

*The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



18th Floor  
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8 Finance Street  
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16 March 2010

The Directors  
Zhongsheng Group Holdings Limited  
Morgan Stanley Asia Limited  
UBS AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Zhongsheng Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to the “Group”), for each of the three years ended 31 December 2006, 2007 and 2008 and the nine-month period ended 30 September 2009 (the “Relevant Periods”), and the nine-month period ended 30 September 2008 (the “30 September 2008 Financial Information”), prepared on the basis set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 16 March 2010 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Financial Information comprises the combined statements of financial position of the Group as at 31 December 2006, 2007, 2008 and 30 September 2009 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods and a summary of significant accounting policies and other explanatory notes. The 30 September 2008 Financial Information comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement of the Group, together with the notes thereto.

The Company was incorporated in the Cayman Islands on 23 June 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation as set out in the section entitled “Our History and Reorganisation” in the Prospectus (the “Reorganisation”), the Company has become the holding company of the companies now comprising the Group set out in Section II below.

The subsidiaries now comprising the Group are set out in Note 42 of Section II below. All companies comprising the Group and the Group’s jointly-controlled entities have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared by the Company as it has not carried out any business transaction other than the Reorganisation. The audited financial statements or management accounts of the subsidiaries and jointly-controlled entities have been prepared in

accordance with the relevant accounting principles generally accepted in the place of incorporation/ establishment of those companies. The names of the statutory auditors of these companies are set out in Note 42 of Section II.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “HKFRS Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Procedures performed in respect of the Financial Information**

The Financial Information has been prepared from the HKFRS Financial Statements and in accordance with the basis set out in Note 2 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary to adjust the HKFRS Financial Statements to conform to the accounting policies referred to in Note 3.3 of Section II below for the Relevant Periods.

The directors of the Company are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements and the Financial Information in accordance with HKFRSs. The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion based on our audit of the Financial Information and to report our opinion thereon.

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

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

### **Procedures performed in respect of the 30 September 2008 Financial Information**

For the purpose of this report, we have also performed a review of the 30 September 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the

HKICPA. A review consists of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of any significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2008 Financial Information. It is our responsibility to form, based on our examination, an independent review conclusion on the comparative financial information and to report our conclusion solely to you.

The Financial Information and the 30 September 2008 Financial Information are the responsibilities of the directors of the Company who approved their issuance. The directors of the Company are responsible for the Financial Information and the 30 September 2008 Financial Information which give, for the purpose of this report, a true and fair view and the contents of the Prospectus in which this report is included. In preparing the Financial Information and the 30 September 2008 Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable.

**Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report and on the basis of preparation set out in Note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 September 2009 and of the combined results and cash flows of the Group for each of the Relevant Periods.

**Review conclusion in respect of the 30 September 2008 Financial Information**

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the 30 September 2008 Financial Information, for the purpose of this report, does not give a true and fair view of the combined results and cash flows of the Group for the nine month period ended 30 September 2008.

## I. FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group for the Relevant Periods prepared on the basis set out in Note 2 of Section II:

## 1. Combined income statements

	Section II Notes	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
<b>REVENUE</b> . . . . .	5(a)	6,472,043	9,103,134	10,548,577	8,133,630	9,212,624
Cost of sales and services provided. . . . .	6(b)	<u>(6,074,757)</u>	<u>(8,382,066)</u>	<u>(9,771,214)</u>	<u>(7,516,264)</u>	<u>(8,444,162)</u>
<b>Gross profit</b> . . . . .		397,286	721,068	777,363	617,366	768,462
Other income and gains, net . . . . .	5(b)	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 . . . . .		<u>(64,705)</u>	<u>(87,115)</u>	<u>(118,861)</u>	<u>(86,010)</u>	<u>(108,297)</u>
<b>Profit from operations</b> . . . . .		202,556	446,260	417,597	355,896	472,523
Finance costs . . . . .	7	(31,065)	(50,744)	(104,443)	(81,830)	(57,808)
Share of profits of jointly- controlled entities . . . . .	17	<u>5,860</u>	<u>6,873</u>	<u>4,520</u>	<u>4,029</u>	<u>4,545</u>
<b>Profit before tax</b> . . . . .	6	177,351	402,389	317,674	278,095	419,260
Tax . . . . .	8(a)	<u>(27,035)</u>	<u>(98,933)</u>	<u>(83,265)</u>	<u>(72,116)</u>	<u>(113,601)</u>
<b>Profit for the year/period</b>		<u>150,316</u>	<u>303,456</u>	<u>234,409</u>	<u>205,979</u>	<u>305,659</u>
<b>Attributable to:</b>						
Equity holders of the parent . . . . .		147,643	284,325	218,702	192,884	287,431
Non-controlling interests . . . . .		<u>2,673</u>	<u>19,131</u>	<u>15,707</u>	<u>13,095</u>	<u>18,228</u>
		<u>150,316</u>	<u>303,456</u>	<u>234,409</u>	<u>205,979</u>	<u>305,659</u>
<b>Earnings per share attributable to equity holders of the parent . . . . .</b>	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## 2. Combined statements of comprehensive income

Section II Notes	Year ended 31 December			Nine-month period ended 30 September	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
PROFIT FOR THE YEAR/PERIOD. . . . .	<u>150,316</u>	<u>303,456</u>	<u>234,409</u>	<u>205,979</u>	<u>305,659</u>
Exchange differences on translation of foreign operations. . . . .	<u>3,048</u>	<u>5,917</u>	<u>3,727</u>	<u>3,052</u>	<u>(3,411)</u>
Other comprehensive income for the year/ period, net of tax. . . . .	<u>3,048</u>	<u>5,917</u>	<u>3,727</u>	<u>3,052</u>	<u>(3,411)</u>
Total comprehensive income for the year/ period, net of tax. . . . .	<u>153,364</u>	<u>309,373</u>	<u>238,136</u>	<u>209,031</u>	<u>302,248</u>
Attributable to:					
Equity holders of the parent . . . . .	150,567	290,003	222,429	195,936	284,020
Non-controlling interests . . . . .	<u>2,797</u>	<u>19,370</u>	<u>15,707</u>	<u>13,095</u>	<u>18,228</u>
	<u>153,364</u>	<u>309,373</u>	<u>238,136</u>	<u>209,031</u>	<u>302,248</u>

## 3. Combined statements of financial position

	Section II Notes	31 December			30 September
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment . . . . .	12	351,539	460,462	548,779	776,876
Land use rights . . . . .	13	173,782	191,710	256,987	408,678
Prepayments . . . . .	14	9,000	16,287	33,273	53,346
Intangible assets . . . . .	15	753	87,617	100,561	258,612
Goodwill . . . . .	16	—	65,501	76,566	200,492
Interests in jointly-controlled entities . . . . .	17	9,782	16,655	21,175	35,990
Available-for-sale investment . . . . .	18	—	—	—	100
Held-to-maturity investments . . . . .	19	6,028	5,618	5,291	5,287
Deferred tax assets . . . . .	31(b)	<u>7,173</u>	<u>3,516</u>	<u>3,132</u>	<u>4,810</u>
Total non-current assets . . . . .		<u>558,057</u>	<u>847,366</u>	<u>1,045,764</u>	<u>1,744,191</u>
<b>CURRENT ASSETS</b>					
Financial assets at fair value through profit or loss . . . . .	20	12,870	—	—	—
Inventories . . . . .	21	427,143	705,577	1,133,415	890,577
Trade receivables . . . . .	22	39,433	54,925	61,443	110,510
Prepayments, deposits and other receivables . . . . .	23	486,468	706,221	724,823	1,027,457
Amounts due from related parties . . . . .	40(b)(i)	10	10	459	1,563
Term deposits and pledged bank deposits . . . . .	24	254,735	260,437	210,720	438,404
Cash in transit . . . . .	25	20,654	29,603	29,690	46,493
Cash and cash equivalents . . . . .	26	<u>380,738</u>	<u>344,997</u>	<u>964,245</u>	<u>996,572</u>
Total current assets . . . . .		<u>1,622,051</u>	<u>2,101,770</u>	<u>3,124,795</u>	<u>3,511,576</u>

	Section II Notes	31 December			30 September
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
<b>CURRENT LIABILITIES</b>					
Trade and bills payables . . . . .	28	410,987	645,582	835,699	1,238,098
Other payables and accruals . . . . .	29	185,867	220,363	273,201	345,891
Amounts due to related parties . . . . .	40(b)(ii)	143,062	172,151	156,774	1,308
Bank loans and other borrowings . . . . .	27	877,564	1,033,475	1,157,543	1,513,158
Income tax payable . . . . .	31(a)	<u>19,432</u>	<u>50,407</u>	<u>27,733</u>	<u>58,739</u>
Total current liabilities . . . . .		<u>1,636,912</u>	<u>2,121,978</u>	<u>2,450,950</u>	<u>3,157,194</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b> . . . . .		<u>(14,861)</u>	<u>(20,208)</u>	<u>673,845</u>	<u>354,382</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .		<u>543,196</u>	<u>827,158</u>	<u>1,719,609</u>	<u>2,098,573</u>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities . . . . .	31(b)	<u>—</u>	<u>20,507</u>	<u>33,838</u>	<u>98,117</u>
<b>NET ASSETS</b> . . . . .		<u>543,196</u>	<u>806,651</u>	<u>1,685,771</u>	<u>2,000,456</u>
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital . . . . .	32	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Reserves . . . . .	33	<u>498,487</u>	<u>757,489</u>	<u>1,633,098</u>	<u>1,933,771</u>
		498,487	757,489	1,633,098	1,933,771
<b>Non-controlling interests</b> . . . . .		<u>44,709</u>	<u>49,162</u>	<u>52,673</u>	<u>66,685</u>
<b>Total equity</b> . . . . .		<u>543,196</u>	<u>806,651</u>	<u>1,685,771</u>	<u>2,000,456</u>

## 4. Combined statements of changes in equity

Section II	Attributable to equity holders of the parent								
	Share capital	Dis-cretionary reserve fund	Statutory reserve	Merger reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note 32	Note 33(i)	Note 33(ii)	Note 33(iii)	Note 33(iv)				
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		*	*	*	*	*			
<b>At 1 January 2006</b>	—	2,915	24,639	111,135	980	211,110	350,779	37,329	388,108
Contribution by the then equity holders of the subsidiaries	—	—	—	635	—	—	635	5,022	5,657
Distribution to the equity holders of the Company	—	—	—	(3,433)	—	—	(3,433)	—	(3,433)
Acquisition of non-controlling interests by the Group	—	—	—	(61)	—	—	(61)	(439)	(500)
Transfer from retained profits	—	684	21,147	—	—	(21,831)	—	—	—
Comprehensive income for the year	—	—	—	—	2,924	147,643	150,567	2,797	153,364
<b>At 31 December 2006</b>	—	3,599	45,786	108,276	3,904	336,922	498,487	44,709	543,196
Contribution by the then equity holders of the subsidiaries	—	—	—	—	—	—	—	1,900	1,900
Acquisition of equity interests by the Group from the equity holders of the Company	—	—	—	(29,942)	—	—	(29,942)	—	(29,942)
Acquisition of non-controlling interests by the Group	—	—	—	(1,347)	—	—	(1,347)	(18,220)	(19,567)
Disposal of subsidiaries	35	—	—	288	—	—	288	72	360
Non-controlling interests arising from a business combination	34(b)	—	—	—	—	—	—	1,331	1,331
Transfer from retained profits	—	3,596	14,931	—	—	(18,527)	—	—	—
Comprehensive income for the year	—	—	—	—	5,678	284,325	290,003	19,370	309,373
<b>At 31 December 2007</b>	—	7,195	60,717	77,275	9,582	602,720	757,489	49,162	806,651
Contribution by the then equity holders of the subsidiaries	—	—	—	746,745	—	—	746,745	—	746,745
Reverse on acquisition of non-controlling interests by the Group	—	—	—	1,697	—	—	1,697	—	1,697
Disposal of subsidiaries	35	—	—	(31,459)	—	—	(31,459)	(3,137)	(34,596)
Dividends paid to shareholders	—	—	—	—	—	(63,803)	(63,803)	(9,059)	(72,862)
Transfer from retained profits	—	4,239	35,567	—	—	(39,806)	—	—	—
Comprehensive income for the year	—	—	—	—	3,727	218,702	222,429	15,707	238,136
<b>At 31 December 2008</b>	—	11,434	96,284	794,258	13,309	717,813	1,633,098	52,673	1,685,771
Contribution by the then equity holders of the subsidiaries	—	—	—	41,675	—	—	41,675	—	41,675
Acquisition of non-controlling interests by the Group	—	—	—	(25,022)	—	—	(25,022)	(4,217)	(29,239)
Disposal of a subsidiary	—	—	—	—	—	—	—	1	1
Transfer from retained profits	—	(1,001)	4,660	—	—	(3,659)	—	—	—
Comprehensive income for the year	—	—	—	—	(3,411)	287,431	284,020	18,228	302,248
<b>At 30 September 2009</b>	—	10,433	100,944	810,911	9,898	1,001,585	1,933,771	66,685	2,000,456
<b>At 31 December 2007</b>	—	7,195	60,717	77,275	9,582	602,720	757,489	49,162	806,651
Contribution by the then equity holders of the subsidiaries	—	—	—	746,745	—	—	746,745	—	746,745
Reverse on acquisition of non-controlling interests by the Group	—	—	—	1,697	—	—	1,697	—	1,697
Disposal of subsidiaries	35	—	—	(31,459)	—	—	(31,459)	(3,137)	(34,596)
Dividends paid to shareholders	—	—	—	—	—	(63,803)	(63,803)	(9,059)	(72,862)
Transfer from retained profits	—	—	21,604	—	—	(21,604)	—	—	—
Comprehensive income for the period	—	—	—	—	3,052	192,884	195,936	13,095	209,031
<b>At 30 September 2008</b>	—	7,195	82,321	794,258	12,634	710,197	1,606,605	50,061	1,656,666

\* These reserve accounts comprise the combined reserves of RMB498,487,000, RMB757,489,000, RMB1,633,098,000, RMB1,933,771,000 and RMB1,606,605,000 in the combined statements of financial position as at 31 December 2006, 31 December 2007, 31 December 2008, 30 September 2008 and 30 September 2009, respectively.



## 5. Combined cash flow statements

	Section II Notes	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
<b>Operating activities</b>						
Profit before tax . . . . .		177,351	402,389	317,674	278,095	419,260
Adjustments for:						
— Share of profits of jointly-controlled entities . . . . .		(5,860)	(6,873)	(4,520)	(4,029)	(4,545)
— Depreciation and impairment of property, plant and equipment . . . . .	12	27,742	41,483	50,854	36,787	49,879
— Amortisation of land use rights . . . . .	13	2,870	4,457	4,094	2,996	5,755
— Amortisation of intangible assets . . . . .	15	182	2,567	5,914	4,292	8,898
— Provision for impairment of trade receivables and other receivables . . . . .	6(c)	73	25	4,267	4,209	(35)
— Fair value gain on financial assets at fair value through profit or loss . . . . .	5	(2,522)	—	—	—	—
— Loss on disposal of financial assets at fair value through profit or loss . . . . .	5	—	552	—	—	—
— Interest income . . . . .	5	(5,684)	(6,119)	(8,795)	(5,777)	(7,665)
— Net (gain)/loss on disposal of property, plant and equipment . . . . .	5	295	(219)	(625)	(276)	(3,462)
— Finance costs . . . . .	7	31,065	50,744	104,443	81,830	57,808
— Loss on disposal of subsidiaries . . . . .	35(b)	—	—	1,557	1,557	—
— Excess over the cost of a business combination recognized in the income statement . . . . .	5(b)	—	(2,868)	(103)	(103)	—
		225,512	486,138	474,760	399,581	525,893
(Increase)/decrease in pledged bank deposits . . . . .		(152,948)	(10,151)	40,636	40,572	(228,267)
Increase in cash in transit . . . . .		(17,986)	(8,949)	(87)	(26,418)	(16,803)
Increase in trade receivables . . . . .		(12,690)	(10,942)	(6,430)	(15,079)	(17,387)
(Increase)/decrease in prepayments, deposits and other receivables . . . . .		(223,772)	(220,832)	181,650	(50,559)	(462,504)
(Increase)/decrease in inventories . . . . .		(141,185)	(216,884)	(407,690)	(299,484)	443,571
Increase in trade and bills payables . . . . .		38,252	232,065	178,759	157,012	102,344
Increase/(decrease) in other payables and accruals . . . . .		44,437	(33,442)	(37,997)	20,990	(51,075)
(Increase)/decrease in amounts due from related parties — trade related . . . . .		(10)	—	(449)	10	(1,104)
Increase/(decrease) in amounts due to related parties — trade related . . . . .		17	75	(92)	(92)	—
<b>Cash generated from/(used in) operations . . . . .</b>		<b>(240,373)</b>	<b>217,078</b>	<b>423,060</b>	<b>226,533</b>	<b>294,668</b>
Tax paid . . . . .		(31,757)	(64,579)	(95,175)	(74,176)	(67,497)
<b>Net cash generated from/(used in) operating activities . . . . .</b>		<b>(272,130)</b>	<b>152,499</b>	<b>327,885</b>	<b>152,357</b>	<b>227,171</b>

Section II Notes	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
<b>Investing activities</b>					
Purchase of property, plant and equipment . . . . .	(120,066)	(116,188)	(137,001)	(92,996)	(143,691)
Proceeds from disposal of property, plant and equipment . . . . .	2,279	9,674	7,688	4,140	18,046
Purchase of land use rights . . . . .	(81,249)	(15,571)	(75,670)	(9,132)	(107,726)
Purchase of intangible assets . . . . .	(350)	(1,054)	(7,496)	(4,893)	(4,149)
(Increase)/decrease in term deposits . . . . .	(19,952)	4,449	9,081	9,145	583
Purchase of financial assets at fair value through profit or loss . . . . .	(10,348)	—	—	—	—
Proceeds from disposal of financial assets at fair value through profit or loss . . . . .	—	12,318	—	—	—
Purchase of an available-for-sale investment . . . . .	—	—	—	—	(100)
Purchase of shareholding in a jointly-controlled entity . . . . .	—	—	—	—	(10,270)
Advances to third parties . . . . .	—	(40,710)	(159,742)	(99,804)	—
Collection of advances to third parties . . . . .	7,059	—	—	—	146,735
Advance to minority shareholders . . . . .	(2,645)	(9,851)	—	—	—
Acquisition of equity interests by the Group from the equity holders of the Company . . . . .	—	(9,434)	(10,700)	(2,700)	(53,346)
Acquisition of minority interests . . . . .	(500)	(13,700)	—	—	(29,238)
Acquisition of subsidiaries . . . . .	—	(75,407)	(121,473)	(121,473)	(85,823)
Disposal of subsidiaries . . . . .	—	10,147	(59,170)	(59,170)	13,369
Interest received . . . . .	5,684	6,119	8,795	5,777	7,665
<b>Net cash used in investing activities</b>	<b>(220,088)</b>	<b>(239,208)</b>	<b>(545,688)</b>	<b>(371,106)</b>	<b>(247,945)</b>

Section II Notes	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
<b>Financing activities</b>					
Proceeds from bank loans and other borrowings . . . . .	960,394	1,345,070	4,493,293	3,690,225	3,088,945
Repayment of bank loans and other borrowings . . . . .	(321,814)	(1,204,152)	(4,383,880)	(3,660,594)	(2,769,324)
Contributions from the then equity holders of the subsidiaries . . . . .	635	—	746,745	746,745	41,675
Contributions from minority shareholders . . . . .	5,022	1,200	—	—	—
Advances from third parties . . . . .	—	—	93,576	91,770	(93,576)
Advances from minority shareholders	—	—	458	—	1,113
Repayment of advances from minority shareholders . . . . .	(10,067)	(6,090)	(2,473)	—	—
Advances from the Controlling Shareholder . . . . .	—	—	—	17,903	—
Repayment of advances from the Controlling Shareholder . . . . .	(6,717)	(10,794)	(10,297)	—	(154,519)
Repayment of advance to the then equity holders of a subsidiary . . . . .	—	(29,901)	—	—	—
Interest paid . . . . .	(31,065)	(50,744)	(104,443)	(81,830)	(57,808)
<b>Net cash generated from financing activities . . . . .</b>	<b>596,388</b>	<b>44,589</b>	<b>832,979</b>	<b>804,219</b>	<b>56,506</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>104,170</b>	<b>(42,120)</b>	<b>615,176</b>	<b>585,470</b>	<b>35,732</b>
Cash and cash equivalents at the beginning of each year/period . . . . .	273,275	380,738	344,997	344,997	964,245
Effect of foreign exchange rate changes, net . . . . .	3,293	6,379	4,072	3,430	(3,405)
<b>Cash and cash equivalents at the end of each year/period . . . . .</b>	<b>380,738</b>	<b>344,997</b>	<b>964,245</b>	<b>933,897</b>	<b>996,572</b>

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION OF THE GROUP AND GROUP REORGANISATION

The Company was incorporated on 23 June 2008 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Particulars of the companies now comprising the Group are set out in Note 42 of Section II below. The Group has established a principal place of business which is located at Rooms 3504-12, 35/F, Sun Hung Kai Centre, 30 Harbour Road, Wai Chai, Hong Kong. The Group is principally engaged in the sale and service of motor vehicles (the "Listing Business").

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

Before the formation of the Group, the Listing Business was carried out by the subsidiaries now comprising the Group as set out in Note 42, all of which were collectively controlled by Mr. Huang Yi and Mr. Li Guoqiang (hereinafter collectively referred to as the "Controlling Shareholder"). Pursuant to the reorganisation as described in the section entitled "Our History and Reorganisation" in the Prospectus and in Appendix VII "Statutory and General Information" to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group on 22 February 2010.

### 2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 22 February 2010. Since the Company and the companies now comprising the Group were under common control of the Controlling Shareholder both before and after the completion of the Reorganisation, the Reorganisation has been accounted for using merger accounting. The Financial Information has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### 3.1 Adoption of New and Revised HKFRSs

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

#### 3.2 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> <sup>2</sup>

Apart from the above, the HKICPA has also issued Improvements to HKFRSs in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the

amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and the amendment to Appendix to HKAS 18 which has no specified transitional provisions, the amendments included in Improvements to HKFRS, 2009 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 3.3 Summary of Significant Accounting Policies

#### *Basis of combination*

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in Note 2 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting. The acquisition of all other subsidiaries during the Relevant Periods 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 the Group in the results and net assets of the companies now comprising the Group. Any excess of the Group's interest in the book value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of non-controlling interests (previously referred to as negative goodwill), after reassessment, is recognized immediately in the income statements.

#### *Subsidiaries*

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

#### *Joint ventures*

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

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

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

#### *Jointly-controlled entities*

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

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

#### *Goodwill*

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

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

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

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

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

***Impairment of non-financial assets other than goodwill***

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

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined income statements in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

***Related parties***

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statements in the period in which it is incurred. In situations

where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each statement of financial position date.

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

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

#### *Intangible assets (other than goodwill)*

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

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

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

#### *Operating leases*

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

#### *Land use rights*

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



*Investments and other financial assets*

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

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it, and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the statement of financial position date.

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

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognized in the income statements. The net fair value gain or loss recognized in the income statements does not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statements when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statements when the investments are derecognized or impaired, as well as through the amortisation process.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognized in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and other valuation models.

*Impairment of financial assets*

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognized in the income statements. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the income statements, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic, or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

***Derecognition of financial assets***

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

***Financial liabilities at amortised cost (including interest-bearing loans and borrowings)***

Financial liabilities including trade and other payables, amounts due to related parties and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized within “Finance costs” in the income statements.

Gains and losses are recognized in the income statements when the liabilities are derecognized as well as through the amortisation process.

***Derecognition of financial liabilities***

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

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

***Inventories***

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

*Cash and cash equivalents*

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

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

*Income tax*

Income tax comprises current and deferred tax. Income tax is recognized in the combined income statements, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

#### ***Government grants***

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

#### ***Revenue recognition***

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, in the period in which the services are rendered.
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

#### ***Vendor rebate***

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

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

#### ***Employee benefits***

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

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

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Other borrowing costs are recognized as expenses in the statement of comprehensive income in the period in which they are incurred.

***Foreign currencies***

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their income statements are translated into RMB at the weighted average exchange rates for the Relevant Periods. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

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

**3.4 Significant Accounting Judgements and Estimates**

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

***Judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized 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 judgement is required to determine the amount of deferred tax assets that can be recognized, 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 recognized tax losses were RMB7,113,000, RMB3,379,000, RMB3,084,000 and RMB4,350,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively. More details are given in Note 31.

*Estimation uncertainty*

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

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were Nil, RMB65,501,000, RMB76,566,000 and RMB200,492,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively. More details are given in Note 16.

*Impairment of non-financial assets (other than goodwill)*

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

**4. SEGMENT INFORMATION**

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

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

**Information about geographical area**

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

**Information about major customers**

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

## 5. REVENUE, OTHER INCOME AND GAINS, NET

## (a) Revenue:

	Year ended 31 December			Nine-month period ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from the sale of motor vehicles . . . . .	6,209,270	8,616,223	9,695,464	7,516,645	8,329,265
Others . . . . .	262,773	486,911	853,113	616,985	883,359
	<u>6,472,043</u>	<u>9,103,134</u>	<u>10,548,577</u>	<u>8,133,630</u>	<u>9,212,624</u>

## (b) Other income and gains, net:

	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
Commission income . . . . .	3,633	9,058	18,012	12,768	22,389
Advertisement support received from motor vehicle manufacturers . . . . .	4,293	3,211	2,409	1,312	2,172
Rental income . . . . .	1,009	1,507	1,441	1,330	1,564
Government grants . . . . .	6,778	1,331	2,136	1,747	70
Interest income . . . . .	5,684	6,119	8,795	5,777	7,665
Net gain/(loss) on disposal of property, plant and equipment . . . . .	(295)	219	625	276	3,462
Fair value gain on financial assets at fair value through profit or loss . . . . .	2,522	—	—	—	—
Loss on disposal of financial assets at fair value through profit or loss . . . . .	—	(552)	—	—	—
Excess over the cost of a business combination recognized in the income statements . . . . .	—	2,868	103	103	—
Reinvestment allowance . . . . .	—	2,184	—	—	—
Loss on disposal of subsidiaries . . . . .	—	—	(1,557)	(1,557)	—
Others . . . . .	538	1,416	1,448	1,351	2,087
Total . . . . .	<u>24,162</u>	<u>27,361</u>	<u>33,412</u>	<u>23,107</u>	<u>39,409</u>



## 6. PROFIT BEFORE TAX

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

	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
<b>(a) Employee benefit expense (including directors' remuneration (Note 9)):</b>					
Wages and salaries . . . . .	35,935	64,040	102,062	77,278	92,181
Pension scheme contributions	5,814	8,998	16,629	10,435	16,976
Other welfare . . . . .	3,339	6,036	8,348	6,171	6,836
	<u>45,088</u>	<u>79,074</u>	<u>127,039</u>	<u>93,884</u>	<u>115,993</u>
<b>(b) Cost of sales and services:</b>					
Cost of sales of motor vehicles	5,899,746	8,064,899	9,261,487	7,148,159	7,950,065
Others . . . . .	175,011	317,167	509,727	368,105	494,097
	<u>6,074,757</u>	<u>8,382,066</u>	<u>9,771,214</u>	<u>7,516,264</u>	<u>8,444,162</u>
<b>(c) Other items:</b>					
Depreciation and impairments of property, plant and equipment . . . . .	27,742	41,483	50,854	36,787	49,879
Amortisation of land use rights	2,870	4,457	4,094	2,996	5,755
Amortisation of intangible assets . . . . .	182	2,567	5,914	4,292	8,898
Lease expenses . . . . .	698	3,124	9,568	6,544	15,056
Advertisement expenses . . . . .	29,397	29,862	24,617	18,757	18,444
Office expenses . . . . .	14,238	18,824	24,136	15,943	21,013
Logistics expenses . . . . .	14,330	16,553	13,187	9,494	6,514
Business promotion expenses	12,040	16,768	20,229	15,313	16,297
Provision for impairment of trade receivables and other receivables . . . . .	73	25	4,267	4,209	(35)
Net (gain)/loss on disposal of property, plant and equipment . . . . .	295	(219)	(625)	(276)	(3,462)
Fair value gain on financial assets at fair value through profit or loss . . . . .	(2,522)	—	—	—	—
Loss on disposal of financial assets at fair value through profit or loss . . . . .	—	552	—	—	—

## 7. FINANCE COSTS

	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
Interest expense on bank borrowings . . . . .	30,930	49,020	91,275	73,931	55,702
Interest expense on other borrowings . . . . .	135	1,724	13,168	7,899	2,106
	<u>31,065</u>	<u>50,744</u>	<u>104,443</u>	<u>81,830</u>	<u>57,808</u>

## 8. TAX

## (a) Tax in the combined income statements represents:

	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
Current Mainland China corporate income tax . . .	29,818	95,554	72,501	60,620	98,504
Deferred tax ( <i>Note 31(b)</i> ) . .	(2,783)	3,379	10,764	11,496	15,097
	<u>27,035</u>	<u>98,933</u>	<u>83,265</u>	<u>72,116</u>	<u>113,601</u>

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

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

Subsidiaries incorporated in Hong Kong are subject to an income tax at the rates of 17.5% in 2006 and 2007 and 16.5% in 2008 and 2009. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods.

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

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

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

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

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

	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
Profit before tax . . . . .	<u>177,351</u>	<u>402,389</u>	<u>317,674</u>	<u>278,095</u>	<u>419,260</u>
Tax at applicable tax rates (2006 and 2007: 33%; 2008 and 2009: 25%) . . . . .	58,526	132,788	79,418	69,524	104,815
Lower tax rates for specific provinces or local authority	—	(2,650)	—	—	—
Tax effect of non-deductible expenses . . . . .	3,780	3,749	2,455	992	5,550
Tax effect of non-taxable income. . . . .	(180)	(1,249)	—	—	—
Profits attributable to a jointly- controlled entity . . . . .	(1,934)	(2,268)	(1,130)	(1,007)	(1,136)
Effect of tax concessions obtained . . . . .	(33,157)	(31,493)	(9,135)	(8,037)	(11,966)
Effect of changes in tax rates on deferred tax assets recognized . . . . .	—	56	—	—	—
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries of Mainland China. . . . .	<u>—</u>	<u>—</u>	<u>11,657</u>	<u>10,644</u>	<u>16,338</u>
Tax charge . . . . .	<u>27,035</u>	<u>98,933</u>	<u>83,265</u>	<u>72,116</u>	<u>113,601</u>

## 9. DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Company during the Relevant Periods and the nine-month period ended 30 September 2008 are presented below based on the remuneration that the directors obtained from the Group in the respective years.

Year ended 31 December 2006					
Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>					
— Mr. Li Guoqiang . . . . .	—	887	—	12	899
— Mr. Huang Yi . . . . .	—	707	—	12	719
— Mr. Yu Guangming . . . . .	—	25	—	18	43
	—	1,619	—	42	1,661
<b>Year ended 31 December 2007</b>					
Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>					
— Mr. Li Guoqiang . . . . .	—	835	—	15	850
— Mr. Huang Yi . . . . .	—	659	—	11	670
— Mr. Yu Guangming . . . . .	—	60	—	30	90
— Mr. Du Qingshan . . . . .	—	115	—	11	126
	—	1,669	—	67	1,736
<b>Year ended 31 December 2008</b>					
Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>					
— Mr. Li Guoqiang . . . . .	—	2,202	—	30	2,232
— Mr. Huang Yi . . . . .	—	1,955	—	11	1,966
— Mr. Yu Guangming . . . . .	—	60	—	12	72
— Mr. Du Qingshan . . . . .	—	287	—	24	311
	—	4,504	—	77	4,581

Nine-month period ended 30 September 2009				
<u>Directors' fees</u>	<u>Salaries, allowances and other benefits</u>	<u>Discretionary bonuses</u>	<u>Contributions to defined contribution retirement schemes</u>	<u>Total</u>
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>				
—	1,767	—	36	1,803
—	1,586	—	8	1,594
—	30	—	33	63
—	214	—	26	240
—	3,597	—	103	3,700

Nine-month period ended 30 September 2008 (unaudited)				
<u>Directors' fees</u>	<u>Salaries, allowances and other benefits</u>	<u>Discretionary bonuses</u>	<u>Contributions to defined contribution retirement schemes</u>	<u>Total</u>
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>				
—	1,375	—	28	1,403
—	1,190	—	8	1,198
—	30	—	21	51
—	214	—	17	231
—	2,809	—	74	2,883

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the nine-month period ended 30 September 2008.

No emoluments were paid to the non-executive directors and independent non-executive directors of the Company during the Relevant Periods and the nine-month period ended 30 September 2008.

#### 10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two directors for each of the Relevant Periods and the nine-month period ended 30 September 2008 and details of whose remuneration are detailed in Note 9 above. Details of the remuneration of the remaining three non-directors, highest paid employees for each of the Relevant Periods and the nine-month period ended 30 September 2008 are as follows:

	<u>Year ended 31 December</u>			<u>Nine-month period ended 30 September</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind . . . . .	631	710	700	671	982
Pension scheme contributions . . . . .	48	52	72	50	76
	679	762	772	721	1,058

## 11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>							
At 1 January 2006 . . . . .	172,166	4,153	29,707	18,123	44,379	55,260	323,788
Exchange realignment . . . . .	—	(7)	—	(7)	(34)	—	(48)
Additions . . . . .	23,739	—	6,520	7,221	24,956	50,855	113,291
Transfer . . . . .	47,142	408	—	—	—	(47,550)	—
Disposals . . . . .	—	—	—	(1,989)	(4,718)	—	(6,707)
At 31 December 2006 . . . . .	<u>243,047</u>	<u>4,554</u>	<u>36,227</u>	<u>23,348</u>	<u>64,583</u>	<u>58,565</u>	<u>430,324</u>
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2006 . . . . .	23,165	252	9,857	6,743	15,183	—	55,200
Exchange realignment . . . . .	—	(4)	—	(5)	(15)	—	(24)
Depreciation and impairment provided during the year . . . . .	12,025	830	3,356	3,446	8,085	—	27,742
Written back on disposals . . . . .	—	—	—	(1,469)	(2,664)	—	(4,133)
At 31 December 2006 . . . . .	<u>35,190</u>	<u>1,078</u>	<u>13,213</u>	<u>8,715</u>	<u>20,589</u>	<u>—</u>	<u>78,785</u>
<b>Net book value:</b>							
At 31 December 2006 . . . . .	<u>207,857</u>	<u>3,476</u>	<u>23,014</u>	<u>14,633</u>	<u>43,994</u>	<u>58,565</u>	<u>351,539</u>
<b>Cost:</b>							
At 1 January 2007 . . . . .	243,047	4,554	36,227	23,348	64,583	58,565	430,324
Exchange realignment . . . . .	—	(14)	—	(13)	(62)	—	(89)
Additions . . . . .	27,926	7	7,331	9,745	23,968	65,216	134,193
Acquisition of subsidiaries (Note 34)	41,180	—	5,435	2,120	5,158	—	53,893
Transfer . . . . .	117,874	—	215	1,012	345	(119,446)	—
Disposals . . . . .	(2,053)	—	(2,166)	(551)	(14,030)	—	(18,800)
Disposal of subsidiaries (Note 35) . . . . .	(20,409)	—	(58)	(36)	—	—	(20,503)
At 31 December 2007 . . . . .	<u>407,565</u>	<u>4,547</u>	<u>46,984</u>	<u>35,625</u>	<u>79,962</u>	<u>4,335</u>	<u>579,018</u>
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2007 . . . . .	35,190	1,078	13,213	8,715	20,589	—	78,785
Exchange realignment . . . . .	—	(10)	—	(10)	(42)	—	(62)
Depreciation and impairment provided during the year . . . . .	18,101	1,035	4,697	4,972	12,678	—	41,483
Acquisition of subsidiaries (Note 34)	4,733	—	2,067	930	1,407	—	9,137
Written back on disposals . . . . .	(1,136)	—	(1,435)	(549)	(6,225)	—	(9,345)
Disposal of subsidiaries (Note 35) . . . . .	(1,430)	—	(6)	(6)	—	—	(1,442)
At 31 December 2007 . . . . .	<u>55,458</u>	<u>2,103</u>	<u>18,536</u>	<u>14,052</u>	<u>28,407</u>	<u>—</u>	<u>118,556</u>
<b>Net book value:</b>							
At 31 December 2007 . . . . .	<u>352,107</u>	<u>2,444</u>	<u>28,448</u>	<u>21,573</u>	<u>51,555</u>	<u>4,335</u>	<u>460,462</u>

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>							
At 1 January 2008 . . . . .	407,565	4,547	46,984	35,625	79,962	4,335	579,018
Exchange realignment . . . . .	—	(12)	—	(8)	—	—	(20)
Additions . . . . .	23,774	5,658	4,665	8,678	29,061	63,732	135,568
Acquisition of subsidiaries (Note 34)	13,694	—	1,615	747	721	—	16,777
Transfer . . . . .	36,207	—	3,756	3,498	—	(43,461)	—
Disposals . . . . .	—	—	(936)	(1,465)	(10,299)	—	(12,700)
Disposal of subsidiaries (Note 35). . . . .	(3,847)	—	—	(890)	(4,009)	—	(8,746)
At 31 December 2008 . . . . .	<u>477,393</u>	<u>10,193</u>	<u>56,084</u>	<u>46,185</u>	<u>95,436</u>	<u>24,606</u>	<u>709,897</u>
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2008 . . . . .	55,458	2,103	18,536	14,052	28,407	—	118,556
Exchange realignment . . . . .	—	(8)	—	(6)	—	—	(14)
Depreciation and impairment provided during the year . . . . .	21,927	1,781	4,903	6,617	15,626	—	50,854
Acquisition of subsidiaries (Note 34)	350	—	365	262	118	—	1,095
Written back on disposals . . . . .	—	—	(628)	(1,188)	(3,822)	—	(5,638)
Disposal of subsidiaries (Note 35). . . . .	(350)	—	—	(489)	(2,896)	—	(3,735)
At 31 December 2008 . . . . .	<u>77,385</u>	<u>3,876</u>	<u>23,176</u>	<u>19,248</u>	<u>37,433</u>	<u>—</u>	<u>161,118</u>
<b>Net book value:</b>							
At 31 December 2008 . . . . .	<u>400,008</u>	<u>6,317</u>	<u>32,908</u>	<u>26,937</u>	<u>58,003</u>	<u>24,606</u>	<u>548,779</u>
<b>Cost:</b>							
At 1 January 2009 . . . . .	477,393	10,193	56,084	46,185	95,436	24,606	709,897
Exchange realignment . . . . .	—	—	—	(1)	(2)	—	(3)
Additions . . . . .	14,796	921	11,556	9,184	19,855	74,721	131,033
Acquisition of subsidiaries (Note 34). . . . .	124,070	5,574	20,768	11,542	23,557	14,759	200,270
Transfer . . . . .	46,977	—	—	215	—	(47,192)	—
Disposals . . . . .	(1,318)	(933)	(57)	(361)	(21,103)	—	(23,772)
At 30 September 2009 . . . . .	<u>661,918</u>	<u>15,755</u>	<u>88,351</u>	<u>66,764</u>	<u>117,743</u>	<u>66,894</u>	<u>1,017,425</u>
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2009 . . . . .	77,385	3,876	23,176	19,248	37,433	—	161,118
Depreciation and impairment provided during the year . . . . .	21,921	2,733	4,633	6,419	14,173	—	49,879
Acquisition of subsidiaries (Note 34). . . . .	15,046	1,063	8,597	5,446	8,588	—	38,740
Disposals . . . . .	(27)	(933)	(3)	(229)	(7,996)	—	(9,188)
At 30 September 2009 . . . . .	<u>114,325</u>	<u>6,739</u>	<u>36,403</u>	<u>30,884</u>	<u>52,198</u>	<u>—</u>	<u>240,549</u>
<b>Net book value:</b>							
At 30 September 2009 . . . . .	<u>547,593</u>	<u>9,016</u>	<u>51,948</u>	<u>35,880</u>	<u>65,545</u>	<u>66,894</u>	<u>776,876</u>

As at 30 September 2009, the application of the property ownership certificates of certain buildings with a net book value of approximately RMB261,167,000 was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB46,807,000, RMB28,079,000, RMB78,978,000 and RMB37,991,000 as at 31 December 2006, 31 December 2007 and 31 December 2008 and 30 September 2009, respectively, were pledged as security for the Group's bank borrowings (Note 27(a)).

### 13. LAND USE RIGHTS

	At 31 December			At
	2006	2007	2008	30 September
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
<b>Cost:</b>				
At the beginning of each year/period . . . . .	116,254	180,994	203,263	272,634
Additions . . . . .	64,740	18,115	69,371	88,505
Acquisition of subsidiaries (Note 34) . . . . .	—	9,000	—	70,938
Disposal of subsidiaries (Note 35(a)) . . . . .	—	(4,846)	—	—
	<u>180,994</u>	<u>203,263</u>	<u>272,634</u>	<u>432,077</u>
<b>Accumulated amortisation:</b>				
At the beginning of each year/period . . . . .	4,342	7,212	11,553	15,647
Charge for the year/period . . . . .	2,870	4,457	4,094	5,755
Acquisition of subsidiaries (Note 34) . . . . .	—	—	—	1,997
Written back on disposal of subsidiaries (Note 35(a)) . . . . .	—	(116)	—	—
	<u>7,212</u>	<u>11,553</u>	<u>15,647</u>	<u>23,399</u>
<b>Net book value:</b>				
At the end of each year/period . . . . .	<u>173,782</u>	<u>191,710</u>	<u>256,987</u>	<u>408,678</u>

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

Certain of the Group's land use rights with an aggregate net book value of approximately RMB33,643,000, RMB47,044,000, RMB38,529,000 and RMB27,516,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009 were pledged as security for the Group's bank borrowings (Note 27(a)).

As at 30 September 2009, the Group was yet to obtain the legal title of certain land use rights in Mainland China subject to certain administrative procedures to be completed by the Group and the local government authorities. The net book value of these land use rights as at 30 September 2009 amounted to RMB161,950,000.

### 14. PREPAYMENTS

	At 31 December			At
	2006	2007	2008	30 September
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Prepaid lease for land . . . . .	9,000	9,287	1,601	2,259
Prepaid lease for buildings . . . . .	—	—	13,972	10,887
Prepayments for potential acquisitions . . . . .	—	7,000	17,700	40,200
	<u>9,000</u>	<u>16,287</u>	<u>33,273</u>	<u>53,346</u>



## 15. INTANGIBLE ASSETS

	<u>Software</u>	<u>Dealership</u>	<u>Customer</u>	<u>Total</u>
	RMB'000	agreements	relationships	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>				
At 1 January 2006 . . . . .	808	—	—	808
Exchange realignment . . . . .	(16)	—	—	(16)
Additions . . . . .	350	—	—	350
	<u>1,142</u>	<u>—</u>	<u>—</u>	<u>1,142</u>
At 31 December 2006 . . . . .	1,142	—	—	1,142
<b>Accumulated amortisation:</b>				
At 1 January 2006 . . . . .	213	—	—	213
Exchange realignment . . . . .	(6)	—	—	(6)
Amortisation provided during the year . . . . .	182	—	—	182
	<u>389</u>	<u>—</u>	<u>—</u>	<u>389</u>
At 31 December 2006 . . . . .	389	—	—	389
<b>Net book value:</b>				
At 31 December 2006 . . . . .	<u>753</u>	<u>—</u>	<u>—</u>	<u>753</u>
<b>Cost:</b>				
At 1 January 2007 . . . . .	1,142	—	—	1,142
Exchange realignment . . . . .	(22)	—	—	(22)
Additions . . . . .	1,054	—	—	1,054
Acquisition of subsidiaries ( <i>Note 34</i> ) . . . . .	147	69,753	18,542	88,442
Disposal of subsidiaries ( <i>Note 35</i> ) . . . . .	(71)	—	—	(71)
	<u>2,250</u>	<u>69,753</u>	<u>18,542</u>	<u>90,545</u>
At 31 December 2007 . . . . .	2,250	69,753	18,542	90,545
<b>Accumulated amortisation:</b>				
At 1 January 2007 . . . . .	389	—	—	389
Exchange realignment . . . . .	(6)	—	—	(6)
Amortisation provided during the year . . . . .	418	1,630	519	2,567
Acquisition of subsidiaries ( <i>Note 34</i> ) . . . . .	7	—	—	7
Disposal of subsidiaries ( <i>Note 35</i> ) . . . . .	(29)	—	—	(29)
	<u>779</u>	<u>1,630</u>	<u>519</u>	<u>2,928</u>
At 31 December 2007 . . . . .	779	1,630	519	2,928
<b>Net book value:</b>				
At 31 December 2007 . . . . .	<u>1,471</u>	<u>68,123</u>	<u>18,023</u>	<u>87,617</u>

	<u>Software</u>	<u>Dealership</u>	<u>Customer</u>	<u>Total</u>
	RMB'000	agreements	relationships	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>				
At 1 January 2008 . . . . .	2,250	69,753	18,542	90,545
Exchange realignment . . . . .	(27)	—	—	(27)
Additions . . . . .	7,496	—	—	7,496
Acquisition of subsidiaries ( <i>Note 34</i> ) . . . . .	81	10,570	740	11,391
Disposals . . . . .	(3)	—	—	(3)
Disposal of subsidiaries ( <i>Note 35</i> ) . . . . .	(41)	—	—	(41)
	<u>9,756</u>	<u>80,323</u>	<u>19,282</u>	<u>109,361</u>
At 31 December 2008 . . . . .	9,756	80,323	19,282	109,361
<b>Accumulated amortisation:</b>				
At 1 January 2008 . . . . .	779	1,630	519	2,928
Exchange realignment . . . . .	(16)	—	—	(16)
Amortisation provided during the year/period . . . . .	813	3,845	1,256	5,914
Acquisition of subsidiaries ( <i>Note 34</i> ) . . . . .	14	—	—	14
Disposals . . . . .	(1)	—	—	(1)
Disposal of subsidiaries ( <i>Note 35</i> ) . . . . .	(39)	—	—	(39)
	<u>1,550</u>	<u>5,475</u>	<u>1,775</u>	<u>8,800</u>
At 31 December 2008 . . . . .	1,550	5,475	1,775	8,800
<b>Net book value:</b>				
At 31 December 2008 . . . . .	<u>8,206</u>	<u>74,848</u>	<u>17,507</u>	<u>100,561</u>
<b>Cost:</b>				
At 1 January 2009 . . . . .	9,756	80,323	19,282	109,361
Additions . . . . .	4,170	—	—	4,170
Acquisition of subsidiaries ( <i>Note 34</i> ) . . . . .	535	136,272	27,899	164,706
	<u>14,461</u>	<u>216,595</u>	<u>47,181</u>	<u>278,237</u>
At 30 September 2009 . . . . .	14,461	216,595	47,181	278,237
<b>Accumulated amortisation:</b>				
At 1 January 2009 . . . . .	1,550	5,475	1,775	8,800
Amortisation provided during the year/period . . . . .	1,306	5,961	1,631	8,898
Acquisition of subsidiaries ( <i>Note 34</i> ) . . . . .	294	1,633	—	1,927
	<u>3,150</u>	<u>13,069</u>	<u>3,406</u>	<u>19,625</u>
At 30 September 2009 . . . . .	3,150	13,069	3,406	19,625
<b>Net book value:</b>				
At 30 September 2009 . . . . .	<u>11,311</u>	<u>203,526</u>	<u>43,775</u>	<u>258,612</u>

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

## 16. GOODWILL

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
<b>Cost and net carrying amount:</b>				
At the beginning of each year/period . . . . .	—	—	65,501	76,566
Acquisition of subsidiaries (Note 34) . . . . .	—	65,501	11,065	123,926
At the end of each year/period . . . . .	—	65,501	76,566	200,492

**Impairment testing of goodwill**

The carrying amount of goodwill has been allocated to each of the cash-generating units as follows:

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
1. 大連新盛榮豐田汽車銷售服務有限公司 (Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd.) . . . . .	—	10,175	10,175	10,175
2. 大連新盛榮汽車銷售服務有限公司 (Dalian Xinshengrong Automobile Sales & Services Co., Ltd.) . . . . .	—	26,791	26,791	26,791
3. 大連新盛榮貿易有限公司 (Dalian Xinshengrong Trading Co., Ltd.) . . . . .	—	28,535	28,535	28,535
4. 雲南中升廣福汽車銷售服務有限公司 (Yunnan Zhongsheng Guangfu Automobile Sales & Services Co., Ltd.) . . . . .	—	—	11,065	11,065
5. 大連裕德豐田汽車銷售服務有限公司 (Dalian Yude Toyota Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	8,174
6. 諸暨裕豐豐田汽車銷售服務有限公司 (Zhuji Yufeng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	2,476
7. 營口華盛汽車銷售服務有限公司 (Yingkou Huasheng Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	8,056
8. 大連裕迪汽車銷售服務有限公司 (Dalian Yudi Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	3,526
9. 青島中升搏通汽車銷售服務有限公司 (Qingdao Zhongsheng Botong Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	3,267
10. 青島中升慶通汽車銷售服務有限公司 (Qingdao Zhongsheng Qingtong Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	2,375
11. 青島中升智通汽車銷售服務有限公司 (Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	4,506
12. 煙台中升上通汽車銷售服務有限公司 (Yantai Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	2,662

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
13. 煙台中升匯迪汽車銷售服務有限公司 (Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	8,290
14. 煙台中升汽車銷售服務有限公司 (Yantai Zhongsheng Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	549
15. 煙台中升華美汽車銷售服務有限公司 (Yantai Zhongsheng Huamei Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	1,523
16. 龍口中升上通汽車銷售服務有限公司 (Longkou Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	548
17. 遼寧中升捷通汽車銷售服務有限公司 (Liaoning Zhongsheng Jietong Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	245
18. 吉林成邦汽車銷售服務有限公司 (Jilin Chengbang Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	7,142
19. 長春市成邦商貿有限公司 (Changchun Chengbang Trading Co., Ltd.)	—	—	—	27,741
20. 紹興市匯鑫汽車銷售服務有限公司 (Shaoxing Huixin Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	22,078
21. 紹興市中鑫汽車銷售有限公司 (Shaoxing Zhongxin Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	7,683
22. 哈爾濱天已豐田汽車銷售服務有限公司 (Harbin Tiansi Toyota Automobile Sales & Services Co., Ltd.) . . . . .	—	—	—	13,085
	—	65,501	76,566	200,492

*Notes:*

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

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

**Key assumptions used in the value in use calculation**

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

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

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

## 17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Share of net assets . . . . .	9,782	16,655	21,175	35,990

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

## (a) Particulars of jointly-controlled entities

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

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Share of the jointly-controlled entity's assets and liabilities:				
Non-current assets . . . . .	1,802	2,570	1,827	664
Current assets . . . . .	29,468	28,771	40,168	43,412
Current liabilities . . . . .	(21,488)	(14,686)	(20,820)	(8,086)
Net assets . . . . .	9,782	16,655	21,175	35,990

Share of jointly-controlled entities' results:

	Year ended 31 December			Nine-month period ended	
	2006	2007	2008	30 September	
	RMB'000	RMB'000	RMB'000	2008	2009
Income . . . . .	219,385	244,278	204,744	157,958	149,256
Expenses . . . . .	(212,117)	(235,902)	(199,578)	(153,331)	(143,572)
Tax . . . . .	(1,408)	(1,503)	(646)	(598)	(1,139)
Profit for the year/period . . . . .	5,860	6,873	4,520	4,029	4,545

**18. AVAILABLE-FOR-SALE INVESTMENT**

The available-for-sale investment at 30 September 2009 is an equity investment in Dalian Mingshi Cheyuan Exhibiting Co., Ltd. (an unlisted company with registered capital of RMB510,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the Directors, the fair value estimate can not be measured reliably.

**19. HELD-TO-MATURITY INVESTMENTS**

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Corporate bonds . . . . .	6,028	5,618	5,291	5,287

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

**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities — listed in Hong Kong . . . . .	12,870	—	—	—

The fair value of the above listed equity investments is based on the market prices at the end of each year or period. Changes in fair value of financial assets at fair value through profit or loss are recorded in other income and gains, net in the combined income statements (Note 5(b)).

**21. INVENTORIES**

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Motor vehicles . . . . .	400,649	652,568	1,071,533	774,612
Spare parts . . . . .	25,709	52,229	60,014	106,216
Others . . . . .	785	780	1,868	9,749
	427,143	705,577	1,133,415	890,577

Certain of the Group's inventories with a carrying amount of Nil, RMB3,916,000, RMB30,265,000 and RMB30,000,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively, were pledged as security for the Group's bank loans and other borrowings (Note 27(a)).

Certain of the Group's inventories with a carrying amount of RMB7,497,000, RMB103,016,000, RMB231,669,000 and RMB166,000,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively, were pledged as security for the Group's bills payable.

## 22. TRADE RECEIVABLES

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Trade receivables . . . . .	41,733	57,492	61,933	110,763
Impairment . . . . .	(2,300)	(2,567)	(490)	(253)
	<u>39,433</u>	<u>54,925</u>	<u>61,443</u>	<u>110,510</u>

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

An aged analysis of the trade receivables as at each reporting date (based on the invoice date, net of impairment) is as follows:

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
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
	<u>39,433</u>	<u>54,925</u>	<u>61,443</u>	<u>110,510</u>

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Neither past due nor impaired . . . . .	38,932	53,621	60,804	110,478
Over one year past due . . . . .	501	1,304	639	32
	<u>39,433</u>	<u>54,925</u>	<u>61,443</u>	<u>110,510</u>

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

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

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
At the beginning of each year/period . . . . .	2,302	2,300	2,567	490
Impairment losses recognized . . . . .	14	42	95	—
Acquisition of subsidiaries . . . . .	—	345	—	138
Disposal of subsidiaries . . . . .	—	—	(1,800)	—
Amounts written off as uncollectible . . . . .	—	(120)	(345)	(338)
Impairment losses reversed . . . . .	(16)	—	(27)	(37)
At the end of each year/period . . . . .	<u>2,300</u>	<u>2,567</u>	<u>490</u>	<u>253</u>

### 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
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 minority shareholders . . . . .	4,120	13,971	—	—
Rebate receivables . . . . .	13,647	56,839	45,475	48,269
VAT recoverable (i). . . . .	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 . . . . .	<u>13,602</u>	<u>17,747</u>	<u>18,635</u>	<u>37,449</u>
	<u>486,468</u>	<u>706,221</u>	<u>724,823</u>	<u>1,027,457</u>

Note:

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

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Prepayments, deposits, and other receivables . . . . .	486,501	706,237	724,974	1,027,923
Impairment . . . . .	(33)	(16)	(151)	(466)
	<u>486,468</u>	<u>706,221</u>	<u>724,823</u>	<u>1,027,457</u>



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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
At the beginning of each year/period . . . . .	—	33	16	151
Impairment losses recognized . . . . .	75	—	4,215	2
Acquisition of subsidiaries . . . . .	—	—	—	313
Amounts written off as uncollectible . . . . .	(42)	—	(4,064)	—
Impairment losses reversed . . . . .	—	(17)	(16)	—
	<u>33</u>	<u>16</u>	<u>151</u>	<u>466</u>

#### 24. TERM DEPOSITS AND PLEDGED BANK DEPOSITS

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

Term deposits and pledged bank deposits earn interest at interest rates stipulated by respective finance institutions. Included in term deposits and pledged bank deposits at each statement of financial position date are the following amounts denominated in a currency other than the RMB:

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
HK\$ . . . . .	<u>24,113</u>	<u>19,664</u>	<u>10,583</u>	<u>14,979</u>

#### 25. CASH IN TRANSIT

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Cash in transit . . . . .	<u>20,654</u>	<u>29,603</u>	<u>29,690</u>	<u>46,493</u>

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

## 26. CASH AND CASH EQUIVALENTS

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
				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 . . . . .	<u>380,738</u>	<u>344,997</u>	<u>964,245</u>	<u>996,572</u>

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the cash and bank balances and short term deposits of the Group denominated in a currency other than RMB amounted to RMB19,200,000, RMB5,256,000, RMB22,481,000 and RMB58,004,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

## 27. BANK LOANS AND OTHER BORROWINGS

	Year ended 31 December						Nine-month period ended	
	2006		2007		2008		30 September 2009	
	Effective Interest rate (%)	RMB'000	Effective Interest rate (%)	RMB'000	Effective Interest rate (%)	RMB'000	Effective Interest rate (%)	RMB'000
Current bank borrowings . . . . .	5-7	837,280	5-8	901,389	5-9	954,750	4-7	1,354,190
Other borrowings . . . . .	5-6	<u>40,284</u>	6-7	<u>132,086</u>	6-7	<u>202,793</u>	5-7	<u>158,968</u>
		<u>877,564</u>		<u>1,033,475</u>		<u>1,157,543</u>		<u>1,513,158</u>
Current bank borrowings and other borrowings representing:								
— secured (a) . . . . .		49,000		67,389		52,000		73,505
— entrusted . . . . .		18,000		15,000		20,000		10,000
— guaranteed (b) . . . . .		25,250		73,000		403,000		405,800
— unsecured . . . . .		<u>785,314</u>		<u>878,086</u>		<u>682,543</u>		<u>1,023,853</u>
		<u>877,564</u>		<u>1,033,475</u>		<u>1,157,543</u>		<u>1,513,158</u>

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

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

- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB33,643,000, RMB47,044,000, RMB38,529,000 and RMB27,516,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively;
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB46,807,000, RMB28,079,000, RMB78,978,000 and RMB37,991,000 as at 31 December 2006, 31 December 2007 and 31 December 2008 and 30 September 2009, respectively; and

- (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately Nil, RMB3,916,000, RMB30,265,000 and RMB30,000,000 as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively.
- (b) Certain of the Group's bank loans which amounted to RMB17,000,000, RMB73,000,000, RMB343,000,000 and RMB332,000,000 were guaranteed by the Controlling Shareholder as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively. The other borrowings which amounted to RMB8,250,000, Nil, RMB60,000,000 and RMB73,800,000 were guaranteed by a third party as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively.

**28. TRADE AND BILLS PAYABLES**

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade payables . . . . .	60,391	50,667	58,112	91,370
Bills payable. . . . .	350,596	594,915	777,587	1,146,728
Trade and bills payables. . . . .	410,987	645,582	835,699	1,238,098

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
				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 trade and bills payables are non-interest-bearing.

**29. OTHER PAYABLES AND ACCRUALS**

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Payables for purchase of property, plant and equipment and land use rights . . . . .	25,323	45,550	33,189	26,742
Advances and deposits from distributors . . . . .	6,977	7,939	13,028	9,587
Advances from non-controlling 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

**30. EMPLOYEE RETIREMENT BENEFITS**

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

As stipulated by the People’s Republic of China (the “PRC”) state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% (2008: 10% to 22%, 2007: 10% to 22%; 2006: 10% to 22%) of the previous year’s average basic salary amount of the geographical area where the employees are under employment with the Mainland China Subsidiaries.

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

According to the relevant rules and regulations of the PRC, the Mainland China Subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 10% (2008: 7% to 10%, 2007: 7% to 10%; 2006: 7% to 10%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group had no significant obligation apart from the contributions as stated above.

**31. INCOME TAX PAYABLE AND DEFERRED TAX**

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

	At 31 December			At 30 September 2009
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of each year/period . . . . .	21,371	19,432	50,407	27,733
Provision for current tax for the year/period . .	29,818	95,554	72,501	98,504
Current tax paid . . . . .	(31,757)	(64,579)	(95,175)	(67,498)
At the end of each year/period . . . . .	19,432	50,407	27,733	58,739

(b) Deferred tax assets and liabilities recognized:

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

*Deferred Tax Assets:*

	<b>Losses available for offset against future taxable profits</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2006 . . . . .	4,346	44	4,390
Deferred tax recognized in the combined income statement during the year ( <i>Note 8(a)</i> ) . . . . .	<u>2,767</u>	<u>16</u>	<u>2,783</u>
At 31 December 2006 . . . . .	7,113	60	7,173
Deferred tax recognized in the combined income statement during the year ( <i>Note 8(a)</i> ) . . . . .	<u>(3,734)</u>	<u>77</u>	<u>(3,657)</u>
At 31 December 2007 . . . . .	3,379	137	3,516
Deferred tax recognized in the combined income statement during the period ( <i>Note 8(a)</i> ) . . . . .	<u>(295)</u>	<u>(89)</u>	<u>(384)</u>
At 31 December 2008 . . . . .	3,084	48	3,132
Deferred tax arising from acquisition of subsidiaries . . . . .	2,432	—	2,432
Deferred tax recognized in the combined income statement during the period ( <i>Note 8(a)</i> ) . . . . .	<u>(1,166)</u>	<u>412</u>	<u>(754)</u>
At 30 September 2009 . . . . .	<u><u>4,350</u></u>	<u><u>460</u></u>	<u><u>4,810</u></u>

*Deferred Tax Liabilities:*

	Fair value adjustment arising from acquisition of subsidiaries	Withholding tax	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2006 and 2007 . . . . .	—	—	—
Deferred tax arising from acquisition of subsidiaries ( <i>Note 34 (a) and (b)</i> ) . . . . .	20,785	—	20,785
Deferred tax recognized in the combined income statement during the year ( <i>Note 8(a)</i> ) . . . . .	<u>(278)</u>	<u>—</u>	<u>(278)</u>
At 31 December 2007 . . . . .	<u>20,507</u>	<u>—</u>	<u>20,507</u>
Deferred tax arising from acquisition of subsidiaries ( <i>Note 34 (c) and (d)</i> ) . . . . .	2,951	—	2,951
Deferred tax recognized in the combined income statement during the year ( <i>Note 8(a)</i> ) . . . . .	<u>(1,277)</u>	<u>11,657</u>	<u>10,380</u>
At 31 December 2008 . . . . .	<u>22,181</u>	<u>11,657</u>	<u>33,838</u>
Deferred tax arising from acquisition of subsidiaries ( <i>Note 34 (e) to (k)</i> ) . . . . .	49,936	—	49,936
Deferred tax recognized in the combined income statement during the period . . . . .	<u>(1,995)</u>	<u>16,338</u>	<u>14,343</u>
At 30 September 2009 . . . . .	<u>70,122</u>	<u>27,995</u>	<u>98,117</u>

**32. SHARE CAPITAL**

The Company was incorporated in the Cayman Islands on 23 June, 2008 with an initial authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. On the date of incorporation, 1 ordinary share of US\$1.00 was allotted, issued and credited as fully paid to its then shareholder.

**33. RESERVES****(i) Discretionary reserve fund**

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

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

**(ii) Statutory reserve**

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

**(iii) Merger reserve**

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

**(iv) Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in Note 3.3.

**34. BUSINESS COMBINATION — ACQUISITION OF SUBSIDIARIES**

- (a) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% equity interests in the following companies engaged in the motor vehicle sales and service business in Mainland China from a third party vendor on 1 August 2007 for a total consideration of RMB174,556,000. The purchase consideration for the acquisition was in the form of cash, with RMB159,000,000 paid on the acquisition date and the remaining RMB15,556,000 paid in January 2008:

大連新盛榮豐田汽車銷售服務有限公司  
(Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd.)  
大連新盛榮汽車銷售服務有限公司  
(Dalian Xinshengrong Automobile Sales & Services Co., Ltd.)  
大連新盛榮貿易有限公司  
(Dalian Xinshengrong Trading Co., Ltd.)

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	28,263	33,056
Land use rights . . . . .	13	19,310	9,000
Intangible assets . . . . .	15	116	81,235
Inventories . . . . .		66,832	66,832
Trade receivables . . . . .		3,400	3,400
Prepayments, deposits and other receivables . . . . .		22,097	22,097
Cash and cash equivalents . . . . .		80,849	80,849
Trade and bills payables . . . . .		(3,188)	(3,188)
Other payables and accruals . . . . .		(146,332)	(146,332)
Bank loans and other borrowings . . . . .		(18,993)	(18,993)
Deferred tax liabilities . . . . .	31(b)	—	(18,901)
Net identifiable assets and liabilities . . . . .		<u>52,354</u>	<u>109,055</u>
Goodwill on acquisition . . . . .	16		<u>65,501</u>
Total purchase consideration . . . . .			<u><u>174,556</u></u>

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

Satisfied by cash . . . . .	(159,000)
Cash acquired . . . . .	<u>80,849</u>
Net cash outflow . . . . .	<u><u>(78,151)</u></u>

Since its acquisition, the subsidiaries contributed RMB336,385,000, RMB853,333,000 and RMB826,271,000 to the Group's turnover and RMB10,110,000, RMB19,543,000 and RMB29,308,000 to the combined profits for the years/period ended 31 December 2007, 31 December 2008 and 30 September 2009, respectively.

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

- (b) As part of the Group's plan to expand its motor vehicle sales and service business in the Sichuan province, the Group acquired 90% of the equity interests of 成都中道成豐田汽車銷售服務有限公司 (Chengdu Zhongdao Cheng Toyota Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China from a third party on 14 February 2007 for the consideration of RMB9,108,000. The purchase consideration for the acquisition was in the form of cash and was fully paid on the acquisition date.

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	11,349	11,700
Intangible assets . . . . .	15	17	7,200
Inventories . . . . .		3,919	3,919
Trade receivables . . . . .		1,772	1,772
Prepayments, deposits and other receivables . . . . .		12,301	12,301
Cash and cash equivalents . . . . .		11,852	11,852
Trade and bills payables . . . . .		(326)	(326)
Other payables and accruals . . . . .		(32,454)	(32,454)
Deferred tax liabilities . . . . .	31(b)	—	(1,884)
Income tax payable . . . . .		<u>(773)</u>	<u>(773)</u>
Net identifiable assets and liabilities . . . . .		<u><u>7,657</u></u>	<u><u>13,307</u></u>
Non-controlling interests arising from a business combination . . . . .			(1,331)
Excess over the cost of a business combination recognized in the combined income statement . . . . .			<u>(2,868)</u>
Total purchase consideration . . . . .			<u><u>9,108</u></u>

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

Satisfied by cash . . . . .	(9,108)
Cash acquired . . . . .	<u>11,852</u>
Net cash inflow . . . . .	<u><u>2,744</u></u>

Since its acquisition, the subsidiary contributed RMB273,164,000, RMB464,150,000 and RMB385,043,000 to the Group's turnover and RMB3,466,000, RMB4,052,000 and RMB8,263,000 to the combined profits for the years/period ended 31 December 2007, 31 December 2008 and 30 September 2009, respectively.



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

- (c) As part of the Group's plan to expand its motor vehicle sales and service business in the Yunnan province, the Group acquired 100% of the equity interests of 雲南中升廣福汽車銷售服務有限公司 (Yunnan Zhongsheng Guangfu Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China from a third party on 18 March 2008 for a consideration of RMB24,000,000. The purchase consideration for the acquisition was in the form of cash and was fully paid on the acquisition date.

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	14,464	14,847
Intangible assets . . . . .	15	46	8,216
Inventories . . . . .		9,469	9,469
Trade receivables . . . . .		188	188
Prepayments, deposits and other receivables . . . . .		5,977	5,977
Cash and cash equivalents . . . . .		14,397	14,397
Trade and bills payables . . . . .		(12,484)	(12,484)
Other payables and accruals . . . . .		(25,537)	(25,537)
Deferred tax liabilities . . . . .	31(b)	—	(2,138)
Net identifiable assets and liabilities . . . . .		<u>6,520</u>	<u>12,935</u>
Goodwill on acquisition . . . . .	16		<u>11,065</u>
Total purchase consideration . . . . .			<u>24,000</u>

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

Satisfied by cash . . . . .	(24,000)
Cash acquired . . . . .	<u>14,397</u>
Net cash outflow . . . . .	<u>(9,603)</u>

Since its acquisition, the subsidiary contributed RMB121,845,000 and RMB221,504,000 to the Group's turnover and RMB1,552,000 and RMB10,400,000 to the combined profits for the year/period ended 31 December 2008 and 30 September 2009, respectively.

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

- (d) As part of the Group's plan to expand its motor vehicle sales and service business in the Shandong province, the Group acquired 100% of the equity interests of 煙台大成豐田汽車銷售服務有限公司 (Yantai Dacheng Toyota Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 22 July 2008 at the consideration of RMB12,688,000. The purchase consideration for the acquisition was in the form of cash and with fully paid at the acquisition date.

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	723	835
Intangible assets . . . . .	15	21	3,161
Inventories . . . . .		10,981	10,981
Trade receivables . . . . .		546	546
Prepayments, deposits and other receivables . . . . .		21,156	21,156
Cash and cash equivalents . . . . .		10,125	10,125
Trade and bills payables . . . . .		(17,506)	(17,506)
Other payables and accruals . . . . .		(1,039)	(1,039)
Deferred tax liabilities . . . . .	31(b)	—	(813)
Bank loans and other borrowings . . . . .		<u>(14,655)</u>	<u>(14,655)</u>
Net identifiable assets and liabilities . . . . .		<u>10,352</u>	<u>12,791</u>
Excess over the cost of a business combination recognized in the combined income statement . . . . .			<u>(103)</u>
Total purchase consideration . . . . .			<u>12,688</u>
An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:			
Satisfied by cash . . . . .			(12,688)
Cash acquired . . . . .			<u>10,125</u>
Net cash outflow . . . . .			<u>(2,563)</u>

Since its acquisition, the subsidiary contributed RMB66,550,000 and RMB133,065,000 to the Group's turnover and RMB941,000 and RMB79,000 to the combined profits for the year/period ended 31 December 2008 and 30 September 2009, respectively.

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

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

大連裕增實業有限公司 (Dalian Yuzeng Industrial Co., Ltd.)

大連裕德豐田汽車銷售服務有限公司 (Dalian Yude Toyota Automobile Sales & Services Co., Ltd.)

大連裕迪豐田汽車銷售服務有限公司 (Dalian Yudi Toyota Automobile Sales & Services Co., Ltd.)

營口華盛汽車銷售服務有限公司 (Yingkou Huasheng Automobile Sales & Services Co., Ltd.)

諸暨裕豐豐田汽車銷售服務有限公司 (Zhujiaji Yufeng Toyota Automobile Sales & Services Co., Ltd.)

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	26,532	29,685
Land use rights . . . . .	13	9,035	15,466
Intangible assets . . . . .	15	2,697	71,282
Inventories . . . . .		68,497	68,497
Trade receivables . . . . .		4,541	4,541
Prepayments, deposits and other receivables . . . . .		139,413	139,413
Cash and cash equivalents . . . . .		44,430	44,430
Trade and bills payables . . . . .		(60,243)	(60,243)
Other payables and accruals . . . . .		(189,532)	(189,532)
Deferred tax liabilities . . . . .	31(b)	—	(19,543)
Pension . . . . .		(206)	(206)
Bank loans and other borrowings . . . . .		(1,000)	(1,000)
Income tax payable . . . . .		(22)	(22)
		<u>44,142</u>	<u>102,768</u>
Net identifiable assets and liabilities . . . . .			
Goodwill on acquisition . . . . .	16		<u>22,232</u>
Total purchase consideration . . . . .			<u>125,000</u>

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

Satisfied by cash . . . . .	(39,205)
Cash acquired . . . . .	<u>44,430</u>
Net cash inflow . . . . .	<u>5,225</u>

Since its acquisition, the subsidiaries contributed RMB505,104,000 to the Group's turnover and RMB10,753,000 to the combined profits for the nine-month period ended 30 September 2009.

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

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

煙台中升汽車銷售服務有限公司 (Yantai Zhongsheng Automobile Sales & Services Co., Ltd.)

煙台中升匯迪汽車銷售服務有限公司 (Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)

煙台中升上通汽車銷售服務有限公司 (Yantai Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)

煙台中升華美汽車銷售服務有限公司 (Yantai Zhongsheng Huamei Automobile Sales & Services Co., Ltd.)

龍口中升上通汽車銷售服務有限公司 (Longkou Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	55,724	60,338
Land use rights . . . . .	13	10,846	36,644
Intangible assets . . . . .	15	142	14,742
Deferred tax assets . . . . .	31(b)	2,432	2,432
Inventories . . . . .		46,086	46,086
Trade receivables . . . . .		7,224	7,224
Prepayments, deposits and other receivables . . . . .		44,324	44,324
Cash and cash equivalents . . . . .		59,209	59,209
Trade and bills payables . . . . .		(99,307)	(99,307)
Other payables and accruals . . . . .		(71,531)	(71,531)
Deferred tax liabilities . . . . .	31(b)	—	(11,253)
Pension . . . . .		(46)	(46)
Bank loans and other borrowings . . . . .		(14,634)	(14,634)
Income tax payable . . . . .		1,171	1,171
		<u>41,640</u>	<u>75,399</u>
Net identifiable assets and liabilities . . . . .			
Goodwill on acquisition . . . . .	16		13,572
Total purchase consideration . . . . .			<u>88,971</u>

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

Satisfied by cash . . . . .	(80,971)
Cash acquired . . . . .	<u>59,209</u>
Net cash outflow . . . . .	<u>(21,762)</u>

Since its acquisition, the subsidiaries contributed RMB452,944,000 to the Group's turnover and RMB7,663,000 to the combined profits for the nine-month period ended 30 September 2009.

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

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

青島中升智通汽車銷售服務有限公司 (Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.)

青島中升搏通汽車銷售服務有限公司 (Qingdao Zhongsheng Botong Automobile Sales & Services Co., Ltd.)

青島中升慶通汽車銷售服務有限公司 (Qingdao Zhongsheng Qingtong Automobile Sales & Services Co., Ltd.)

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

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

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

Satisfied by cash . . . . .	(34,172)
Cash acquired . . . . .	<u>19,989</u>
Net cash outflow . . . . .	<u>(14,183)</u>

Since its acquisition, the subsidiaries contributed RMB220,295,000 to the Group's turnover and RMB1,945,000 to the combined profits for the nine-month period ended 30 September 2009.

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

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

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

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

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

Satisfied by cash . . . . .	(5,000)
Cash acquired . . . . .	<u>5,001</u>
Net cash inflow . . . . .	<u>1</u>

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

- (i) As part of the Group's plan to expand its motor vehicle sales and service business in the Jilin province, the Group acquired 100% of the equity interests of 吉林成邦汽車銷售服務有限公司 (Jilin Chengbang Automobile Sales & Services Co., Ltd.) and 100% of equity interests of 長春市成邦商貿有限公司 (Changchun Chengbang Trading Co., Ltd.) engaged in the motor vehicle sales and service business in Mainland China, from three third parties on 30 September 2009 for a total consideration of RMB115,376,000. The purchase consideration for the acquisition was in the form of cash, with RMB37,062,000 paid on the acquisition date.

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

	Notes	Pre-acquisition carrying amount RMB'000	Recognized fair values on acquisition RMB'000
Property, plant and equipment . . . . .	12	22,307	23,216
Land use rights . . . . .	13	14,011	14,263
Intangible assets . . . . .	15	64	17,474
Inventories . . . . .		41,797	41,797
Trade receivables . . . . .		7,640	7,640
Prepayments, deposits and other receivables . . . . .		99,581	99,581
Cash and cash equivalents . . . . .		48,927	48,927
Trade and bills payables . . . . .		(80,392)	(80,392)
Other payables and accruals . . . . .		(67,515)	(67,515)
Tax payable . . . . .		(860)	(860)
Bank loans and other borrowings . . . . .		(18,995)	(18,995)
Deferred tax liabilities . . . . .	31(b)	—	(4,643)
Net identifiable assets and liabilities . . . . .		<u>66,565</u>	<u>80,493</u>
Goodwill on acquisition . . . . .	16		<u>34,883</u>
Total purchase consideration . . . . .			<u>115,376</u>

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

Satisfied by cash . . . . .	(37,062)
Cash acquired . . . . .	<u>48,927</u>
Net cash inflow . . . . .	<u>11,865</u>

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

- (j) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of equity interests of 紹興市匯鑫汽車銷售服務有限公司 (Shaoxing Huixin Automobile Sales & Services Co., Ltd.) and 80% of equity interests of 紹興市中鑫汽車銷售有限公司 (Shaoxing Zhongxin Automobile Sales & Services Co., Ltd.) engaged in the motor vehicle sales and service business in Mainland China from two third parties on 30 September 2009 for a total consideration of RMB72,360,000. The purchase consideration for the acquisition was in the form of cash and was fully paid on the acquisition date.

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

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

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

Satisfied by cash . . . . .	(72,360)
Cash acquired . . . . .	<u>19,947</u>
Net cash outflow . . . . .	<u>(52,413)</u>

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

- (k) As part of the Group's plan to expand its motor vehicle sales and service business in the Heilongjiang province, the Group acquired 100% of the equity interests of 哈爾濱天巴豐田汽車銷售服務有限公司 (Harbin Tiansi Toyota Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China from two third party vendors on 30 September 2009 for the consideration of RMB34,871,000.



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

	Notes	<u>Pre-acquisition carrying amount</u>	<u>Recognized fair values on acquisition</u>
		RMB'000	RMB'000
Property, plant and equipment . . . . .	12	8,989	9,016
Intangible assets . . . . .	15	—	23,940
Inventories . . . . .		5,032	5,032
Trade receivables . . . . .		8,514	8,514
Prepayments, deposits and other receivables . . . . .		6,540	6,540
Cash and cash equivalents . . . . .		17,994	17,994
Trade and bills payables . . . . .		(23,474)	(23,474)
Other payables and accruals . . . . .		(19,643)	(19,643)
Pension . . . . .		(141)	(141)
Deferred tax liabilities . . . . .	31(b)	—	(5,992)
Net identifiable assets and liabilities . . . . .		<u>3,811</u>	<u>21,786</u>
Goodwill on acquisition . . . . .	16		<u>13,085</u>
Total purchase consideration . . . . .			<u>34,871</u>

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

Satisfied by cash . . . . .	—
Cash acquired . . . . .	<u>17,994</u>
Net cash inflow . . . . .	<u>17,994</u>

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

## 35. DISPOSAL OF SUBSIDIARIES

- (a) The Group disposed of its 100% equity interests in the following companies engaged in the automotive distribution business in Mainland China to third parties on 31 July 2007:

盤錦奧通汽車銷售服務有限公司 (Panjin Aotong Automobile Sales and Services Co., Ltd.)

營口中升奧通汽車銷售服務有限公司 (Yingkou Zhongsheng Aotong Automobile Sales & Services Co., Ltd.)

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment . . . . .	12	19,061
Land use rights . . . . .	13	4,730
Intangible assets . . . . .	15	42
Cash and cash equivalents . . . . .		1,853
Trade receivables . . . . .		355
Prepayments, deposits and other receivables . . . . .		7,628
Inventories . . . . .		9,201
Trade and bills payables . . . . .		(984)
Bank loans and other borrowings . . . . .		(4,000)
Other payables and accruals . . . . .		(26,246)
Non-controlling interests . . . . .		72
		<u>11,712</u>
Gain on disposal of these subsidiaries . . . . .		<u>288</u>
		<u>12,000</u>
Satisfied by:		
Cash . . . . .		<u>12,000</u>

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

	RMB'000
Cash consideration . . . . .	12,000
Cash and cash equivalents disposed of . . . . .	<u>(1,853)</u>
Net inflow of cash and cash equivalents in respect of the disposal of these subsidiaries . . . . .	<u>10,147</u>

- (b) The Group disposed of its entire equity interests in the following companies engaged in the automotive distribution business in Mainland China to third parties on 31 May 2008:

大連保稅區日產汽車銷售有限公司 (Dalian Bonded Zone Nissan Automobile Sales and Services Co., Ltd.)

大連保稅區北菱汽車銷售有限公司 (Dalian Bonded Zone Hokuryo Automobile Sales and Services Co., Ltd.)

	Note	RMB'000
Net assets disposed of:		
Property, plant and equipment . . . . .	12	107
Cash and cash equivalents . . . . .		1,605
Amounts due from controlling shareholder . . . . .		511
Prepayments, deposits and other receivables . . . . .		31,702
Other payables and accruals . . . . .		(1,307)
Dividends payable . . . . .		<u>(3,346)</u>
		29,272
Reverse on acquisition of non-controlling interests by the Group . . . . .		1,697
Loss on disposal of these subsidiaries. . . . .		<u>(2,783)</u>
		<u>28,186</u>
Satisfied by:		
Cash . . . . .		<u>—</u>

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

	RMB'000
Cash consideration. . . . .	—
Cash and cash equivalents disposed of . . . . .	<u>(1,605)</u>
Net outflow of cash and cash equivalents in respect of the disposal of these subsidiaries . . . . .	<u>(1,605)</u>

- (c) The Group disposed of its entire equity interests in the following companies engaged in the automotive distribution business in Mainland China to third parties in 2008:

雲南中升豐田汽車銷售服務有限公司 (Yunnan Zhongsheng Toyota Automobile Sales and Services Co., Ltd.)  
 雲南雲豐汽車銷售服務有限公司 (Yunnan Yunfeng Automobile Sales and Services Co., Ltd.)  
 雲南中升汽車銷售有限公司 (Yunnan Zhongsheng Automobile Sales Co., Ltd.)  
 福建中升汽車銷售服務有限公司 (Fujian Zhongsheng Automobile Sales and Services Co., Ltd.)  
 南京中升豐田汽車銷售有限公司 (Nanjing Zhongsheng Toyota Automobile Sales Co., Ltd.)

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment . . . . .	12	4,904
Intangible assets . . . . .	15	2
Cash and cash equivalents . . . . .		57,565
Cash in transit . . . . .		823
Trade receivables . . . . .		580
Amounts due from related parties . . . . .		4,028
Prepayments, deposits and other receivables . . . . .		78,737
Inventories . . . . .		304
Trade and bills payables . . . . .		(18,392)
Amounts due to controlling shareholder . . . . .		(5,980)
Amounts due to related parties . . . . .		(220)
Other payables and accruals . . . . .		(6,344)
Dividends payable . . . . .		(82,637)
Non-controlling interests . . . . .		(3,137)
		<u>30,233</u>
Gain on disposal of these subsidiaries . . . . .		<u>1,226</u>
		<u><u>31,459</u></u>
Satisfied by:		
Cash . . . . .		<u><u>—</u></u>
An analysis of the net outflow of cash and cash equivalents in respect of the disposal of these subsidiaries is as follows:		
		<b>RMB'000</b>
Cash consideration . . . . .		—
Cash and cash equivalents disposed of . . . . .		<u>(57,565)</u>
Net outflow of cash and cash equivalents in respect of the disposal of these subsidiaries . . . . .		<u><u>(57,565)</u></u>

- (d) The Group disposed of its entire equity interests in 昆明中升豐田汽車服務有限公司 (Kunming Zhongsheng Toyota Automobile Services Co., Ltd.) on 6 April 2009. This company was dormant since the date of its establishment.

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

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

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

### 36. FINANCIAL INSTRUMENTS

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

2006

*Financial assets*

	Financial assets at fair value through profit or loss	Held-to- maturity investments	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Held-to-maturity investments . . . . .	—	6,028	—	6,028
Trade receivables . . . . .	—	—	39,433	39,433
Financial assets included in prepayments, deposits and other receivables . . . . .	—	—	33,236	33,236
Financial assets at fair value through profit or loss . . . . .	12,870	—	—	12,870
Amounts due from related parties . . . . .	—	—	10	10
Term deposits and pledged bank deposits . . . . .	—	—	254,735	254,735
Cash in transit . . . . .	—	—	20,654	20,654
Cash and cash equivalents . . . . .	—	—	380,738	380,738
	12,870	6,028	728,806	747,704

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Trade and bills payables . . . . .	410,987
Financial liabilities included in other payables and accruals . . . . .	59,288
Amounts due to related parties . . . . .	143,062
Bank loans and other borrowings . . . . .	<u>877,564</u>
	<u><u>1,490,901</u></u>

**2007***Financial assets*

	<b>Held-to-maturity investments</b>	<b>Loans and receivables</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Held-to-maturity investments . . . . .	5,618	—	5,618
Trade receivables . . . . .	—	54,925	54,925
Financial assets included in prepayments, deposits and other receivables . . . . .	—	101,671	101,671
Amounts due from related parties . . . . .	—	10	10
Term deposits and pledged bank deposits . . . . .	—	260,437	260,437
Cash in transit . . . . .	—	29,603	29,603
Cash and cash equivalents . . . . .	<u>—</u>	<u>344,997</u>	<u>344,997</u>
	<u><u>5,618</u></u>	<u><u>791,643</u></u>	<u><u>797,261</u></u>

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Trade and bills payables . . . . .	645,582
Financial liabilities included in other payables and accruals . . . . .	101,634
Amounts due to related parties . . . . .	172,151
Bank loans and other borrowings . . . . .	<u>1,033,475</u>
	<u><u>1,952,842</u></u>

## 2008

*Financial assets*

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

*Financial liabilities*

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

**Nine-month period ended 30 September 2009***Financial assets*

	<b>Available-for- sale investments</b>	<b>Held-to- maturity investments</b>	<b>Loans and receivables</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Held-to-maturity investments. . . . .	—	5,287	—	5,287
Available-for-sale investments. . . . .	100	—	—	100
Trade receivables. . . . .	—	—	110,510	110,510
Financial assets included in prepayments, deposits and other receivables. . . . .	—	—	111,586	111,586
Amounts due from related parties . . . . .	—	—	1,563	1,563
Term deposits and pledged bank deposits . . . . .	—	—	438,404	438,404
Cash in transit . . . . .	—	—	46,493	46,493
Cash and cash equivalents . . . . .	—	—	996,572	996,572
	<u>100</u>	<u>5,287</u>	<u>1,705,128</u>	<u>1,710,515</u>

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Trade and bills payables . . . . .	1,238,098
Financial liabilities included in other payables and accruals . . . . .	213,138
Amounts due to related parties . . . . .	1,308
Bank loans and other borrowings . . . . .	<u>1,513,158</u>
	<u><u>2,965,702</u></u>

**37. CONTINGENT LIABILITIES**

As at 31 December 2006, 2007 and 2008, and 30 September 2009, neither the Group nor the Company had any significant contingent liabilities.

**38. COMMITMENTS****(a) Capital commitments**

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

	<u>31 December</u>			<u>30 September</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
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 . . . . .	<u>20,923</u>	<u>21,755</u>	<u>18,159</u>	<u>10,885</u>
	<u><u>29,314</u></u>	<u><u>21,847</u></u>	<u><u>55,230</u></u>	<u><u>69,419</u></u>

**(b) Operating lease commitments**

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

	<u>31 December</u>						<u>30 September</u>	
	<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>	
	<u>Properties</u>	<u>Land</u>	<u>Properties</u>	<u>Land</u>	<u>Properties</u>	<u>Land</u>	<u>Properties</u>	<u>Land</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
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 . . . . .	<u>—</u>	<u>39,702</u>	<u>4,555</u>	<u>85,016</u>	<u>16,480</u>	<u>90,751</u>	<u>23,748</u>	<u>100,390</u>
	<u><u>1,083</u></u>	<u><u>49,035</u></u>	<u><u>9,634</u></u>	<u><u>107,368</u></u>	<u><u>34,855</u></u>	<u><u>120,791</u></u>	<u><u>56,502</u></u>	<u><u>156,679</u></u>

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



**39. PLEDGE OF ASSETS**

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in Note 12, Note 13 and Note 21, to the combined financial information.

**40. RELATED PARTY TRANSACTIONS AND BALANCES**

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

The following key management personnel of the Group are considered to be related parties of the Group:

王紅波 (Wang Hongbo)  
俞光明 (Yu Guangming)

**(a) Transactions with related parties**

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

	Year ended 31 December			Nine-month period ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(i) Sales of goods to a jointly-controlled entity:					
— Xiamen Zhongsheng . . . . .	103,751	91,227	54,321	51,251	10,728
(ii) Purchase of goods or services from a jointly-controlled entity:					
— Xiamen Zhongsheng . . . . .	12,984	16,862	40,663	30,307	12,298

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

(iii) The Group's bank loans which amounted to RMB17,000,000, RMB73,000,000, RMB343,000,000 and RMB332,000,000 were partially guaranteed by the Controlling Shareholder at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, respectively.

**(b) Balances with related parties**

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

(i) Due from related parties:

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000

**Trade related**

A jointly-controlled entity  
— Xiamen Zhongsheng . . . . . 10 10 459 1,563

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

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
A jointly-controlled entity				
— Xiamen Zhongsheng . . . . .	10	10	459	1,563

(ii) Due to related parties:

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
<b>Non-trade related</b>				
The Controlling Shareholder				
— Mr. Li Guoqiang and Mr. Huang Yi . . . . .	141,878	171,592	155,827	1,308
Key management personnel				
— Wang Hongbo . . . . .	1,167	467	947	—
	143,045	172,059	156,774	1,308

**Trade related**

A jointly-controlled entity				
— Xiamen Zhongsheng . . . . .	17	92	—	—
	143,062	172,151	156,774	1,308

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Short term employee benefits . . . . .	2,250	2,379	5,204	4,151
Post-employee benefits . . . . .	89	119	149	103
Total compensation paid to key management personnel . . . . .	2,339	2,498	5,353	4,254

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

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

#### Interest rate risk

The Group has no significant interest-bearing assets other than held-to-maturity investments (Note 19), term deposits and pledged bank deposits (Note 24), and cash and cash equivalents (Note 26).

The Group's interest rate risk arises from its borrowings, details of which are set out in Note 27. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

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

#### Credit risk

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

As at 31 December 2006, 31 December 2007 and 31 December 2008 and the nine months period ended 30 September 2009, all bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

#### Liquidity risk

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

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

	Year 2006					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings . . . . .	—	643,329	248,773	—	—	892,102
Trade and bills payables . . . . .	—	410,987	—	—	—	410,987
Other payables . . . . .	—	40,534	38,186	6,977	—	85,697
Amounts due to related parties . . . . .	143,062	—	—	—	—	143,062
	<u>143,062</u>	<u>1,094,850</u>	<u>286,959</u>	<u>6,977</u>	<u>—</u>	<u>1,531,848</u>

Year 2007						
<u>On demand</u>	<u>Less than</u>	<u>3 to</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	
<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
Bank loans and other borrowings . . . . .	—	580,189	476,366	—	—	1,056,555
Trade and bills payables . . . . .	—	645,582	—	—	—	645,582
Other payables . . . . .	—	78,922	73,119	7,939	—	159,980
Amounts due to related parties . . . . .	172,151	—	—	—	—	172,151
	<u>172,151</u>	<u>1,304,693</u>	<u>549,485</u>	<u>7,939</u>	<u>—</u>	<u>2,034,268</u>
Year 2008						
<u>On demand</u>	<u>Less than</u>	<u>3 to</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	
<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
Bank loans and other borrowings . . . . .	—	578,793	617,450	—	—	1,196,243
Trade and bills payables . . . . .	—	834,351	294	1,179	—	835,824
Other payables . . . . .	—	263,934	61,576	11,311	—	336,821
Amounts due to related parties . . . . .	156,774	—	—	—	—	156,774
	<u>156,774</u>	<u>1,677,078</u>	<u>679,320</u>	<u>12,490</u>	<u>—</u>	<u>2,525,662</u>
Nine-month period ended 30 September 2009						
<u>On demand</u>	<u>Less than</u>	<u>3 to</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	
<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
Bank loans and other borrowings . . . . .	—	795,889	741,227	—	—	1,537,116
Trade and bills payables . . . . .	—	1,233,334	1,258	3,506	—	1,238,098
Other payables . . . . .	—	240,697	23,935	9,587	—	274,219
Amounts due to related parties . . . . .	1,308	—	—	—	—	1,308
	<u>1,308</u>	<u>2,269,920</u>	<u>766,420</u>	<u>13,093</u>	<u>—</u>	<u>3,050,741</u>

#### Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years/period ended 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009.

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

	At 31 December			At 30
	2006	2007	2008	September
	RMB'000	RMB'000	RMB'000	2009
Bank loans and other borrowings . . . . .	877,564	1,033,475	1,157,543	1,513,158
Trade and bills payables . . . . .	410,987	645,582	835,699	1,238,099
Other payables and accruals . . . . .	185,867	220,363	273,201	387,201
Amounts due to related parties . . . . .	143,062	172,151	156,774	1,308
Less: Cash and cash equivalents . . . . .	(380,738)	(344,997)	(964,245)	(996,572)
Net debt . . . . .	1,236,742	1,726,574	1,458,972	2,143,194
Equity attributable to equity holders of the parent . . . . .	498,487	757,489	1,633,098	1,933,771
Gearing ratio . . . . .	71.3%	69.5%	47.2%	52.6%

#### 42. DETAILS OF SUBSIDIARIES NOW COMPRISING THE GROUP

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

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company %	Held by a subsidiary %	
中升(大連)集團有限公司 (Zhongsheng (Dalian) Group Co., Ltd.) . . . . .	(i)	Dalian, the PRC 1998	Registered and paid-in capital of RMB400,000,000	—	100%	Investment holding
大連中升豐田汽車銷售服務 有限公司 (Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 1995	Registered and paid-in capital of US\$2,405,000	—	100%	Sale and service of motor vehicles
大連中升豐田汽車銷售有限公司 (Dalian Zhongsheng Toyota Automobile Sales Co., Ltd.) . . . . .	(i)	Dalian, the PRC 2002	Registered and paid-in capital of RMB20,000,000	—	100%	Sale of motor vehicles
大連中升集團汽車用品有限公司 (Dalian Zhongsheng Group Automobile Accessories Co., Ltd., formerly known as 大連保 稅區豐田汽車銷售有限公司) . . . . .	(i)	Dalian, the PRC 1997	Registered and paid-in capital of US\$3,000,000	—	100%	Sale of spare parts and accessories

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company %	Held by a subsidiary %	
大連中升日產汽車銷售服務有限公司 (Dalian Zhongsheng Nissan Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 1998	Registered and paid-in capital of US\$3,350,000	—	100%	Sale and service of motor vehicles
大連中升奧通汽車銷售有限公司 (Dalian Zhongsheng Aotong Automobile Sales Co., Ltd.) . . . . .	(i)	Dalian, the PRC 2003	Registered and paid-in capital of RMB30,000,000	—	100%	Sale of motor vehicles
大連中升東本汽車銷售服務有限公司 (Dalian Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 1998	Registered and paid-in capital of US\$2,230,000	—	100%	Sale and service of motor vehicles
大連中升匯迪汽車銷售服務有限公司 (Dalian Zhongsheng Huidi Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 1999	Registered and paid-in capital of RMB16,550,000	—	100%	Sale and service of motor vehicles
昆明中升汽車銷售服務有限公司 (Kunming Zhongsheng Automobile Sales & Services Co., Ltd.) . . . . .	(ii)	Kunming, the PRC 2005	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
昆明中升豐田汽車銷售服務有限公司 (Kunming Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(ii)	Kunming, the PRC 2002	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
福州中升豐田汽車服務有限公司 (Fuzhou Zhongsheng Toyota Automobile Services Co., Ltd.) . . . . .	(iii)	Fuzhou, the PRC 2002	Registered and paid-in capital of US\$1,260,000	—	100%	Service of motor vehicles
福州中升豐田汽車銷售有限公司 (Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd.) . . . . .	(iii)	Fuzhou, the PRC 2003	Registered and paid-in capital of RMB20,000,000	—	100%	Sale of motor vehicles
福建中升汽車服務有限公司 (Fujian Zhongsheng Automobile Service Co., Ltd.) . . . . .	(iii)	Fujian, the PRC 2001	Registered and paid-in capital of RMB10,000,000	—	100%	Service of motor vehicles
上海中升豐田汽車銷售服務有限公司 (Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(iv)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
上海國信汽車銷售有限公司 (Shanghai Guoxin Automobile Sales Co., Ltd.) . . . . .	(v)	Shanghai, the PRC 2001	Registered and paid-in capital of RMB12,000,000	—	100%	Sale of motor vehicles
南京中升豐田汽車服務有限公司 (Nanjing Zhongsheng Toyota Automobile Services Co., Ltd.).	(vi)	Nanjing, the PRC 2003	Registered and paid-in capital of HK\$13,860,000	—	60%	Sale and service of motor vehicles
大連迎賓中升豐田汽車銷售服務有限公司 (Dalian Yingbin Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 2004	Registered and paid-in capital of US\$1,200,000	—	100%	Sale and service of motor vehicles
大連中升之星汽車銷售服務有限公司 (Dalian Zhongsheng Star Automobile Sales & Services Co., Ltd., formerly known as 大連迎賓中升豐田汽車銷售有限公司) . . . . .	(i)	Dalian, the PRC 2005	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
廣州中升豐田汽車銷售服務有限公司 (Guangzhou Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(vii)	Guangzhou, the PRC 2004	Registered and paid-in capital of US\$1,800,000	—	100%	Sale and service of motor vehicles
深圳中升豐田汽車銷售服務有限公司 (Shenzhen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(viii)	Shenzhen, the PRC 2004	Registered and paid-in capital of US\$2,250,000	—	60%	Sale and service of motor vehicles
廣州中升凌志汽車銷售服務有限公司 (Guangzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.) . . . . .	(ix)	Guangzhou, the PRC 2002	Registered and paid-in capital of US\$4,000,000	—	100%	Sale and service of motor vehicles
大連中升凌志汽車銷售服務有限公司 (Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 2004	Registered and paid-in capital of US\$11,000,000	—	100%	Sale and service of motor vehicles
大連中升汽車銷售服務有限公司 (Dalian Zhongsheng Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 2006	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
成都中道成豐田汽車銷售服務有限公司 (Chengdu Zhongdao Cheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(x)	Chengdu, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	90%	Sale and service of motor vehicles
泉州隆星汽車銷售服務有限公司 (Quanzhou Longxing Automobile Sales & Services Co., Ltd.) . . . . .	(xi)	Quanzhou, the PRC 2006	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
玉溪中升東本汽車銷售服務有限公司 (Yuxi Zhongsheng Dongfeng Honda Automobile Sales & Services Co., Ltd.) . . . . .	(ii)	Yuxi, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	70%	Sale and service of motor vehicles
大連中升搏通汽車銷售服務有限公司 (Dalian Zhongsheng Botong Automobile Sales & Services Co., Ltd.) . . . . .	(xii)	Dalian, the PRC 2007	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
大連奧通東本汽車銷售服務有限公司 (Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd.) . . . . .	(i)	Dalian, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
雲南中升雷克薩斯汽車銷售服務有限公司 (Yunnan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.) . . . . .	(xiii)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
福州中升雷克薩斯汽車銷售服務有限公司 (Fuzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.) . . . . .	(xiv)	Fuzhou, the PRC 2006	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
曲靖中升豐田汽車銷售服務有限公司 (Qujing Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xv)	Qujing, the PRC 2007	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
南京中升迎賓豐田汽車銷售服務有限公司 (Nanjing Zhongsheng Yingbin Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xvi)	Nanjing, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles



Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
Zhongsheng Holdings Co., Ltd. . . .	(xvii)	HK 1996	Registered and paid-in capital of HK\$32,000,000	—	100%	Investment holding
HOKURYO (Hong Kong) Co., Ltd.	(xviii)	HK 1997	Registered and paid-in capital of HK\$10,000	—	100%	Investment holding
HOKURYO Holdings Co., Ltd. . . .	(xvii)	HK 1993	Registered and paid-in capital of HK\$2,000,000	—	100%	Investment holding
HOKURYO International Ltd. . . . .	(xix)	BVI 2007	Registered and paid-in capital of US\$1	—	100%	Investment holding
Zhongsheng International Limited. . . . .	(xix)	BVI 2003	Registered and paid-in capital of US\$2	—	100%	Investment holding
大連新盛榮新實業有限公司 (Dalian Xinshengrong New Industrial Co., Ltd.) . . . . .	(xx)	Dalian, the PRC 2007	Registered and paid-in capital of RMB200,000,000	—	100%	Investment holding
大連新盛榮豐田汽車銷售服務有限公司 (Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxi)	Dalian, the PRC 2003	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
大連新盛榮汽車銷售服務有限公司 (Dalian Xinshengrong Automobile Sales & Services Co., Ltd.) . . .	(xxi)	Dalian, the PRC 2004	Registered and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
大連中升宏達汽車銷售服務有限公司 (原稱大連新盛榮貿易有限公司) (Dalian Zhongsheng Hongda Automobile Sales & Services Co., Ltd.) . . . . .	(xxi)	Dalian, the PRC 2002	Registered and paid-in capital of RMB11,000,000	—	100%	Sale and service of motor vehicles
雲南中升廣福汽車銷售服務有限公司 (Yunnan Zhongsheng Guangfu Automobile Sales & Services Co., Ltd.) . . . . .	(xxii)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
東莞中升雷克薩斯汽車銷售服務有限公司 (Dongguan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.) . . . . .	(xxiii)	Dongguan, the PRC 2008	Registered and paid-in capital of US\$5,000,000	—	100%	Sale and service of motor vehicles

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
煙台中升豐田汽車銷售服務有限公司 (Yantai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxiv)	Yantai, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
深圳中升迎賓豐田汽車銷售服務有限公司 (Shenzhen Zhongsheng Yingbin Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxv)	Shenzhen, the PRC 2008	Registered and paid-in capital of US\$5,000,000	—	100%	Sale and service of motor vehicles
成都中升豐田汽車銷售服務有限公司 (Chengdu Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxvi)	Chengdu, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
BRIGHT FRIENDS International Limited . . . . .	(xix)	BVI 2007	Registered and paid-in capital of US\$1	—	100%	Investment holding
SUPER CHARM Limited . . . . .	(xxvii)	HK 2007	Registered and paid-in capital of HK\$1	—	100%	Investment holding
WELL SNAPE Holdings Limited . . . . .	(xix)	BVI 2007	Registered and paid-in capital of US\$1	—	100%	Investment holding
BILLION GREAT Corporation Limited . . . . .	(xxvii)	HK 2007	Registered and paid-in capital of HK\$1	—	100%	Investment holding
大連裕增實業有限公司 (Dalian Yuzeng Industrial Co., Ltd.) . . . . .	(xxviii)	Dalian, the PRC 2008	Registered and paid-in capital of RMB30,000,000	—	100%	Investment holding
大連裕德豐田汽車銷售服務有限公司 (Dalian Yude Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Dalian, the PRC 2003	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
諸暨裕豐豐田汽車銷售服務有限公司 (Zhuji Yufeng Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Zhuji, the PRC 2006	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
營口華盛汽車銷售服務有限公司 (Yingkou Huasheng Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Yingkou, the PRC 2004	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
大連裕迪汽車銷售服務有限公司 (Dalian Yudi Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Dalian, the PRC 2007	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
大連中升匯馳汽車服務有限公司 (Dalian Zhongsheng Huichi Automobile Services Co., Ltd.)	(xxix)	Dalian, the PRC 2009	Registered and paid-in capital of RMB15,000,000	—	100%	Service of motor vehicles
中升汽車(莊河)服務有限公司 (Zhongsheng Automobile (Zhuanghe) Services Co., Ltd.)	(xxix)	Dalian, the PRC 2009	Registered and paid in capital of RMB3,000,000	—	100%	Service of motor vehicles
青島中升搏通汽車銷售服務有限公司 (Qingdao Zhongsheng Botong Automobile Sales & Services Co., Ltd.)	(xxviii)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	—	100%	Sale and service of motor vehicles
青島中升慶通汽車銷售服務有限公司 (Qingdao Zhongsheng Qingtong Automobile Sales & Services Co., Ltd.)	(xxviii)	Qingdao, the PRC 2001	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
青島中升智通汽車銷售服務有限公司 (Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.)	(xxviii)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	—	100%	Sale and service of motor vehicles
煙台中升華美汽車銷售服務有限公司 (Yantai Zhongsheng Huamei Automobile Sales & Services Co., Ltd.)	(xxviii)	Yantai, the PRC 2004	Registered and paid-in capital of RMB4,000,000	—	100%	Sale and service of motor vehicles
龍口中升上通汽車銷售服務有限公司 (Longkou Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)	(xxviii)	Longkou, the PRC 2005	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
煙台中升上通汽車銷售服務有限公司 (Yantai Zhongsheng Shangtong Automobile Sales & Services Co., Ltd.)	(xxviii)	Yantai, the PRC 2003	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
煙台中升匯迪汽車銷售服務有限公司 (Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	(xxviii)	Yantai, the PRC 2002	Registered and paid-in capital of RMB60,000,000	—	100%	Sale and service of motor vehicles
OLYMPIA WELL Limited	(xxvii)	HK 2007	Registered and paid-in capital of HK\$1	—	100%	Investment holding

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
CHARMING ELEMENTS Holdings Limited . . . . .	(xix)	BVI 2007	Registered and paid-in capital of US\$100	—	100%	Investment holding
NOBLE VILLA Investments Limited . . . . .	(xix)	BVI 2008	Registered and paid-in capital of US\$1	—	100%	Investment holding
煙台中升汽車銷售服務有限公司 (Yantai Zhongsheng Automobile Sales & Services Co., Ltd.) . . .	(xxviii)	Yantai, the PRC 2002	Registered and paid-in capital of RMB6,500,000	—	100%	Sale and service of motor vehicles
昆明中升匯馳汽車銷售服務有限公司 (Kunming Zhongsheng Huichi Automobile Sales & Services Co., Ltd.) . . . . .	(xxix)	Kunming, the PRC 2009	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
佛山中升之星汽車銷售服務有限公司 (Foshan Zhongsheng Star Automobile Sales & Services Co., Ltd.) . . . . .	(xxix)	Foshan, the PRC 2009	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
南京中升之星汽車銷售服務有限公司 (Nanjing Zhongsheng Star Automobile Sales & Services Co., Ltd.) . . . . .	(xxix)	Nanjing, the PRC 2009	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
廈門中升匯馳汽車銷售服務有限公司 (Xiamen Zhongsheng Huichi Automobile Sales & Services Co., Ltd.) . . . . .	(xxix)	Xiamen, the PRC 2009	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
大理中升汽車銷售服務有限公司 (Dali Zhongsheng Automobile Sales & Services Co., Ltd.) . . .	(xxix)	Dali, the PRC 2009	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
常熟華星汽車銷售服務有限公司 (Changshu Huaxing Automobile Sales & Services Co., Ltd.) . . .	(xxx)	Changshu, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
瀋陽迎賓中升商務諮詢有限公司 (Shenyang Yingbin Zhongsheng Commercial Consulting Co., Ltd.) . . . . .	(xxix)	Shenyang, the PRC 2009	Registered and paid-in capital of USD6,000,000/ USD1,800,000	—	100%	Commercial consulting
瀋陽匯馳商務諮詢有限公司 (Shenyang Huichi Commercial Consulting Co., Ltd.) . . . . .	(xxix)	Shenyang, the PRC 2009	Registered and paid-in capital of USD4,000,000/ USD1,200,000	—	100%	Commercial consulting

Company name	Notes	Place and date of incorporation/ operations	authorized/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
瀋陽中升駿通商務諮詢有限公司 (Shenyang Zhongsheng Juntong Commercial Consulting Co., Ltd.) . . . . .	(xxix)	Shenyang, the PRC 2009	Registered and paid-in capital of USD5,000,000	—	100%	Commercial consulting
營口中升汽車銷售服務有限公司 (Yingkou Zhongsheng Automobile Sales & Services Co., Ltd.) . . . . .	(xxix)	Yingkou, the PRC 2009	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
遼寧中升捷通汽車銷售服務有限公司 (Liaoning Zhongsheng Jietong Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Liaoning, the PRC 2007	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
吉林成邦汽車銷售服務有限公司 (Jilin Chengbang Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Jilin, the PRC 2009	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
長春市成邦商貿有限公司 (Changchun Chengbang Trading Co., Ltd) . . . . .	(xxviii)	Changchun, the PRC 2005	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles
紹興市匯鑫汽車銷售服務有限公司 (Shaoxing Huixin Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Shaoxing, the PRC 2001	Registered and paid-in capital of RMB16,400,000	—	100%	Sale and service of motor vehicles
紹興市中鑫汽車銷售有限公司 (Shaoxing Zhongxin Automobile Sales Co., Ltd.) . . . . .	(xxviii)	Shaoxing, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale of motor vehicles
無錫國信汽車銷售服務有限公司 (Wuxi Guoxin Automobile Sales & Services Co., Ltd.) . . . . .	(xxix)	Wuxi, the PRC 2009	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
哈爾濱天巳豐田汽車銷售服務有限公司 (Harbin Tiansi Toyota Automobile Sales & Services Co., Ltd.) . . . . .	(xxviii)	Harbin, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles

## Notes:

- (i) The statutory accounts for the two years ended 31 December 2006 and 31 December 2007 were audited by 遼寧天健會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 華普天健高商會計師事務所.
- (ii) The statutory accounts for the two years ended 31 December 2006 and 31 December 2007 were audited by 雲南雲嶺會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 雲南華嶺會計師事務所.
- (iii) The statutory accounts for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by 福建華強有限責任會計師事務所.

- (iv) The statutory accounts for the year ended 31 December 2006 was audited by 上海兆信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2007 was audited by 上海新寧會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 上海應明德會計師事務所.
- (v) The statutory accounts for the year ended 31 December 2006 was audited by 上海兆信會計師事務所有限公司. The statutory accounts for the two years ended 31 December 2007 and 31 December 2008 were audited by 上海興中會計師事務所有限公司.
- (vi) The statutory accounts for the two years ended 31 December 2006 and 31 December 2007 were audited by 江蘇同仁會計師事務所有限公司. The statutory accounts for the year ended 31 December 2008 was audited by 江蘇量平會計師事務所有限公司.
- (vii) The statutory accounts for the year ended 31 December 2006 was audited by 廣東中興華會計師事務所有限公司. The statutory accounts for the two years ended 31 December 2007 and 31 December 2008 were audited by 廣州遠華會計師事務所.
- (viii) The statutory accounts for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by 深圳市義達會計師事務所有限責任公司.
- (ix) The statutory accounts for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by 廣州遠華會計師事務所.
- (x) The statutory accounts for the two years ended 31 December 2007 and 31 December 2008 after the acquisition date were audited by 四川華瑞中和會計師事務所有限公司 and 四川三泰會計師事務所有限責任公司, respectively.
- (xi) The statutory accounts for the year ended 31 December 2006 was audited by 福建華瑞會計師事務所有限公司. The statutory accounts for the two years ended 31 December 2007 and 31 December 2008 were audited by 泉州大同會計師事務所有限公司.
- (xii) The statutory accounts for the year ended 31 December 2007 was audited by 遼寧天健會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 華普天健高商會計師事務所.
- (xiii) No statutory account for the year ended 31 December 2006 has been prepared for this subsidiary since its incorporation as there is no statutory requirement for this company to prepare audited financial statements. The statutory accounts for the year ended 31 December 2007 was audited by 雲南雲嶺會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 雲南華嶺會計師事務所.
- (xiv) The statutory accounts for the year ended 31 December 2006 was audited by 福雲會計師事務所. The statutory accounts for the year ended 31 December 2007 was audited by 福建華強會計師事務所有限責任公司. The statutory accounts for the year ended 31 December 2008 was audited by 福建同人大有會計師事務所有限公司.
- (xv) The statutory accounts for the year ended 31 December 2007 was audited by 雲南雲嶺會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 雲南華嶺會計師事務所.
- (xvi) No statutory account for the year ended 31 December 2006 has been prepared for this subsidiary since its incorporation as there is no statutory requirement for this company to prepare audited financial statements. The statutory accounts for the year ended 31 December 2007 was audited by 南京中誠信聯合會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 江蘇量平會計師事務所有限公司.
- (xvii) The statutory accounts for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by Philip Poon & Partners CPA Limited.
- (xviii) The statutory accounts for the year ended 31 December 2006 was audited by Yiu Hon Lam & Co.. The statutory accounts for the two years ended 31 December 2007 and 31 December 2008 were audited by Philip Poon & Partners CPA Limited.
- (xix) No statutory accounts have been prepared for these subsidiaries since their incorporation as there is no statutory requirement for these companies to prepare audited financial statements.

- (xx) No statutory account for the year ended 31 December 2007 has been prepared for this subsidiary since its incorporation as there is no statutory requirement for this company to prepare audited financial statements. The statutory accounts for the year ended 31 December 2008 was audited by 天健光華(北京)會計師事務所有限公司大連分所.
- (xxi) The statutory accounts for the year ended 31 December 2007 was audited by 遼寧天健會計師事務所. The statutory accounts for the year ended 31 December 2008 was audited by 天健光華(北京)會計師事務所有限公司大連分所.
- (xxii) The statutory accounts for the year ended 31 December 2008 after the acquisition date was audited by 雲南華嶺會計師事務所.
- (xxiii) The statutory accounts for the year ended 31 December 2008 was audited by 東莞市東誠會計師事務所有限公司.
- (xxiv) The statutory accounts for the year ended 31 December 2008 after the acquisition date was audited by 天健光華(北京)會計師事務所有限公司大連分所.
- (xxv) The statutory accounts for the year ended 31 December 2008 was audited by 深圳匯領遠東會計師事務所.
- (xxvi) The statutory accounts for the year ended 31 December 2008 was audited by 四川三泰會計師事務所有限責任公司.
- (xxvii) The statutory accounts for the two years ended 31 December 2007 and 31 December 2008 were audited by Philip Poon & Partners CPA Limited.
- (xxviii) The acquisition dates of these subsidiaries were after 31 December 2008.
- (xxix) For the year ended 31 December 2008, these subsidiaries have yet to be incorporated.
- (xxx) The statutory accounts for the year ended 31 December 2008 was audited by 蘇州恒安會計師事務所.

#### 43. NET ASSETS OF THE COMPANY

The Company was incorporated on 23 June 2008. As at 30 September 2009, the net assets of the Company comprised:

	At 30 September 2009 RMB'000
<b>ASSETS</b>	
Prepayments, deposits and other receivables . . . . .	7,407
Cash and cash equivalents . . . . .	16
Total assets . . . . .	<u>7,423</u>
<b>LIABILITIES</b>	
Amounts due to subsidiaries . . . . .	<u>7,507</u>
Net liabilities . . . . .	<u>(84)</u>
<b>EQUITY</b>	
Issued capital . . . . .	—
Accumulated losses . . . . .	<u>(84)</u>
Total equity . . . . .	<u>(84)</u>

Pursuant to the Reorganisation, the Company became the holding company of the Group on 22 February 2010.

**44. POST BALANCE SHEET EVENTS**

The companies now comprising the Group underwent and completed a Reorganization on 22 February 2010 in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Reorganization are set out in the section headed “Our History and Reorganization — Corporate Reorganization” in the Prospectus. As a result of the Reorganization, the Company became the holding company of the Group.

On 4 January 2010, par value of the shares of the Company was divided from HK\$0.1 to HK\$0.0001 pursuant to a shareholder resolution passed on that date.

Except as disclosed else where in this report, there is no material subsequent events undertaken by the Company or by the Group after 30 September 2009.

**45. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2009. In addition, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2009.

Yours faithfully  
**ERNST & YOUNG**  
*Certified Public Accountants*  
Hong Kong