	8.3

The following table sets forth a breakdown of sales volume of our new automobile sales for the periods indicated:

	Years ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	Units	(%)	Units	(%)	Units	(%)	Units	(%)	Units	(%)
Mid-to-high end automobile brands	16,032	76.8	25,290	79.1	34,688	83.9	28,311	83.3	35,353	87.3
Luxury automobile brands	4,844	23.2	6,687	20.9	6,661	16.1	5,655	16.7	5,159	12.7
Total	20,876	100.0	31,977	100.0	41,349	100.0	33,966	100.0	40,512	100.0

The following table sets forth a breakdown of our revenue from our various automobile brands of our new automobile sales for the periods indicated:

	Years ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)
Mid-to-high end automobile brands										
— Toyota	2,753,580	44.3	4,062,501	47.1	5,138,256	53.0	3,884,991	51.6	4,268,292	51.2
— Honda	249,821	4.0	531,856	6.2	678,934	7.0	540,593	7.2	560,014	6.7
— Nissan	431,240	6.9	443,176	5.1	569,488	5.8	406,216	5.4	846,047	10.1
— Chevrolet	—	—	—	—	—	—	—	—	62,775	0.7
— Buick	—	—	—	—	—	—	—	—	154,321	1.9
— Others	2,707	0.1	5,085	0.1	—	—	—	—	—	—
Sub-total	3,437,348	55.3	5,042,618	58.5	6,386,678	65.8	4,831,800	64.2	5,891,449	70.6
Luxury automobile brands										
— Lexus	1,894,646	30.5	2,942,715	34.1	2,394,857	24.7	1,969,157	26.2	1,389,589	16.7
— Audi	880,542	14.2	636,725	7.4	920,473	9.5	720,796	9.6	1,022,108	12.3
— Benz	—	—	—	—	—	—	—	—	37,256	0.4
Sub-total	2,775,188	44.7	3,579,440	41.5	3,315,330	34.2	2,689,953	35.8	2,448,953	29.4
Total revenue from new automobile sales	6,212,536	100.0	8,622,058	100.0	9,702,008	100.0	7,521,753	100.0	8,340,402	100.0
Sales tax	(3,266)		(5,835)		(6,544)		(5,108)		(11,137)	
Total revenue from new automobile sales (after deducting sales tax)	6,209,270		8,616,223		9,695,464		7,516,645		8,329,265	

The following table sets forth a breakdown of our gross profit from our various automobile brands of our new automobile sales and their gross profit margins for the periods indicated:

	Years ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Mid-to-high end automobile brands										
— Toyota	167,392	6.1	211,961	5.2	202,496	3.9	170,139	4.4	182,205	4.3
— Honda	10,456	4.2	41,862	7.9	32,569	4.8	24,497	4.5	13,013	2.3
— Nissan	9,409	2.2	24,005	5.4	22,367	3.9	15,527	3.8	41,674	4.9
— Chevrolet	—	—	—	—	—	—	—	—	2,392	3.8
— Buick	—	—	—	—	—	—	—	—	2,979	1.9
— Others	81	3.0	(28)	(0.5)	—	—	—	—	—	—
Luxury automobile brands										
— Lexus	112,442	5.9	241,096	8.2	143,276	6.0	131,306	6.7	106,673	7.7
— Audi	13,010	1.5	38,264	6.0	39,813	4.3	32,126	4.5	38,727	3.8
— Benz	—	—	—	—	—	—	—	—	2,674	7.2

The nine months ended 30 September 2009 compared with the nine months ended 30 September 2008

Revenue. Revenue for the nine months ended 30 September 2009 was RMB9,212.6 million, an increase of RMB1,079.0 million, or 13.3%, compared to RMB8,133.6 million for the same period of 2008. This increase was primarily due to an increase of RMB812.7 million, or 10.8%, in new automobile sales to RMB8,329.3 million for the nine months ended 30 September 2009, compared with RMB7,516.6 million for the same period of 2008. In addition, our revenue from our after-sales businesses increased significantly by RMB266.4 million, or 43.2%, to RMB883.4 million for the nine months ended 30 September 2009, compared with RMB617.0 million for the same period of 2008, as a result of the expansion of our business and the growing recognition of our "*Zhongsheng*" brand.

The increase in revenue from new automobile sales for the nine months ended 30 September 2009 was due to an increase in our sales volume from 33,966 units for the nine months ended 30 September 2008 to 40,512 units for the same period in 2009, representing an increase of 19.3%. The effect of such increase in sales volume was partially offset by the decline in the average selling price of our new automobiles from RMB221,449 to RMB205,875 during the same period. Such decrease in average selling prices was attributable to, among other factors, a decrease in the selling prices of certain new automobiles sold, an increase in entry-level luxury automobiles in our product mix as well as an increase in our sales of automobile models produced locally which were previously imported.

In terms of product mix, revenue from sale of mid-to-high end brand automobiles increased by 21.9% to RMB5,891.4 million for the nine months ended 30 September 2009, compared to RMB4,831.8 million for the nine months ended 30 September 2008. Revenue from luxury brand automobiles decreased by 9.0% to RMB2,449.0 million for the nine months ended 30 September 2009, compared to RMB2,690.0 million for the nine months ended 30 September 2008. Sales of mid-to-high end brand automobiles represented 64.2% and 70.6% of our total revenue from new automobile sales for the nine months periods ended 30 September 2008 and 2009, respectively. Sales of luxury brand automobiles represented 35.8% and 29.4% of our total revenue from new automobile sales for the nine months ended 30 September 2008 and 2009, respectively.

For the nine months ended 30 September 2009, we introduced Mercedes-Benz and GM brand automobiles into our products mix.

Cost of sales and services. Cost of sales and services for the nine months ended 30 September 2009 was RMB8,444.2 million, an increase of RMB927.9 million, or 12.3%, compared with RMB7,516.3 million for the same period of 2008. The increase was consistent with the continuous expansion of our business, and was primarily due to our increased purchases of automobiles, spare parts and automobile accessories. Costs attributable to our new automobile sales business amounted to RMB7,950.1 million for the nine months ended 30 September 2009, an increase of RMB801.9 million, or 11.2%, from RMB7,148.2 million for the same period in 2008. Costs attributable to our after-sales businesses amounted to RMB494.1 million for the nine months ended 30 September 2009, an increase of RMB126.0 million, or 34.2%, from RMB368.1 million for the same period in 2008.

Gross profit. Gross profit for the nine months ended 30 September 2009 was RMB768.5 million, an increase of RMB151.1 million, or 24.5%, from RMB617.4 million for the same period in 2008. Our gross profit margin for the nine months ended 30 September 2009 was 8.3%, compared with 7.6% for the same period in 2008. The increase in gross profit margin in the nine months ended 30 September 2009 was primarily due to the increased market demand for automobiles as well as the increased rebates we received from automakers as we sold more automobiles during the period.

Other income and gains. Our other income and gains were RMB39.4 million for the nine months ended 30 September 2009, an increase of RMB16.3 million, or 70.6%, from RMB23.1 million for the same period of 2008. This increase was primarily due to the increase in commission income received from insurance companies serving our customers in our 4S dealerships. The growth of our commission income is attributable to an increase in our new automobile sales. Commission income amounted to RMB22.4 million for the nine months ended 30 September 2009, an increase of RMB9.6 million, or 75.0%, from RMB12.8 million for the same period in 2008.

Selling and distribution costs. Selling and distribution costs for the nine months ended 30 September 2009 were RMB227.1 million, an increase of RMB28.5 million, or 14.4%, from RMB198.6 million for the same period in 2008. The increase was primarily due to an increase of RMB12.5 million in our salary and welfare expenses as we employed more people to support our increased sales, and an increase in depreciation primarily due to the increase in the number of our 4S dealerships during the period.

Administrative expenses. Administrative expenses for the nine months ended 30 September 2009 were RMB108.3 million, an increase of RMB22.3 million, or 25.9%, from RMB86.0 million for the same period in 2008. This increase was consistent with our expanded operations and primarily attributable to an increase in our rental expenses for our 4S dealerships and an increase in our salaries and welfares paid to our administrative personnel, primarily due to the increase in the number of our 4S dealerships during that period.

Profit from operations. Profit from operations for the nine months ended 30 September 2009 was RMB472.5 million, an increase of RMB116.6 million, or 32.8%, from RMB355.9 million for the same period in 2008. Our operating profit margin for the nine months ended 30 September 2009 was 5.1%, compared with 4.4% for the same period in 2008.

Finance costs. Our finance costs for the nine months ended 30 September 2009 were RMB57.8 million, a decrease of RMB24.0 million, or 29.3%, from RMB81.8 million for the same period in 2008. The decrease was primarily due to a decrease in the interest rate of our average bank loans and other borrowings during the nine months ended 30 September 2009.

Share of profits of jointly-controlled entities. Our share of profits of our jointly-controlled entity, Xiamen Zhongsheng, was RMB4.5 million for the nine months ended 30 September 2009, an increase of 0.5 million, or 12.5%, from RMB4.0 million for the same period in 2008.

Profit before tax. Our profit before tax for the nine months ended 30 September 2009 was RMB419.3 million, an increase of RMB141.2 million, or 50.8%, from RMB278.1 million for the same period in 2008.

Tax. Our tax for the nine months ended 30 September 2009 was RMB113.6 million, an increase of RMB41.5 million, or 57.6%, from RMB72.1 million for the same period in 2008. The increase was primarily due to the significant increase in our profit before tax during the period. In addition, some of our subsidiaries in the PRC ceased to enjoy preferential tax treatments and started to pay normal income tax rate since 2009 in accordance with the New EIT Law. Please see "— Factors Affecting Our Results of Operations — Taxation".

Profit for the period. Our profit for the nine months ended 30 September 2009 was RMB305.7 million, an increase of RMB99.7 million, or 48.4%, from RMB206.0 million for the same period in 2008. Our profit margin for the nine months ended 30 September 2009 was 3.3%, compared with 2.5% for the same period in 2008.

Profit attributable to equity holders of the parent. Our profit attributable to equity holders of our Company for the nine months ended 30 September 2009 was RMB287.4 million, an increase of RMB94.5 million, or 49.0%, from RMB192.9 million for the same period in 2008.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB18.2 million for the nine months ended 30 September 2009, an increase of RMB5.1 million, or 38.9%, from RMB13.1 million for the same period in 2008.

The year ended 31 December 2008 compared with the year ended 31 December 2007

Revenue. Revenue for 2008 was RMB10,548.6 million, an increase of RMB1,445.5 million, or 15.9%, compared to RMB9,103.1 million for 2007. This increase was primarily due to an increase of RMB1,079.3 million, or 12.5%, in new automobile sales to RMB9,695.5 million for 2008, compared with RMB8,616.2 million for 2007. In addition, our revenue from our after-sales businesses increased significantly by RMB366.2 million, or 75.2%, to RMB853.1 million for 2008, compared with RMB486.9 million for 2007, as a result of the expansion of our business and the growing recognition of our "*Zhongsheng*" brand.

The increase in revenue from new automobile sales for 2008 was due to an increase in our sales volume from 31,977 units in 2007 to 41,349 units in 2008, representing an increase of 29.3%. The effect of such increase in sales volume was partially offset by the decline in the average selling price of our new automobiles from RMB269,633 to RMB234,637. Such decrease in average selling prices was attributable to, among other factors, a decrease in the selling prices of certain new automobiles sold, an increase in the entry-level luxury automobiles in our product mix, the global economic downturn in 2008 as well as an increase in our sales of automobile models produced locally which were previously imported. We also experienced a slowdown in the growth of new automobile sales volume in 2008 due to the impact of the global economic downturn in 2008.

In terms of product mix, revenue from sale of mid-to-high end automobile brands increased by 26.7% from RMB5,042.6 million for 2007 to RMB6,386.7 million for 2008, while revenue from luxury automobile brands decreased by 7.4% from RMB3,579.4 million for 2007 to RMB3,315.3 million for 2008. Sales of mid-to-high end brand automobiles represented 58.5% and 65.8% of our total revenue from new automobiles sales for 2007 and 2008, respectively. Sales of luxury brand automobiles represented 41.5% and 34.2% of our total revenue from new automobiles sales for 2007 and 2008, respectively.

Cost of sales and services. Cost of sales and services for 2008 was RMB9,771.2 million, an increase of RMB1,389.1 million, or 16.6%, compared with RMB8,382.1 million in 2007. The increase was consistent with the continuous expansion of our business, and was primarily due to our increased purchases of new automobiles, spare parts and automobile accessories. Costs attributable to our new automobile sales business amounted to RMB9,261.5 million in 2008, an increase of RMB1,196.6 million, or 14.8%, from RMB8,064.9 million in 2007. Costs attributable to our after-sales businesses amounted to RMB509.7 million in 2008, an increase of RMB192.5 million, or 60.7%, from RMB317.2 million in 2007.

Gross profit. Gross profit for 2008 was RMB777.4 million, an increase of RMB56.3 million, or 7.8%, from RMB721.1 million for 2007. Our gross profit margin for 2008 was 7.4%, compared with 7.9% for 2007. The decrease in gross profit margin in 2008 was primarily due to a decrease in our average selling prices in 2008.

Other income and gains. Our other income and gains were RMB33.4 million for 2008, an increase of RMB6.0 million, or 21.9%, from RMB27.4 million for 2007. This increase was primarily due to the increase in commission income received from insurance companies serving our customers in our 4S dealerships. The growth of our commission income is attributable to an increase in our new automobile sales. Commission income amounted to RMB18.0 million for 2008, an increase of RMB8.9 million, or 97.8%, from RMB9.1 million for 2007.

Selling and distribution costs. Selling and distribution costs for 2008 were RMB274.3 million, an increase of RMB59.2 million, or 27.5%, from RMB215.1 million in 2007. The increase was primarily due to an increase of RMB52.0 million in the salary and welfare expense as we employed more people to support our business expansion, and an increase in depreciation primarily due to the increase in the number of our 4S dealerships in 2008.

Administrative expenses. Administrative expenses for 2008 were RMB118.9 million, an increase of RMB31.8 million, or 36.5%, from RMB87.1 million for 2007. This increase was consistent with our expanded operations and primarily attributable to an increase of RMB6.5 million in the lease expenses for our 4S dealerships from RMB3.1 million for 2007 to RMB9.6 million for 2008, and an increase of RMB5.3 million in our office supplies.

Profit from operations. Profit from operations for 2008 was RMB417.6 million, a decrease of RMB28.7 million, or 6.4%, from RMB446.3 million for 2007. Our operating profit margin for 2008 was 4.0%, compared with 4.9% for 2007. The decrease in operating profit margin was primarily due to a decrease in our average selling prices in 2008.

Finance costs. Our finance costs for 2008 were RMB104.4 million, a significant increase of RMB53.7 million, or 105.9%, from RMB50.7 million for 2007. We increased our borrowings in 2008 to finance the growth of our business, resulting in an increase in our interest expense on bank borrowings of RMB42.3 million, or 86.3%, from RMB49.0 million for 2007 to RMB91.3 million for 2008.

Share of profits of jointly-controlled entities. Our share of profits of our jointly-controlled entity, Xiamen Zhongsheng, was RMB4.5 million for 2008, a decrease of RMB2.4 million, or 34.8%, from RMB6.9 million for 2007.

Profit before tax. Our profit before tax for 2008 was RMB317.7 million, a decrease of RMB84.7 million, or 21.0%, from RMB402.4 million for 2007.

Tax. Due to the decrease in profit before tax, our tax for 2008 was RMB83.3 million, a decrease of RMB15.6 million, or 15.8%, from RMB98.9 million for 2007. Our effective income tax rate was 26.2% in 2008, compared to 24.6% in 2007. Our effective income tax rate increased as more of our subsidiaries enjoyed tax concessions in 2007 than in 2008.

Profit for the year. As a result of the above, our profit for 2008 was RMB234.4 million, a decrease of RMB69.1 million, or 22.8%, from RMB303.5 million for 2007.

Profit attributable to equity holders of the parent. Our profit attributable to equity holders of our Company was RMB218.7 million for 2008, a decrease of RMB65.6 million, or 23.1%, from RMB284.3 million for 2007.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB15.7 million for 2008, a decrease of RMB3.4 million, or 17.8%, from RMB19.1 million for 2007.

The year ended 31 December 2007 compared with the year ended 31 December 2006

Revenue. Revenue for 2007 was RMB9,103.1 million, an increase of RMB2,631.1 million, or 40.7%, compared to RMB6,472.0 million for 2006. This increase was primarily due to an increase of RMB2,406.9 million, or 38.8%, in new automobile sales to RMB8,616.2 million for 2007, compared with RMB6,209.3 million for 2006. In addition, our revenue from our after-sales businesses increased by RMB224.1 million, or 85.3%, to RMB486.9 million for 2007, compared with RMB262.8 million for 2006.

The increase in revenue from new automobile sales for 2007 was due to an increase in our sales volume from 20,876 units in 2006 to 31,977 units in 2007, representing an increase of 53.2%. The effect of such increase in sales volume was partially offset by the decline in the average selling price of our new automobiles from RMB297,592 to RMB269,633.

In terms of product mix, revenue from sale of mid-to-high end automobile brands increased significantly by 46.7% from RMB3,437.3 million for 2006 to RMB5,042.6 million for 2007, while revenue from luxury automobile brands increased by 29.0% from RMB2,775.2 million for 2006 to RMB3,579.4 million for 2007. Sales of mid-to-high end brand automobiles represented 55.3% and 58.5% of our total revenue from new automobiles sales for 2006 and 2007, respectively. Sales of luxury brand automobiles represented 44.7% and 41.5% of our total revenue from new automobiles sales for 2006 and 2007, respectively.

The increase in revenue from our after-sales businesses was primarily due to the expansion of our distribution network of 4S dealerships, as well as the development of our after-sales businesses, and the growing recognition of our "*Zhongsheng*" brand, which led to greater consumer recognition and contributed to increased patronage by our customers.

Cost of sales and services. Cost of sales and services for 2007 was RMB8,382.1 million, an increase of RMB2,307.3 million, or 38.0%, compared with RMB6,074.8 million in 2006. The increase was consistent with the continuous expansion of our business, and was primarily due to our increased purchases of automobiles, spare parts and automobile accessories to retail to our customers. Costs attributable to our new automobile sales business amounted to RMB8,064.9 million in 2007, an increase of RMB2,165.2 million, or 36.7%, from RMB5,899.7 million in 2006. Costs attributable to our after-sales businesses amounted to RMB317.2 million in 2007, an increase of RMB142.2 million, or 81.2%, from RMB175.0 million in 2006.

Gross profit. Gross profit for 2007 was RMB721.1 million, an increase of RMB323.8 million, or 81.5%, from RMB397.3 million for 2006. Our gross profit margin for 2007 was 7.9%, compared with 6.1% for 2006. The increase in our gross profit margin was primarily attributable to (i) an increase in the gross profit margin for our new automobile sales business from 5.0% in 2006 to 6.4% in 2007, due to a greater proportion of our new automobile sales attributable to new automobile models with higher profit margins, such as the Camry of GZ-Toyota, the CR-V of DF-Honda, and the LX470 and ES350 of Lexus, and (ii) an increase in the contribution of our after-sales businesses to our revenue, which generally yield higher margins than sales of new automobiles.

Other income and gains. Our other income and gains were RMB27.4 million for 2007, an increase of RMB3.2 million, or 13.2%, from RMB24.2 million for 2006. This increase was primarily due to the increase in commission income received from insurance companies serving to our customers in our 4S dealerships. The growth of our commission income is attributable to an increase in our new automobile sales. Commission income amounted to RMB9.1 million in 2007, an increase of RMB5.5 million, or 152.8%, from RMB3.6 million in 2006. We also experienced a decrease in the government grants received from local government authorities of RMB5.5 million, or 80.9%, from RMB6.8 million in 2006 to RMB1.3 million in 2007.

Selling and distribution costs. Selling and distribution costs for 2007 were RMB215.1 million, an increase of RMB60.9 million, or 39.5%, from RMB154.2 million for 2006. The increase was primarily due to an increase of RMB36.1 million, or 78.0%, in our salary expenses and welfare costs from RMB46.3 million in 2006 to RMB82.4 million in 2007 and an increase of RMB14.5 million, or 54.1% in our depreciation expense from RMB26.8 million in 2006 to RMB41.3 million in 2007. We substantially increased the number of our employees in 2007 primarily to support the significant expansion of our network of 4S dealerships. The increase in our depreciation expense was primarily due to the increase in number of our 4S dealerships in 2007.

Administrative expenses. Administrative expenses for 2007 were RMB87.1 million, an increase of RMB22.4 million, or 34.6%, from RMB64.7 million for 2006. This increase was consistent with our expanded operations and primarily attributable to (i) higher expenditure on office supplies, which increased by RMB4.6 million, or 32.4% to RMB18.8 million in 2007 from RMB14.2 million in 2006, (ii) increased utilities fees, which amounted to RMB8.5 million in 2007, representing an increase of RMB3.0 million, or 54.5%, from RMB5.5 million in 2006, and (iii) increased administrative taxes, such as stamp duties and property taxes.

Profit from operations. Profit from operations for 2007 was RMB446.3 million, an increase of RMB243.7 million, or 120.3%, from RMB202.6 million for 2006. Our operating profit margin for 2007 was 4.9%, compared with 3.1% for 2006. The increase in operating profit margin was primarily due to the increase in our revenue of 40.7%, against the increase in our cost of sales and services of 38.0%.

Finance costs. Our finance costs for 2007 were RMB50.7 million, an increase of RMB19.6 million, or 63.0%, from RMB31.1 million in 2006. We increased our borrowings in 2007 to finance the growth of our business, resulting in an increase in our interest expense on bank borrowings of RMB18.1 million, or 58.6%, from RMB30.9 million for 2006 to RMB49.0 million for 2007.

Share of profits of jointly-controlled entities. Our share of profits of our jointly-controlled entity, Xiamen Zhongsheng, was RMB6.9 million for 2007, an increase of RMB1.0 million, or 16.9%, from RMB5.9 million for 2006. This increase was consistent with the increase in Xiamen Zhongsheng's profit for 2007 by RMB2.0 million, or 17.1% to RMB13.7 million, from RMB11.7 million for 2006.

Profit before tax. As a result of the growth in our operations and business, our profit before tax for 2007 was RMB402.4 million, an increase of RMB225.0 million, or 126.8%, from RMB177.4 million for 2006.

Tax. Our tax for 2007 was RMB98.9 million, an increase of RMB71.9 million, or 266.3%, from RMB27.0 million for 2006. The increase was largely due to the increase in profit before tax of RMB225.0 million. Our effective income tax rate was 24.6% in 2007, compared to 15.2% in 2006. Our effective income tax rate increased as more of our subsidiaries enjoyed tax concessions in 2006 than in 2007.

Profit for the year. As a result of the above, our profit for 2007 was RMB303.5 million, an increase of RMB153.2 million, or 101.9%, from RMB150.3 million for 2006. Our profit margin for 2007 was 3.3%, compared with 2.3% for 2006.

Profit attributable to equity holders of the parent. Our profit attributable to equity holders of our Company was RMB284.3 million for 2007, an increase of RMB136.7 million, or 92.6%, from RMB147.6 million for 2006. This increase was primarily due to the increase in our profit after income tax.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB19.1 million for 2007, an increase of RMB16.4 million, or 607.4%, from RMB2.7 million for 2006.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

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

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

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated:

	Years ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Net cash generated from/(used in) operating activities	(272,130)	152,499	327,885	152,357	227,171
Net cash used in investing activities	(220,088)	(239,208)	(545,688)	(371,106)	(247,945)
Net cash generated from financing activities	596,388	44,589	832,979	804,219	56,506
Net increase/(decrease) in cash and cash equivalents	104,170	(42,120)	615,176	585,470	35,732
Cash and cash equivalents at the end of the period	380,738	344,997	964,245	933,897	996,572

Cash flow generated from/(used in) operating activities

For the nine months ended 30 September 2009, our net cash generated from operating activities was RMB227.2 million, consisting primarily of profit before taxation of RMB419.3 million, a decrease in inventories of RMB443.6 million and an increase in trade and bills payable of RMB102.3 million, primarily offset by an increase in prepayments, deposits and other receivables of RMB462.5 million and an increase in pledged bank deposits of RMB228.3 million.

For 2008, our net cash generated from operating activities was RMB327.9 million, consisting primarily of profit before taxation of RMB317.7 million, primarily adjusted for finance costs by RMB104.4 million, a decrease in prepayments, deposits and other receivables of RMB181.7 million, an increase in trade and bills payables of RMB178.8 million, and primarily offset by an increase in inventories of RMB407.7 million.

For 2007, our net cash generated from operating activities was RMB152.5 million, consisting primarily of profit before tax of RMB402.4 million, an increase in trade and bills payable of RMB232.1 million, and primarily offset by an increase in inventories of RMB216.9 million and an increase in prepayments, deposits and other receivables of RMB220.8 million.

For 2006, our net cash used in operating activities was RMB272.1 million, consisting primarily of profit before tax of RMB177.4 million, and reduced primarily by an increase in prepayments, deposits and other receivables of RMB223.8 million, an increase in pledged bank deposits of RMB152.9 million and an increase in inventories of RMB141.2 million.

Cash flow used in investing activities

For the nine months ended 30 September 2009, our net cash used in investing activities was RMB247.9 million, consisting primarily of purchases of property, plant and equipment of RMB143.7 million, purchases of land use rights of RMB107.7 million and acquisition of subsidiaries of RMB85.8 million, partially offset by collection of advances to third parties of RMB146.7 million.

For 2008, our net cash used in investing activities was RMB545.7 million, consisting primarily of advances to the subsidiaries to be acquired of RMB159.7 million, purchases of property, plant and equipment of RMB137.0 million, RMB121.5 million relating to acquisition of 4S dealerships, and purchases of land use rights of RMB75.7 million, all of which were used for the expansion of our network of 4S dealerships.

For 2007, our net cash used in investing activities was RMB239.2 million, consisting primarily of purchases of property, plant and equipment of RMB116.2 million in connection with the expansion of our network of 4S dealerships by setting up certain new 4S dealerships, acquisitions of subsidiaries (net of cash acquired) of RMB75.4 million, and advances to third parties of RMB40.7 million, primarily in relation to one of our ongoing acquisitions, where we advanced monies to the group we were acquiring to buy out their minority interests/franchisees.

For 2006, our net cash used in investing activities was RMB220.1 million, consisting primarily of purchases of property, plant and equipment of RMB120.1 million and purchases of land use rights of RMB81.2 million, in connection with the expansion of our network of 4S dealerships.

Cash flow generated from financing activities

For the nine months ended 30 September 2009, our net cash generated from financing activities was RMB56.5 million, consisting primarily of proceeds from bank loans and other borrowings of RMB3,088.9 million, partially offset by repayment of bank loans and other borrowings of RMB2,769.3 million, repayment of advances from the Controlling Shareholders of RMB154.5 million and repayment of advances from third parties of RMB93.6 million.

For 2008, our net cash generated from financing activities was RMB833.0 million, consisting primarily of proceeds from bank loans and other borrowings of RMB4,493.3 million, contributions from the then equity holders of the subsidiaries of RMB746.7 million and advances from third parties of RMB93.6 million, partially offset by repayment of bank loans and other borrowings of RMB4,383.9 million and interest paid of RMB104.4 million.

For 2007, our net cash generated from financing activities was RMB44.6 million, consisting primarily of proceeds from bank loans and other borrowings of RMB1,345.1 million, and primarily offset by repayment of bank loans and other borrowings amounting to RMB1,204.2 million, interest paid amounting to RMB50.7 million, repayment of advances to the then equity holders of a subsidiary amounting to RMB29.9 million, repayment of advances from our Controlling Shareholders of RMB10.8 million, and repayment of advances from our minority shareholders of RMB6.1 million. We repaid short-term secured bank loans due in 2007 and entered into new short-term secured bank loans due in 2008. We use the proceeds from such short-term bank loans primarily for working capital purpose.

For 2006, our net cash generated from financing activities was RMB596.4 million, consisting primarily of proceeds from bank loans and other borrowings of RMB960.4 million, and primarily offset by repayment of bank loans and other borrowings of RMB321.8 million, interest paid amounting to RMB31.1 million and repayment to our minority shareholders of RMB10.1 million. We repaid short-term secured bank loans due in 2006 and entered into new short-term secured bank loans due in 2007. We use the proceeds from the bank loans primarily for working capital.

Net current assets and liabilities

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated below:

	30 September 2009	31 January 2010
	Amount (RMB'000)	Amount (RMB'000)
CURRENT ASSETS		
Inventories	890,577	1,094,047
Trade receivables	110,510	111,173
Prepayments, deposits and other receivables	1,027,457	1,416,808
Amounts due from related parties	1,563	2,354
Term deposits and pledged bank deposits	438,404	315,594
Cash in transit	46,493	81,081
Cash and cash equivalents	996,572	849,675
Total current assets	3,511,576	3,870,732
CURRENT LIABILITIES		
Trade and bills payables	1,238,098	1,403,621
Other payables and accruals	345,891	285,665
Amounts due to related parties	1,308	34,905
Bank loans and other borrowings	1,513,158	1,709,942
Income tax payable	58,739	27,294
Total current liabilities	3,157,194	3,461,427
NET CURRENT ASSETS	354,382	409,305

As at 31 January 2010, we had net current assets of RMB409.3 million, representing an increase of RMB54.9 million from our net current assets of RMB354.4 million as at 30 September 2009. The increase in our net current assets was primarily due to increases in inventories and prepayments, deposits and other receivables, being partially offset by increases in bank loans and other borrowings and trade and bills payables, as a result of increase in our new automobile purchases and business expansion.

As at 30 September 2009, we had net current assets of RMB354.4 million, representing a decrease of RMB319.4 million from our net current assets of RMB673.8 million as at 31 December 2008. The decrease in our net current assets was primarily due to our capital expenditures incurred in the nine months ended 30 September 2009.

As at 31 December 2008, we had net current assets of RMB673.8 million, as compared to our net current liabilities of RMB20.2 million as at 31 December 2007. This was primarily due to the increase in cash and cash equivalents from RMB345.0 million as of 31 December 2007 to RMB964.2 million as of 31 December 2008 and the increase in inventories from RMB705.6 million as of 31 December 2007 to RMB1,133.4 million as of 31 December 2008. The increase in cash and cash equivalents was primarily due to the investment in our Company by General Atlantic. The increase in inventories was primarily due to an increase in our new automobile purchases.

As at 31 December 2007, we had net current liabilities of RMB20.2 million, representing an RMB5.3 million increase from our net current liabilities as at 31 December 2006. This change was primarily due to the increases in bank loans and other borrowings and trade and bills payables as a result of our business expansion, being partially offset by an increase in the our inventories. Our total current assets amounted to RMB2,101.8 million as at 31 December 2007, primarily consisting of inventories of RMB705.6 million and prepayments, deposits and other receivables of RMB706.2 million, and our current liabilities amounted to RMB2,122.0 million as at 31 December 2007, primarily consisting of bank loans and other borrowings of RMB1,033.5 million and trade and bills payables of RMB645.6 million.

As at 31 December 2006, our net current liabilities were approximately RMB14.9 million. This change was primarily due to the increase in bank loans and other borrowings as a result of our business expansion, being partially offset by an increase in our inventories. Our total current assets amounted to RMB1,622.1 million as at 31 December 2006, consisting primarily of prepayments, deposits and other receivables of RMB486.5 million, inventories of RMB427.1 million and cash and cash equivalents of RMB380.7 million. Our total current liabilities as at 31 December 2006 was RMB1,636.9 million, consisting primarily of bank loans and other borrowings of RMB877.6 million and trade and bills payables of RMB411.0 million.

We intend to continue to rely on existing financial resources and cash generated from operations to fund our future business development. We may also increase our financial resources in line with our future development or for other purposes, when appropriate. Our ability to obtain adequate financing to satisfy our business development or debt service requirements may be limited by our financial condition and the results of business operations, as well as the liquidity of international and domestic financial markets. Any failure to achieve timely extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with trade and bills payables, debt service and/or other liabilities when they become due and payable. See "Risk Factors — Risks Relating to Our Business — We may not be able to obtain adequate financing on acceptable terms" and "Risk Factors — Risks Relating to Our Business — We recorded net current liabilities as at 31 December 2006 and 2007 and we cannot assure you that we will not experience the same again in the future."

Capital expenditure and investment

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. During the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our total capital expenditures were RMB178.0 million, RMB152.3 million, RMB204.9 million and RMB219.5 million, respectively.

The following table sets out our expenditures on property, plant and equipment and land use rights as at each date indicated:

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Capital expenditure				
— Property, plant and equipment	113,291	134,193	135,568	131,033
— Land use rights	64,740	18,115	69,371	88,505
Total	178,031	152,308	204,939	219,538

Capital commitments

The following table sets out our capital commitments in respect of property, plant and equipment and land use rights, as at each date indicated.

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Contracted, but not provided for:				
— Land use rights and buildings	8,391	92	37,071	58,534
Authorized, but not contracted for:				
— Land use rights and buildings	20,923	21,755	18,159	10,885
Total	29,314	21,847	55,230	69,419

Operating lease commitments

The following table sets out our total future minimum lease payments under non-cancellable operating leases as at each date indicated:

	31 December						30 September	
	2006		2007		2008		2009	
	Properties	Land	Properties	Land	Properties	Land	Properties	Land
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Within 1 year	623	1,848	806	4,388	3,729	5,802	5,880	8,297
After 1 year but within 5 years	460	7,485	4,273	17,964	14,646	24,238	26,874	47,992
After 5 years	—	39,702	4,555	85,016	16,480	90,751	23,748	100,390
Total	1,083	49,035	9,634	107,368	34,855	120,791	56,502	156,679

Certain of our properties, plant and equipment and land are held under operating leases, which typically have an initial period of between two to twenty years, and an option to renew the relevant lease when all the terms are renegotiated.

Working capital

We finance our working capital needs primarily through cash flow from operations and short-term bank borrowings. Taking into account our internal resources, our cash flow from operations, presently available bank loans and other borrowings and the estimated net proceeds from the Global Offering, our Directors are satisfied, after due and careful inquiry, that our Group has sufficient available working capital for our Group's present requirements for at least the next 12 months from the date of publication of this prospectus.

Financial assets at fair value through profit or loss

We recorded RMB12.9 million of financial assets at fair value through profit or loss as at 31 December 2006, representing the fair value of three million shares which we held in Bank of China (H.K.) Limited, a commercial banking group listed on the Hong Kong Stock Exchange based on such shares' then market price as at 31 December 2006. We subsequently disposed of all three million shares in 2007. The total number of shares that we held in this company was less than 0.01% of its then total share capital.

Inventory analysis

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

The following table sets forth a summary of our total inventories as at each date indicated:

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Automobiles	400,649	652,568	1,071,533	774,612
Spare parts	25,709	52,229	60,014	106,216
Automobile accessories	785	780	1,868	9,749
Total	427,143	705,577	1,133,415	890,577

Our inventories decreased by 21.4% from RMB1,133.4 million as at 31 December 2008 to RMB890.6 million as at 30 September 2009, primarily due to a decrease in our inventory of new automobiles by RMB296.9 million, or 27.7%, to RMB774.6 million as at 30 September 2009 from RMB1,071.5 million as at 31 December 2008, as our sales increased due to the increased market demand during the nine months ended 30 September 2009.

Our inventories increased by 60.6% from RMB705.6 million as at 31 December 2007 to RMB1,133.4 million as at 31 December 2008, primarily due to an increase in our inventory of new automobiles by RMB418.9 million, or 64.2%, to RMB1,071.5 million as at 31 December 2008, from RMB652.6 million as at 31 December 2007. The increase in the inventories of new automobiles was mainly a result of our business expansion.

Our inventories increased by 65.2% from RMB427.1 million as at 31 December 2006 to RMB705.6 million as at 31 December 2007, primarily due to an increase in our inventory of new automobiles by RMB252.0 million, or 62.9%, to RMB652.6 million as at 31 December 2007, from RMB400.6 million as at 31 December 2006, to support the growth in our new automobile sales.

Our inventory provision policy is to determine provisions of inventories on an item-by-item basis when carrying value of the inventories is higher than their net realizable value. Net realizable value is based on the estimated selling price of the relevant inventories in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. We did not record any inventory provision during the Track Record Period.

Certain of our inventories with carrying amounts of RMB3.9 million, RMB30.3 million and RMB30.0 million as at 31 December 2007 and 2008 and 30 September 2009 were pledged as security for our bank loans and other borrowings.

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

	Years ended 31 December			Nine months ended 30 September
	2006	2007	2008	2009
Average inventory turnover days [(1)]	21.4	24.7	34.3	32.7

Note:

(1) The average inventory turnover day for a certain period is the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 365 days for a year or 273 days for a nine-month period, as applicable.

Our average inventory turnover days in 2008 increased to 34.3 days from 24.7 days in 2007, primarily due to a significant increase in our inventories in the fourth quarter of 2008.

Trade receivables

The balance of trade receivables at the end of respective year or period represented outstanding amounts receivable by us from our customers, mainly customers of our repair, maintenance and detailing services. The balance of our trade receivables are mainly derived from our after-sale businesses.

As at 30 September 2009, our trade receivables were RMB110.5 million. Our trade receivables increased from RMB39.4 million as at 31 December 2006 to RMB54.9 million as at 31 December 2007, and to RMB61.4 million as at 31 December 2008. The significant increase in trade receivables in the nine months ended 30 September 2009 was primarily due to the increase in trade receivables in relation to our after-sales services as a result of expansion of our after-sale businesses. Trade receivables relating to our after-sale businesses are mainly due from the automakers for the repair and maintenance services provided to our customers during the warranty period, for which we are entitled to charge the automakers, as well as the repair services provided to our customers for the automobiles recalled by automakers even if the relevant warranty period has expired. In addition, a portion of such trade receivables are due from insurance companies for repair services covered by the relevant insurance policies maintained by the customers. Generally, such receivables are settled by automakers and insurance companies in three months. For the nine months ended 30 September 2009, the revenue from the after-sale businesses increased significantly by 43.2% compared with the nine months ended 30 September 2008. In addition, the increase in trade receivables in the nine months ended 30 September 2009 was also due to the increase in the number of our 4S dealerships during the period.

The following table sets forth an ageing analysis (based on dates of invoices) of our trade receivables (net of impairment losses for bad and doubtful debts) as at each date indicated:

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Within 3 months	33,611	48,918	54,112	103,097
More than 3 months but less than 1 year	5,321	4,703	6,692	7,381
Over 1 year	501	1,304	639	32
Total	39,433	54,925	61,443	110,510

As at 30 September 2009, our trade receivables within three months were RMB103.1 million, increased by RMB49.0 million, or 90.6%, from RMB54.1 million as at 31 December 2008.

Most of our sales are conducted on a cash basis. Based on our understanding of industry practice, we believe that settlement on a cash basis is in line with normal industry practice in the PRC. Subject to our management's approval, we extend credit to certain of our customers. Typically, any decision to extend credit is made only after our management's case-by-case assessment of the relevant customer's creditworthiness. During the Track Record Period, most of our trade receivables were due within three months from the relevant date of invoice.

Our Directors are of the opinion that there is no significant impairment risk in relation to these overdue balances of our trade receivables, which are reviewed regularly by our senior management. As our trade receivables relate to numerous individual customers, we do not have any significant concentration of credit risk. Our trade receivables are non-interest-bearing.

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

	Years ended 31 December			Nine months ended 30 September
	2006	**2007**	**2008**	**2009**
Average trade receivables turnover days(1)	1.9	1.9	2.0	2.5

Note:

(1) The average trade receivables turnover day for a certain period is the average of opening and closing trade receivables balances divided by revenue for that period and multiplied by 365 days for a year or 273 days for a nine-month period, as applicable.

Our average trade receivables turnover days reflect the changes in the average of the opening and the closing trade receivable balances as divided by the revenue for the relevant periods. Therefore, our average trade receivables turnover days indicate the time required for our Group to obtain cash proceeds from our sales. Our Group maintained short turnover days during the Track Record Period mainly because most of our sales were conducted on a cash basis. Our average trade receivable turnover days remained low for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009.

Prepayments, deposits and other receivables

The following table sets out our prepayment, deposits and other receivables as at each date indicated:

	31 December			30 September
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments and deposits to suppliers . . .	397,120	508,050	325,998	841,787
Deposits paid for acquisition of land use rights	55,200	54,878	41,245	66,677
Advances to certain companies to be acquired	912	41,622	215,335	—
Loans to non-controlling shareholders . . .	4,120	13,971	—	—
Rebate receivables	13,647	56,839	45,475	48,269
VAT recoverable	1,867	13,114	45,702	11,051
Receivables on disposal of subsidiaries. . .	—	—	28,186	14,817
Prepayment related to the listing of the Company's shares.	—	—	4,247	7,407
Others	13,602	17,747	18,635	37,449
Total	486,468	706,221	724,823	1,027,457

Our prepayments, deposits and other receivables as at 31 December 2006, 2007 and 2008 and 30 September 2009 were RMB486.5 million, RMB706.2 million, RMB724.8 million and RMB1,027.5 million, respectively. From 31 December 2006 to 31 December 2007, our prepayments, deposits and other receivables increased by RMB219.7 million, or 45.2%, primarily due to the increase in prepayments and deposits to automakers and other suppliers, being consistent with our increased sales. From 31 December 2007 to 31 December 2008, our prepayments and deposits to suppliers decreased by RMB182.1 million, or 35.8%, primarily due to the higher level of new automobile inventory balance as at 31 December 2008. The amount of the prepayments and deposit to suppliers increased by 158.2% from RMB326.0 million as at 31 December 2008 to RMB841.8 million as at 30 September 2009. The significant increase was due to the increase in the number of our 4S dealerships during the period and our management's anticipation of an increase in market demand for automobiles. Advances to certain companies to be acquired increased as at 31 December 2008 compared to 31 December 2007 because we made more advances to certain target companies, which were later acquired by us.

Cash and cash equivalents

The following table sets out our cash and cash equivalents as at the dates indicated below:

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Cash and bank balances	380,287	344,997	661,063	744,592
Short-term deposits	451	—	303,182	251,980
Cash and cash equivalents	380,738	344,997	964,245	996,572

Our cash and cash equivalents as at 31 December 2006, 2007 and 2008 and 30 September 2009 were RMB380.7 million, RMB345.0 million, RMB964.2 million and RMB996.6 million, respectively. For further details, please refer to the section entitled "Liquidity and Capital Resources" in this prospectus.

Trade and bills payables

The balance of trade and bills payables at the end of each year or period represented outstanding amounts payable by us to the automakers for new automobiles, spare parts and automobile accessories we purchased from them. Trade payables are mainly relating to purchases of spare parts and automobile accessories, and are recognized upon receipt of spare parts and automobile accessories. Generally, automakers do not give any credit period and require us to pay for spare parts and automobiles accessories before delivery. We also purchase a small portion of automobile accessories from manufacturers other than automakers if such accessories are not designated products that must be provided by automakers. Such manufacturers generally grant us a credit period for no more than three months for spare parts and automobile accessories purchased from them.

Our trade and bills payables as at 31 December 2006, 2007 and 2008 and 30 September 2009 were RMB411.0 million, RMB645.6 million, RMB835.7 million and RMB1,238.1 million, respectively. From 31 December 2006 to 31 December 2007, our trade and bills payables increased by RMB234.6 million, or 57.1%. From 31 December 2007 to 31 December 2008, our trade and bills payables increased by RMB190.1 million, or 29.4%. Our trade and bills payables as at 30 September 2009 increased by 48.2% to RMB1,238.1 million compared to RMB835.7 million as at 31 December 2008. The continuous increases in our trade and bills payables are primarily due to the increase in our purchase of automobiles, spare parts and automobile accessories, which is in line with the growth of our sales.

Our bills payables are primarily related to our purchases of new automobiles by using bank acceptance notes. We use bank acceptance notes in addition to cash to purchase new automobiles and are required to bear relevant discount interests.

During the Track Record Period, most of our trade and bills payable were settled within three months. Our trade and bills payables are non-interest-bearing.

The following table sets forth an ageing analysis of our trade and bills payables as at the dates indicated:

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Within 3 months	319,343	529,325	834,226	1,233,333
3 to 6 months	74,849	90,175	265	1,023
6 to 12 months	15,901	25,623	29	235
Over 12 months	894	459	1,179	3,507
	410,987	645,582	835,699	1,238,098

The following table sets forth our average trade and bills payables turnover days for the periods indicated:

	31 December			30 September
	2006	2007	2008	2009
Average trade and bills payables turnover days[(1)]	23.5	23.0	27.7	33.5

Note:

(1) The average trade and bills payables turnover days for a certain period is the average of opening and closing trade and bills payables balances divided by cost of sales and services for that period and multiplied by 365 days for a year or 273 days for a nine-month period, as applicable.

Our average trade and bills payables turnover days for the three years ended 31 December 2006, 2007 and 2008 were generally stable and we maintained good credit terms with the automakers and other suppliers. Our average trade and bills payable turnover days for the nine months ended 30 September 2009 increased to 33.5 days from 27.7 days for the year ended 31 December 2008, mainly because we obtained longer credit terms from the suppliers as a result of our improved credibility.

Other payables and accruals

The following table sets forth our other payables and accruals as at the dates indicated:

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Payables for purchases of property, plant and equipment and land use rights	25,323	45,550	33,189	26,742
Advances and deposits from the automakers and other suppliers	6,977	7,939	13,028	9,587
Advances from minority shareholders	9,359	3,269	1,254	2,367
Advances from third parties	—	—	93,576	—
Advances from customers	119,602	110,790	94,899	123,166
Payables for purchase of equity interests from third parties	3,504	24,300	—	138,788
Staff payroll and welfare payables	6,631	9,535	13,853	14,344
Others	14,471	18,980	23,402	30,897
	185,867	220,363	273,201	345,891

Our other payables and accruals as at 31 December 2006, 2007 and 2008 and 30 September 2009 were RMB185.9 million, RMB220.4 million, RMB273.2 million and RMB345.9 million, respectively. Our other payables and accruals increased between 2006 and 2007 by RMB34.5 million, or 18.6%, and increased from 31 December 2007 to 31 December 2008 by RMB52.8 million, or 24.0%, and further increased by RMB72.7 million, or 26.6% between 31 December 2008 and 30 September 2009.

Payables for purchase of equity interests from third parties was RMB24.3 million as at 31 December 2007, due to our purchase of equity shares of Hokuryo Holding Company Limited from its minority shareholder and the purchase of equity shares of Xinshengrong Group entities in 2007. Payables for purchase of equity interests from third parties increased to RMB138.8 million as at 30 September 2009, due to our purchase of equity interests in 4S dealerships in the northeastern coastal region. Payables for purchases of property, plant and equipment and land use rights increased by RMB20.3 million, or 80.2%, from RMB25.3 million as at 31 December 2006 to RMB45.6 million as at 31 December 2007 and decreased by RMB12.4 million, or 27.2% to RMB33.2 million as at 31 December 2008. Our payables for purchases of property, plant and equipment and land use rights as at 30 September 2009 decreased by 19.6% to RMB26.7 million from RMB33.2 million as at 31 December 2008.

We recorded significant amounts of advances from customers during the Track Record Period because we normally require our customers to make advance payment for the purchase of new automobiles. Advances from customers decreased slightly from RMB119.6 million as at 31 December 2006 to RMB110.8 million as at 31 December 2007 and to RMB94.9 million as at 31 December 2008, primarily due to the fact that we reduced the amount of advance payment for automobile purchase in response to increased competition in the PRC automobile market. Advances from customers as at 30 September 2009 increased by 29.8% to RMB123.2 million from RMB94.9 million, primarily due to the increase in our sales.

Amounts due to related parties

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Non-trade related				
The Controlling Shareholders				
— Mr. Huang Yi and Mr. Li Guoqiang	141,878	171,592	155,827	1,308
Key management personnel				
— Ms. Wang Hongbo	1,167	467	947	—
	143,045	172,059	156,774	1,308
Trade related				
Our jointly-controlled entity				
— Xiamen Zhongsheng	17	92	—	—
	143,062	172,151	156,774	1,308

Our amounts due to related parties as at 31 December 2006, 2007 and 2008 and 30 September 2009 were RMB143.1 million, RMB172.2 million, RMB156.8 million and RMB1.3 million, respectively.

All non-trade related outstanding balances with our related parties will be settled before the Listing. With respect to the trade related transactions with related parties set out in Note 40 to the Accountants' Report in Appendix I of this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Term deposits and pledged bank deposits

	31 December			30 September
	2006	2007	2008	2009
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Term deposits	24,113	19,664	10,583	10,000
Deposits pledged with banks as collateral against credit facilities granted by the banks	230,622	240,773	200,137	428,404
	254,735	260,437	210,720	438,404

Our term deposits and pledged bank deposits increased from RMB254.7 million as at 31 December 2006 to RMB260.4 million as at 31 December 2007. This was primarily due to an increase in the deposits we pledged with banks as collateral for the issuance of bank acceptance notes used to finance the expansion of our business. Our term deposits and pledged bank deposits as at 30 September 2009 were RMB438.4 million, an increase of 108.1% from RMB210.7 million as at 31 December 2008, primarily due to our increased sales during that period.

INDEBTEDNESS

Bank loans and other borrowings

Our bank loans and other borrowings as at 31 December 2006, 2007 and 2008, 30 September 2009 and 31 January 2010 were RMB877.6 million, RMB1,033.5 million, RMB1,157.5 million, RMB1,513.2 million and RMB1,709.9 million, respectively. Our bank loans and other borrowings increased during the Track Record Period to finance our expanded operations.

	31 December			30 September	31 January
	2006	2007	2008	2009	2010
	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)	Amount (RMB'000)
Current bank borrowings and other borrowings representing:					
— secured	49,000	67,389	52,000	73,505	51,567
— entrusted	18,000	15,000	20,000	10,000	30,000
— guaranteed	25,250	73,000	403,000	405,800	349,500
— unsecured	785,314	878,086	682,543	1,023,853	1,278,875
	877,564	1,033,475	1,157,543	1,513,158	1,709,942

As of 30 September 2009 and 31 January 2010, certain of our bank loans were secured by mortgages or pledges over our land use rights, buildings and inventories, and/or guaranteed by our Controlling Shareholders and third parties. The pledged buildings had an aggregate net book value of

RMB46.8 million, RMB28.1 million, RMB79.0 million and RMB38.0 million, respectively, while the pledged land use rights had an aggregate net book value of RMB33.6 million, RMB47.0 million, RMB38.5 million and RMB27.5 million, respectively, as at 31 December 2006, 2007 and 2008 and 30 September 2009. As at 30 September 2009, RMB332.0 million and RMB73.8 million of our bank loans and other borrowings were guaranteed by our Controlling Shareholders and Independent Third Parties, respectively. As of the date of this prospectus, all of the guarantees provided by our Controlling Shareholders were released.

As at 31 January 2010, we had total bank loan facilities of approximately RMB1,791 million, of which RMB1,509 million was utilized.

Statement of indebtedness

As at 31 January 2010, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed in this prospectus, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities, or guarantees.

We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since 31 January 2010.

Contingent liabilities

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As at the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

No material adverse change

Our Directors confirm that, since the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

Off-balance sheet commitments and arrangements

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks, including interest rate risks, foreign exchange risk and liquidity risk.

Interest rate risks

We are exposed to interest rate risks resulting from fluctuations in interest rates on our debt. Increases in interest rates could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our revenue, profit and other financial condition. The interest rate on bank loans and overdrafts in the PRC depends on PRC regulations. We do not currently use any derivative instruments to manage our interest rate risks as such risks are considered minimal.

Foreign exchange risks

We conduct our business primarily in Renminbi. On 21 July 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the Renminbi against the US dollar. The PRC Government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC. In addition, although we obtain all of our new automobiles from domestic suppliers, a depreciation of the Renminbi would result in an increase in the price of goods with imported content as our suppliers may adjust the price to pass any losses caused by Renminbi depreciation on to us. An appreciation of the Renminbi would adversely affect the value of proceeds we receive from the Global Offering if they are not converted into Renminbi in a timely manner. We currently do not engage in hedging activities designed or intended to manage such currency risk.

Liquidity risks

We are exposed to liquidity risks. The cash management of all our operating entities in the PRC is centralized, including the raising of loans to cover expected cash demands. Our individual operating entities outside the PRC are responsible for their own cash management. Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient cash inflows from operations, reserves of cash, and external financing to meet our liquidity requirements in the short and longer term.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 23 June 2008 and has not carried out any business since the date of incorporation. We did not record any distributable reserves as at 30 September 2009.

DIVIDEND POLICY

We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as our Board may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to them to be justified by our profits. No dividend shall be declared or payable except out of our profits or reserves set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for such purpose in accordance with the Cayman Companies Law and our Articles of Association. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. We currently intend to pay dividends of no more than 30% of our profits available for distribution of each accounting year beginning from the year ended 31 December 2009. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2009

Estimated combined profit attributable to equity holders of the parent (1)(2)	not less than RMB452 million (approximately HK$514 million)
Unaudited pro forma estimated earnings per Share (3)	not less than RMB0.242 (approximately HK$0.275)
Unaudited pro forma estimated earnings per Share (4)	not less than RMB0.243 (approximately HK$0.276)

Notes:

(1) The bases on which the above profit estimate for the year ended 31 December 2009 have been prepared are summarized in Appendix III to this prospectus.

(2) The estimated combined profit attributable to equity holders of the parent for the year ended 31 December 2009 prepared by our Directors is based on the audited combined results of our Group for the nine months ended 30 September 2009 and our Group's unaudited combined results for the two months ended 30 November 2009 and an estimate of the combined results of our Group for the remaining one month ended 31 December 2009 on the basis that the current group structure had been in existence throughout the whole financial year ended 31 December 2009. The estimate has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by our Group as set out in the Accountants' Report in Appendix I to this prospectus.

(3) The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated combined profit attributable to equity holders of the parent for the year ended 31 December 2009 by a total of 1,866,492,795 Shares in issue, assuming that the Global Offering has been completed on 1 January 2009 and an Offer Price of HK$9.54 per Share, being the lower end of the estimated Offer Price range (taking into account the partial exercise of General Atlantic's Anti-Dilution Right by investing US$25 million to subscribe for new Shares in our Company and without taking into account the Over-allotment Option and options which may be granted under the Share Option Scheme).

(4) The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated combined profit attributable to equity holders of the parent for the year ended 31 December 2009 by a total of 1,861,277,295 Shares in issue, assuming that the Global Offering has been completed on 1 January 2009 and an Offer Price of HK$12.83 per Share, being the higher end of the estimated Offer Price range (taking into account the partial exercise of General Atlantic's Anti-Dilution Right by investing US$25 million to subscribe for new Shares in our Company and without taking into account the Over-allotment Option and options which may be granted under the Share Option Scheme).

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 30 September 2009 or any future date. It is prepared based on our combined net assets as of 30 September 2009 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets attributable to equity holders of the parent as of 30 September 2009	**Estimated net proceeds from the Global Offering and the partial exercise of the Anti-Dilution Right by General Atlantic**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 4)*
Based on an offer price of HK$9.54 per Share	1,474,667	2,415,122	3,889,789	2.08	2.37
Based on an offer price of HK$12.83 per Share	1,474,667	3,213,999	4,688,666	2.52	2.86

Notes:

1. The combined net tangible assets of the Group attributable to equity holders of the parent as of 30 September 2009 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined equity attributable to equity holders of the parent as of 30 September 2009 of RMB1,933,771,000 less intangible assets and goodwill as at 30 September 2009 of RMB258,612,000 and RMB200,492,000, respectively.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$9.54 or HK$12.83 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

3. Details of the valuations of the Group's properties as at 31 December 2009 are set out in "Appendix IV — Property Valuation". The revaluation surplus or deficit of properties included in buildings held for own use, construction in progress, land use rights and properties under development was not incorporated in the Group's combined financial statements for the nine months ended 30 September 2009. If the revaluation surplus was recorded in the Group's combined financial statements, the annual depreciation expense would increase by approximately RMB1.0 million.

4. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,866,492,795 Shares are in issue assuming that the Global Offering has been completed on 30 September 2009 and an Offer Price of HK$9.54 per Share, being the lower end of the estimated Offer Price range, and 1,861,277,295 Shares are in issue assuming that the Global Offering has been completed on 30 September 2009 and an Offer Price of HK$12.83 per Share, being the higher end of the estimated Offer Price range, taking into account the partial exercise of General Atlantic's Anti-Dilution Right by investing US$25 million to subscribe for the new Shares in our Company but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2009.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 31 December 2009. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation between the net book value of our Group's property interests as at 30 September 2009 and the valuation of such property interest as at 31 December 2009:

	(RMB'000)
Net book value of property interests of our Group as at 30 September 2009	
— Buildings, land use rights and construction in progress	1,023,165
Movements for the three months ended 31 December 2009	
Add: Net addition during the period	68,197
Less: Depreciation and amortization during the period	(8,505)
Net book value as at 31 December 2009	1,082,857
Valuation surplus	12,831
Valuation as at 31 December 2009[1]	1,095,688

Note:

(1) The property interests of our Group as indicated are comprised of the properties valued by Jones Lang LaSalle Sallmanns Limited as which are described in Appendix IV to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

Paragraph 27 of Part I of the Third Schedule of the Companies Ordinance prescribes that a statement as to the gross trading income or sales turnover of the company during the three preceding years as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities, be included in the prospectus. Paragraph 31 of Part II of the Third Schedule of the Companies Ordinance further prescribes that a report by the auditors of the company with respect to (i) the profits and losses of the company for each of the three financial years immediately preceding the issue of the prospectus and (ii) the assets and liabilities of the Company at the last date to which the accounts of the company were made up, be included in the prospectus. An application has been made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended 31 December 2009 in this prospectus on the ground that it would be unduly burdensome for us to do so within a short period of time after 31 December 2009. A certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance on the condition that (i) particulars of the exemption are set out in this prospectus; and (ii) this prospectus will be issued on or before 16 March 2010.

Rule 4.04(1) of the Listing Rules states that the accountants' report must include, inter alia, "the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Exchange". An application has also been made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the ground that it would be unduly burdensome for us to do so within a short period of time after 31 December 2009, and such waiver has been granted by the Hong Kong Stock Exchange on the condition that listing of the shares of our Company on the Hong Kong Stock Exchange will commence on or before 31 March 2010.

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since 30 September 2009 and there is no event since 30 September 2009 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. Our Directors consider that all information necessary for the public to make an informed assessment of the activities and financial position of the Group has been included in this prospectus.