CHINA ZHENGTONG AUTO SERVICES HOLDINGS LIMITED

中國正通汽車服務控股有限公司

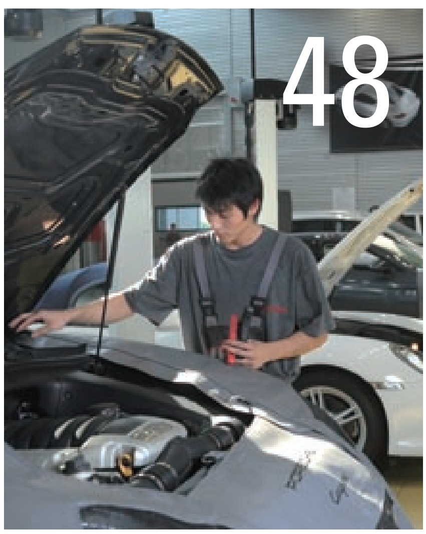
Stock Code 股份代號：1728

ULTRA-PREMIUM AND PREMIUM BRANDS

ANNUAL REPORT 2011 年報

CONTENTS

Annual Report 2011



Integrity

Innovative Determination, Care, Efficiency, Sharing

China ZhengTong

Auto Services Holdings Limited (the "Company" or "ZhengTong" or "ZhengTong Auto", and together with its subsidiaries the "Group" or "we") is the leading 4S dealership group in China focused on dealership of premium and ultra premium brands such as BMW, MINI, Audi, Jaguar, Land Rover, Volvo, Imported Volkswagen, Mercedes, Infiniti, Acura and Porsche. The Group also operates dealership stores of middle market brands, such as Nissan, Hyundai and Honda.

The Company's strategy is to expand its distribution network in the developed regions and fast growing provinces in China with a view to establishing a solid foundation for fast growth in the future. At present, it operates 59 dealership stores (including trial operation) in 27 cities across 12 provinces nationwide covering the developed automobile market of some of the affluent first-tier and capital cities, the fast-growing regions with a per capita GDP higher than the national average level and the central and western regions where automobile penetration is low but fast growing.

The Company's 4S dealership stores are engaged in four major automobile related businesses, namely sales, spare parts, service and survey, offering a wide range of sales services. The provision of comprehensive automobile solutions to customers and adoption of a customer-oriented business model help the Group to facilitate its long-term relationship with its customers.

To further strengthen its relationships with automobile manufacturers and complement its automobile dealership business, the Group has established its logistics services business. Leveraging on the existing network of its automobile dealership stores and logistics services business, the Group has also established its lubricant oil trading business to capture the increasing market demand and enhance its after-sales services in 4S dealership stores.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2010 (stock code: 1728).

FIVE YEARS' FINANCIAL SUMMARY

Results

(RMB'000)	2007 *(note 1)*	2008 *(note 1)*	2009 *(note 1)*	2010	**2011**
Turnover	2,909,186	3,045,591	4,981,174	8,034,249	**14,443,927**
Profit before taxation	52,324	48,428	198,099	390,023	**748,832**
Income tax	(20,654)	(12,950)	(48,277)	(90,571)	**(187,016)**
Profit for the year	31,670	35,478	149,822	299,452	**561,816**
Attributable					
Equity holders of the Company	31,670	33,805	145,854	276,004	**524,045**
Non-controlling interests	–	1,673	3,968	23,448	**37,771**
	31,670	35,478	149,822	299,452	**561,816**

Assets and Liabilities

(RMB'000)	2007	2008	2009	2010	**2011**
Total assets	1,172,181	1,441,837	2,508,749	6,732,293	**15,989,422**
Total liabilities	(1,106,782)	(1,342,070)	(2,049,084)	(2,659,302)	**(9,667,503)**
	65,399	99,767	459,665	4,072,991	**6,321,919**
Equity attributable to equity holders of the Company	65,399	90,594	444,024	4,014,783	**6,210,404**
Non-controlling interests	–	9,173	15,641	58,208	**111,515**
	65,399	99,767	459,665	4,072,991	**6,321,919**

Note:

1. The figures for three years ended 31 December 2009 have been extracted from the prospectus of the Company dated 29 November 2010 (the "Prospectus").

Strengthen

our core automobile dealership business

Pursuit of Excellence

We will continue to strengthen our core automobile dealership business, expand our dealership network and optimize our premium branded portfolio so as to capture the tremendous opportunities arising from the premium branded automobile dealership market in China.

Poised for Opportunities

The Group is a leading 4S dealership group in China. Our brand strategy focuses on selling and servicing the most popular premium branded cars in the mainland China

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual results of the Group for 2011.

The year 2011 was a crucial year to the Group's development. As the first full financial year upon its successful listing on the Stock Exchange, the Group had to fulfill its commitment towards the shareholders upon listing and make every endeavour to maximise shareholders' interests. Facing the fierce competition in the general automobile industry in 2011, we, on one hand, strengthened our internal operational management, adhered to the operating principle of "customers first", continued to enhance service standard and quality, and actively sought external cooperation. On the other hand, we enhanced our capital operation and saw speedy expansion of our business scale whilst obtaining new brand authorisations. ZhengTong, being well-recognised by its peers for the ability to grow sustainably and speedily, which lays a solid foundation for the Company to set another new record in the future.

Thriving premium and ultra premium branded automobile market

In 2011, China maintained fast yet steady economic growth. In spite of the slowdown in the automobile market, demand remained strong and automobile sales maintained steady growth. Undoubtedly, the premium and ultra premium branded passenger automobile market has been the brightest spot in the automobile consumption market in the year. Sales of major premium branded automobiles in China all grew at a rate of over 30% in the year. The Group began to benefit from its successful strategic focus on premium and ultra premium branded automobiles.

Speedy growth to set another new record

The Group continued to forge ahead at full speed. During the year ended 31 December 2011, operating results grew substantially with satisfactory achievements. In 2011, the Group recorded a total turnover of RMB14,444 million, representing an increase of 79.8% over RMB8,034 million in 2010. The Group's overall gross profit amounted to RMB1,386 million, representing an increase of 90.9% over RMB726 million in 2010. Profit for the year increased by 88.0% to RMB562 million, as compared to RMB299 million in 2010. Profit attributable to equity holders increased by 89.9% to RMB524 million, as compared to RMB276 million in 2010. Earnings per share amounted to RMB25.2 cents (2010: RMB18.0 cents).

WANG Kunpeng
Chief Executive Officer and Executive Director

Being the core business of the Group, sales volume of new automobiles in 2011 amounted to 40,114 automobiles, representing an increase of 47.8% over 27,141 automobiles in 2010. The automobile dealership business performed remarkably and generated turnover totalling RMB12,953 million, representing an increase of 84.8% as over RMB7,009 million in 2010. Its gross profit contribution was RMB841 million, representing an increase of 123.7% as compared to RMB376 million in 2010, and it accounted for 60.7% of the total gross profit of the

Group in 2011. In particular, revenue from the sales of new premium and ultra premium branded automobiles amounted to RMB10,583 million, representing an increase of 120.4% over RMB4,802 million in 2010; and accounted for 81.7% of the turnover of the automobile dealership business of the Group, representing an increase of 13.2 percentage points over 68.5% in 2010. Gross profit from the sales of new premium and ultra premium branded automobiles amounted to RMB721 million, representing increase of 123.9% over RMB322 million in 2010; and accounted for 85.8% of the profit from the sales of new automobiles of the Group, representing an increase of 0.3 percentage points over 85.5% in 2010.

Another pillar business of the Group is after-sales services, which performed remarkably during the year 2011. Turnover was RMB1,047 million, representing an increase of 73.9% over RMB602 million in 2010. Such segment accounts for 7.3% of the total turnover of the Group. The gross profit of the after-sales services segment amounted to RMB457 million, representing an increase of 72.5% over RMB265 million in 2010.

In 2011, the Group commenced its used automobile business and recorded fast growth. The Group has established used automobile centres in three major regions including Inner Mongolia, Beijing and Hubei. The Group also pushed ahead the after-sales extended businesses including sale of accessories, finance and insurance services for automobile. In 2011, the gross profit and profit contribution of the Group's after-sales services grew considerably, which became a contributor to the stable income of the Group.

For business segments other than automobile dealership, revenue from logistics services business and lubricant oil trading business in 2011 was approximately RMB444 million.

Strategic network expansion to build a solid foundation for future growth

In 2011, the Group completed a series of acquisitions and successfully acquired one Audi brand 4S dealership store in Nanchang, Jiangxi; one Audi brand 4S dealership store in Qingdao, Shandong; one Volvo 4S dealership store in Zhengzhou, Henan and 23 automobile 4S dealership stores of different brands and one repair store (under construction) from Top Globe Limited. Through the acquisitions, the Group successfully expanded its dealership network and optimised the brand structure and regional coverage of its dealership network, strengthening its relationship with quality automobile dealership corporations to lay a solid foundation for growth in the future. As at 31 December 2011, the Group had 59 4S dealership stores in operation nationwide (including trial operation) (of which there were 43 premium and ultra premium branded stores, accounting for 72.9% of the Group's total number of 4S dealership stores in operation (including trial operation), and comprising 20 automobile dealership brands (of which 11 brands are premium and ultra premium brands) and covering 27 cities in 12 provinces, municipalities and autonomous regions.

The Group has also become a core dealer of the five major premium brands, namely BMW, Audi, Jaguar, Land Rover and Volvo.

Future outlook

As mentioned by the PRC government in the government's work report for 2012, the target GDP growth of China for 2012 is 7.5%. Accordingly, it is expected that China will maintain fast yet steady economic growth within a reasonable range. Meanwhile, the State's Twelfth Five-Year Plan has clearly put forward the necessity to learn from mature international experience in accelerating and improving relevant policies, regulations and systems in the "Twelfth Five-Year" period and adopting effective measures to foster the rapid and healthy development of the automobile distribution sector. Leveraging on the good macro economic growth momentum, the favourable economic policies and the expected market demand, the premium branded automobile dealership sector is expected to continue its fast growth in the future. The Group will also, under such macro environment, make its best endeavours to maintain fast and sustained growth of the sales of new automobiles while adhering to the growth strategy of operating efficiency enhancement and reasonable dealership network and brand portfolio expansion. Through fostering the customer-oriented principle, optimising the after-sales services system and procedures, enhancing the quality of after-sales services and customer satisfaction, the Group is able to increase the profitability of the after-sales services segment and gradually position the same as one of the Group's pillar business segments. The Group will also actively develop of extended businesses including used automobiles, automobile accessories and automobile finance to turn them into new profit points of the Group. In addition, the Group will develop its peripheral logistics and lubricant oil trading businesses in order to complement and push ahead the principal business, namely automobile dealership, as they generate profits to the Group.

The management believes that the Company will remain a leading premium and ultra premium branded 4S dealership group in China by differentiating itself and growing in the fast growing automobile market in China in order to maximise the returns of shareholders. The Group's management and sales team will make the best endeavours to contribute to the Group's development.

Appreciation

The Group's remarkable results for 2011 were attributable to the efforts and dedication of all its staff and business partners. In this regard, I would like to thank the shareholders, business partners and customers on behalf of the Board for their long-term support and trust. At the same time, I would also like to express my heartfelt gratitude to the staff of the Group for their loyalty, efforts and contributions over the past year.

WANG Kunpeng
Chief Executive Officer and Executive Director
26 March 2012

Premium

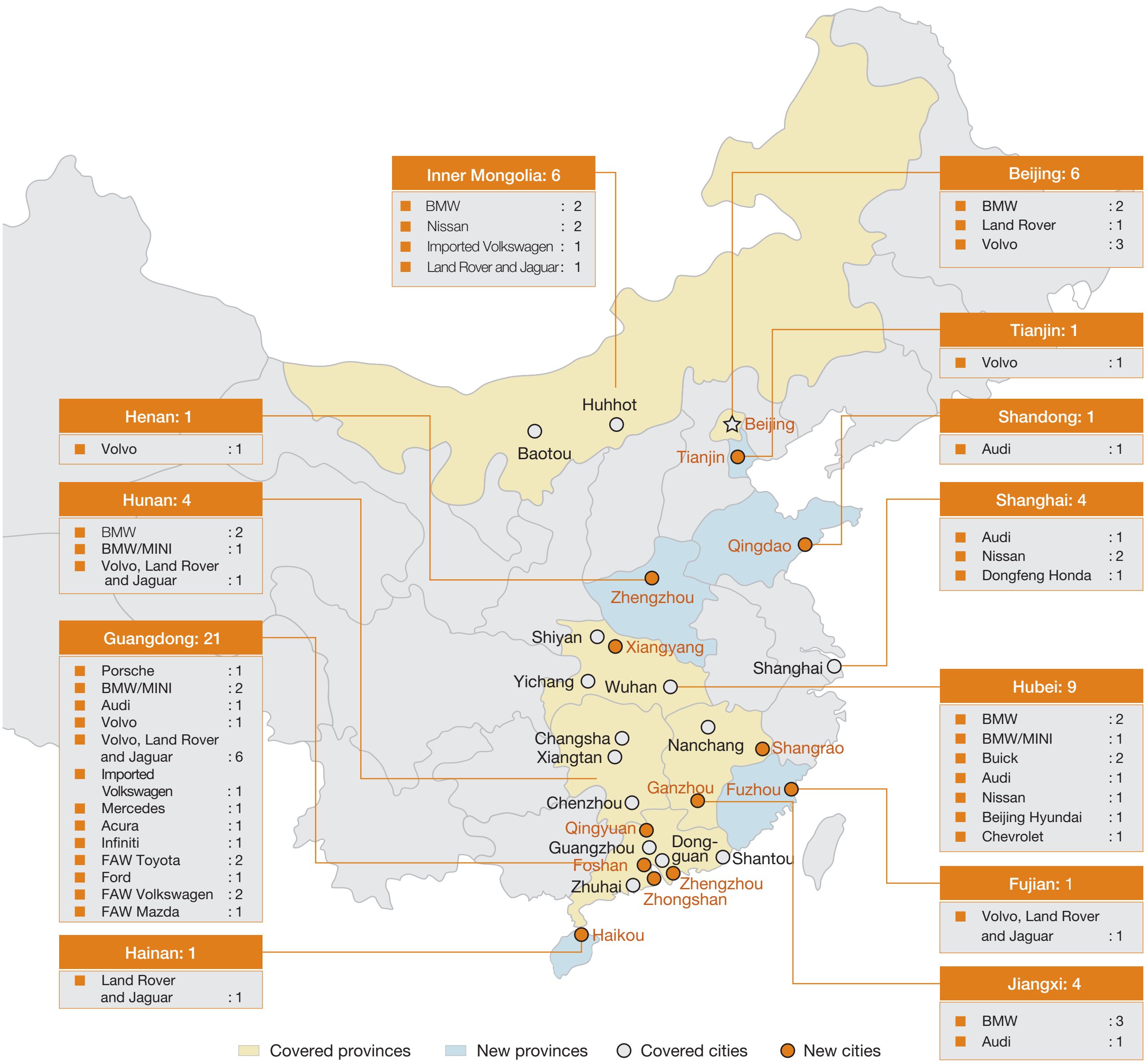
branded dealership stores

Market Overview

In 2011, the economy of China had maintained a steady and relatively rapid growth. The Chinese government adhered to the implementation of proactive fiscal policies and prudent monetary policies, constantly reinforcing and improving its macroeconomic regulation and control, as a result of which the national economy continued to proceed in the expected direction, thereby achieving a positive beginning for economic and social developments in the "Twelfth Five-Year" period. According to information released by the National Bureau of Statistics, the gross domestic product (GDP) of China for 2011 increased by approximately 9.2% over the previous year.

According to the figures released by the China Association of Automobile Manufacturers (CAAM), during 2011, the demand for passenger automobiles was prominent in China and there is a steady growth in the number of passenger automobiles manufactured and sold. In 2011, the volume of passenger automobiles manufactured and sold totalled 14.4853 million and 14.4724 million respectively, representing an increase of 4.23% and 5.19% over the previous year respectively. China's passenger automobile market has returned to a rational growth from a rapid development, whereas premium and ultra premium branded automobiles maintained strong momentum in the passenger automobile market in China, with the sales volume far ahead of the average level in the passenger automobile market in China.

BALANCED DEALERSHIP NETWORK



Total number of dealership stores in operation in the PRC as at 31 December 2011: 59

Based on the data published by the manufacturers and other available information, the performance of the major premium brands operated by the Company in China for 2011 is as follows:

BMW	The BMW group sold a total of 232,586 BMW and MINI automobiles to customers in mainland China, representing an increase of approximately 37.6% as compared to 168,998 automobiles in 2010. BMW brand sales accounted for 217,068 automobiles, representing a growth of approximately 37% compared to 2010, and MINI brand sales accounted for 15,518 automobiles, representing a growth of approximately 47.7% compared to 2010. China remained as one of the top three largest markets for BMW group worldwide.
Audi	Sales of Audi in the PRC (including Hong Kong) amounted to 313,036 automobiles, representing an increase of approximately 37% compared to 2010. Sales of automobiles manufactured locally in the PRC accounted for 252,000 automobiles, representing a growth of approximately 29% compared to 2010, whereas total imports (excluding imports from Hong Kong) amounted to 57,888 automobiles, representing an increase of approximately 89% compared to 2010. China has become the largest market for Audi worldwide.

Firm Foundation for Thriving Growth

Our strategic distribution network in China, focus on dealership of premium-branded automobiles and customer-oriented approach are the growth drivers for our business.

Jaguar/Land Rover	Sales of Jaguar and Land Rover in the PRC amounted to 42,063 automobiles, representing a year-on-year increase of approximately 61%. Total sales of Jaguar in the PRC amounted to 5,976 automobiles, representing an increase of approximately 123% compared to 2010, whereas sales of Land Rover continued to set new records with a total of 36,087 automobiles in the year, representing an increase of approximately 54% compared to 2010. Land Rover recorded substantial growth in sales for eight years in a row.
Volvo	Sales of Volvo in the PRC increased from 30,522 automobiles in 2010 to 47,150 automobiles in 2011, representing a growth of approximately 54.5% compared to 2010. China has remained as one of the top three single markets for Volvo worldwide, and was the largest single market for Volvo in 2011 in terms of sales growth.

BUSINESS REVIEW

Mergers and Acquisitions of the Group

During the year ended 31 December 2011, the Group entered into a series of mergers and acquisitions in order to expand the Group's operations and enhance the Group's competitive strength, the most important three of which were the acquisitions of 100% equity interest in Top Globe Limited, 100% equity interest in Lhasa Hong Jin Auto Trading Company Limited (拉薩弘進汽貿有限公司) and 100% equity interest in Acme Joy Group Limited.

Acquisition of 100% equity interest in Top Globe Limited

The acquisition of the entire issued share capital of Top Globe Limited was completed in December 2011. Top Globe Limited held a leading automobile dealership group in the PRC, consisting of premium brands including Land Rover, Jaguar, Volvo, Mercedes, Infiniti and Acura, and middle market brands including FAW Toyota, FAW Volkswagen, FAW Mazda and Ford, with 23 4S dealership stores and one repair store (under construction) in 10 cities of affluent coastal regions or top tier cities such as Shenzhen, Guangzhou, Fuzhou, Tianjin and Beijing, as well as rapidly developing inland regions such as Changsha.

The acquisition of the entire issued share capital of Top Globe Limited has further enhanced the brand portfolio and geographic coverage of the dealership network of the Group. In terms of brand portfolio, the Group became a top ranking dealer for premium brands including BMW, Audi, Land Rover, Jaguar and Volvo following completion of the acquisition, and the number of premium and ultra premium brands operated by the Group has increased to 11, and the premium and ultra premium branded dealership stores operated by the Group increased to 43. BMW, Audi, Land Rover, Jaguar and Volvo are popular premium brands among Chinese consumers. All of the above mentioned brands have kept rapid increasing tendency in recent years, and maintained a leading status in the premium branded automobile market in the PRC (see details of the performance of BMW, Audi, Land Rover, Jaguar, Volvo and the other premium brands of 2011 in the Market Review section.)

In addition, the Company has further enhanced the geographic coverage of its dealership network, particularly in the Guangdong province, which is a main automobile sales market in China. The acquisition of Top Globe Limited has enabled the Company to establish a leading position in Guangdong province as well as entering into new markets such as Tianjin, Fujian and Hainan, and thus expanded its geographic coverage in both affluent cities and rapidly developing regions.

Under the share purchase agreement dated 23 August 2011 (and supplemented by a supplemental agreement dated 29 November 2011) entered into by the Company and Exactwin Limited, it was agreed that no distribution of profits shall be made by 深圳市中汽南方投資集團有限公司 (SCAS Investment Group Co., Ltd.), the intermediate holding company of the operating entities of the acquired group, between 30 June 2011 and the completion date. In other words, the undistributed retained earnings of the acquired group from 30 June 2011 to the completion date were vested in the Group. Please refer to the announcement dated 29 August 2011 and the circular dated 2 December 2011 of the Company for further information. Meanwhile, the acquired group did not make any distribution out of the profits arising from 1 January 2011 to 30 June 2011.

If the annual results of Top Globe Limited for 2011 are consolidated, the Directors estimate that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been approximately RMB24,413 million and RMB947 million respectively.

Acquisition of 100% equity interest in Lhasa Hong Jin Auto Trading Company Limited (拉薩弘進汽貿有限公司)

The acquisition of 100% equity interest in Lhasa Hong Jin Auto Trading Company Limited (拉薩弘進汽貿有限公司) added to the Group one Audi branded automobile 4S dealership store in Nanchang, Jiangxi Province, and further expanded the Group's operational scale and competitive advantages in Jiangxi Province. The Group's market share in Jiangxi Province was also increased as a result. Please refer to the announcement of the Company dated 25 April 2011 for further information.

Acquisition of 100% equity interest in Acme Joy Group Limited

The acquisition of 100% equity interest in Acme Joy Group Limited added one Audi branded automobile 4S dealership store in Qingdao, Shandong Province to the Group, which is the Group's first premium branded dealership store located in Shandong Province. The acquisition expanded the geographical coverage of the Group's dealership distribution, and was the Group's first step to develop the market in Shandong Province, which contributed to the Group's achievement as one of the core distributors of the Audi brand. Please refer to the announcement of the Company dated 26 June 2011 for further information.

The above acquisitions completed by the Group during 2011 can help the Company improve the brand portfolio and expand the dealership network substantially. The management believe the Group will seize the opportunities of the speedy growth of the premium and ultra premium brands market, maintain a leader position, make a leap forward in development and achieve maximum return for its shareholders.

Efficient expansion of networks for greater economies of scale

In view of the strong demand in China's automobile market, particularly the premium and ultra premium branded automobile market, and the rising per capita purchasing power of consumer goods, the Group actively seized opportunities in the market and continuously expanded its 4S dealership network by new establishment and acquisition in order to create a strategic national dealership network layout covering first-tier cities and economically fast-growing regions with focus on premium and ultra premium branded automobile 4S dealership business. As at 31 December 2011, the Group had 59 4S dealership stores in operation (including trial operation) across the country, an increase of 35 stores over the 24 4S dealership stores in operation as at 31 December 2010. One Jaguar and Land Rover 4S store in Shantou and one BMW M centre (operating BMW M models) in Beijing were put in trial operation in 2011, and commenced operation in January and March 2012 respectively.

As at 31 December 2011, the Group had obtained 13 new dealership authorisations for premium and ultra premium brands, which include Lamborghini, Porsche, BMW, MINI, Audi, Mercedes, Volvo, Cadillac and Imported Volkswagen. In particular, 6 dealership stores are under construction, whereas the remaining 7 dealership stores are under active planning.

Optimising brand portfolio and adhering to a brand layout strategy focused on premium and ultra premium brands

To conform to the trend of premium and ultra premium brands as leaders of the general trend and to be closely in line with the market demand for premium and ultra premium branded automobiles, the Group adhered to and aggressively implemented the brand placement strategy with focus on the premium and ultra premium automobile brands in China. By actively optimising its brand portfolio, the Group enhanced the position of premium and ultra premium branded automobile 4S dealership business in the Group's business structure.

As at 31 December 2011, the Group had a total of 20 automobile brands for its 4S dealership business, of which 11 brands were premium and ultra premium brands, namely BMW, MINI, Audi, Jaguar, Land Rover, Volvo, Imported Volkswagen, Mercedes, Infiniti, Acura and Porsche. As at 31 December 2011, the Group had a total of 59 4S automobile dealership stores in operation (including trial operation), out of which, a total of 43 stores were premium and ultra premium brand 4S automobile dealership stores, accounting for approximately 72.9% of the Group's total number of 4S automobile dealership stores in operation (including trial operation). The Group ranked a core distributor of five premium automobile brands, namely BMW, Audi, Jaguar, Land Rover and Volvo.

As at 31 December 2011, the number of brands covered by the Group's 4S automobile dealership stores are as follows:

	Number of brands		
	As at 31 December 2011	As at 31 December 2010	Growth
Ultra premium brands	**1**	1	0
Premium brands	**10**	3	7
Middle market brands	**9**	5	4
Total	**20**	9	11

As at 31 December 2011, details of the distribution of the brands owned by the Group's operating (including trial operation) 4S dealership stores are as follows:

		Number of operating 4S automobile dealership stores (including trial operation)		
		As at 31 December 2011	As at 31 December 2010	Growth
Ultra premium brands		**1**	1	0
	Porsche	**1**	1	0
Premium brands		**42**	13	29
	BMW	**10**	6	4
	BMW/MINI	**5**	4	1
	Audi	**5**	3	2
	Land Rover	**1**	0	1
	Jaguar/Land Rover	**3**	0	3
	Volvo	**6**	0	6
	Jaguar/Land Rover/ Volvo	**7**	0	7
	Imported Volkswagen	**2**	0	2
	Mercedes	**1**	0	1
	Infiniti	**1**	0	1
	Acura	**1**	0	1
Middle market brands		**16**	10	6
	Dongfeng Nissan	**5**	5	0
	Dongfeng Honda	**1**	1	0
	Buick	**2**	2	0
	Chevrolet	**1**	1	0
	Beijing Hyundai	**1**	1	0
	Chang'an Ford	**1**	0	1
	FAW Volkswagen	**2**	0	2
	FAW Toyota, Toyota	**2**	0	2
	FAW Mazda	**1**	0	1
Total		**59**	24	35

Emphasis on dealership network site selection with developed and fast-growing regions as the focus of geographical layout

Whether expanding business outlets can effectively and directly drive the growth in terms of the Company's automobile distribution and service performance, to a certain extent depends on the rationality in the geographical coverage of the outlets. Therefore, when establishing new stores and acquiring business outlets, the Group placed emphasis on various factors, including economic development prospects, per capita consumption and the number of automobiles owned in the relevant regions, striving to ensure the rationality in the geographical outlet locationing so that network expansion can drive growth in the Company's operating results.

During 2011, the Group set up 4S automobile dealership stores in 5 previously uncovered provinces, namely Shandong, Henan, Fujian, Hainan and Tianjin, and increased the number of 4S automobile dealership stores in 6 provinces, namely Hubei, Hunan, Jiangxi, Inner Mongolia, Guangdong and Beijing, thereby improving the extent of coverage in such regions. As such, the Group had dealership network coverage of 27 cities across 12 provinces as at 31 December 2011, covering the developed automobile market of some of the affluent first-tier and capital cities, the fast-growing regions with a per capita GDP higher than the national average level and the central and western regions where automobile penetration is low but fast growing, which is consistent with the Group's current geographical network layout policy.

As at 31 December 2011, the geographical distribution of the Group's 4S automobile dealership stores is as follows:

		Number of operating 4S automobile dealership stores (including trial operation)		
Region	Province/municipality	**As at 31 December 2011**	As at 31 December 2010	Increases
Northern China	Beijing	**6**	1	5
	Tianjin	**1**	0	1
	Inner Mongolia	**6**	4	2
	Sub-total	**13**	5	8
Eastern China	Shandong	**1**	0	1
	Shanghai	**4**	4	0
	Jiangxi	**4**	1	3
	Fujian	**1**	0	1
	Sub-total	**10**	5	5
Central China	Henan	**1**	0	1
	Hubei	**9**	8	1
	Hunan	**4**	2	2
	Sub-total	**14**	10	4
Southern China	Guangdong	**21**	4	17
	Hainan	**1**	0	1
	Sub-total	**22**	4	18
Total		**59**	24	35

Achieving new record results through the coordinated development of business segments

The new automobile sales segment achieved record-high results. The improvement of the results of the Group's new automobile sales segment is mainly due to the enhanced management capability, better sales service quality, the cooperative ties with automobile suppliers and the expanding scale of operation. Being the core business of the Group, the automobile sales segment achieved particularly outstanding results in 2011.

The Group sold a total of 40,114 new automobiles, of which 21,380 were premium and ultra premium branded automobiles. The new automobile sales business generated a turnover of approximately RMB12,953 million, representing an increase of approximately 84.8% over approximately RMB7,009 million in 2010 and accounting for approximately 89.7% of the Group's total revenue, and contributed approximately RMB841 million to the Group's gross profit, an increase of approximately 123.7% over approximately RMB376 million in 2010.

Another pillar of the Group's business, after-sales services maintained a relatively rapid growth. The Group has always adhered to the customer-oriented principle and is committed to provide all-rounded automobile solutions, developing a set of internal service standards higher than those of the after-sales services of other automobile suppliers so as to obtain the trust of customers. In 2011, the Group's after-sales services business generated turnover of approximately RMB1,047 million, representing an increase of approximately 73.9% over approximately RMB602 million in 2010, and recorded gross profit of approximately RMB457 million, representing an increase of approximately 72.5% over approximately RMB265 million in 2010.

The used automobile business emerged and developed rapidly. The Group fully utilised the recognition and customer base of its own extensive dealership network and pushed ahead the used automobile exchange business in each dealership outlet. In addition to marketing new automobiles, the Group also gained access to abundant used automobile supplies. The Group also established three used automobile operating centres in Inner Mongolia, Beijing and Hubei, in order to promote the automobile accessories and used automobile business. In the meantime, the Group also attached great importance to the sustainable development of automobile accessories business and extended business. The Group established a centralised procurement centre to reduce the cost of procurement and endeavours to provide customers with high quality automobile accessories at affordable prices. In addition, the Company also actively expanded the automobile finance and insurance businesses with a view to generating more stable income to the Company.

Regarding businesses other than the distribution of automobiles in the Group, turnover from the logistics services business and lubricant oil trading business during the year 2011 amounted to approximately RMB444 million (2010: approximately RMB423 million).

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2011, the Group had turnover of approximately RMB14,444 million, representing an increase of approximately 79.8% over the turnover of RMB8,034 million in 2010. The increase in turnover was mainly due to the Group's strategic focus on the premium and ultra premium branded automobile dealership business, which facilitated a substantial growth in turnover generated from premium and ultra premium branded automobile sales business during 2011.

	For the year ended 31 December			
	2011		2010	
Source of revenue	**Revenue (RMB'000)**	**Contribution (%)**	Revenue (RMB'000)	Contribution (%)
New automobile sales	**12,952,725**	**89.7**	7,009,426	87.2
After-sales services	**1,047,380**	**7.3**	601,515	7.5
Logistics and lubricant oil	**443,822**	**3.0**	423,308	5.3
Total	**14,443,927**	**100.0**	8,034,249	100.0

The Group generated revenue mainly from sales of new automobiles and provision of after-sales services. During the year, revenue from sales of new automobiles amounted to approximately RMB12,953 million, representing an increase of approximately 84.8% over approximately RMB7,009 million in 2010; whereas revenue from the provision of after-sales services amounted to approximately RMB1,047 million, representing an increase of approximately 73.9% over approximately RMB602 million in 2010.

For the year ended 31 December 2011, revenue from sales of premium and ultra premium branded new automobiles was approximately RMB10,583 million, representing a substantial increase of approximately 120.4% over approximately RMB4,802 million in 2010. Such increase was primarily due to overall growth of the premium and ultra premium branded automobile market in China and the continuous expansion of the scale of dealership business of the Group, the soaring sales recorded in the new dealership stores opened by the Group during the year and the existing established stores.

	For the year ended 31 December			
	2011		2010	
Source of revenue from new automobile sales	**Revenue (RMB'000)**	**Contribution (%)**	Revenue (RMB'000)	Contribution (%)
Premium and ultra premium branded automobiles	**10,582,659**	**81.7**	4,801,723	68.5
Middle market branded automobiles	**2,370,066**	**18.3**	2,207,703	31.5
Total	**12,952,725**	**100.0**	7,009,426	100.0

For the year ended 31 December 2011, revenue from the Group's logistics services business and lubricant oil trading business amounted to approximately RMB444 million, representing an increase of 5.0% over RMB423 million in 2010, which was due to overall growth of the automobile market in China.

Cost of sales

For the year ended 31 December 2011, cost of sales amounted to approximately RMB13,058 million, representing an increase of approximately 78.7% over approximately RMB7,308 million in 2010. Such increase was substantially in line with the increase in sales turnover. Cost of sales for new automobiles rose by approximately 82.6% to approximately RMB12,112 million, compared to approximately RMB6,633 million for the year 2010. The increase in cost of sales was also partly due to the increase in cost of sales for after-sales services from approximately RMB336 million to approximately RMB590 million, representing an increase of approximately 75.6%. Such increase was in line with the growth in revenue generated from provision of after-sales services.

In addition, the cost of sales for logistics services business and lubricant oil trading business was also up by approximately 5.0% to approximately RMB356 million, compared to approximately RMB339 million for the year 2010. Such increase was in line with the growth in revenue generated from the logistics services business and lubricant oil trading business.

Gross profit

For the year ended 31 December 2011, the Group's gross profit was approximately RMB1,386 million, representing an increase of approximately 90.9% over approximately RMB726 million for the year 2010. Gross profit generated from 4S dealership business rose by approximately 102.2% to approximately RMB1,298 million, compared to approximately RMB642 million for the year 2010. Gross profit from sales of new automobiles increased by approximately 123.7% from approximately RMB376 million in 2010 to approximately RMB841 million. In particular, gross profit generated from the sales of premium and ultra premium branded automobiles increased from approximately RMB322 million in 2010 to approximately RMB721 million representing an annual growth of 123.9%; whereas gross profit generated from provision of after-sales services increased by approximately 72.5% from approximately RMB265 million in 2010 to approximately RMB457 million. For the year ended 31 December 2011, the gross profit from the Group's logistics services business and lubricant oil trading business amounted to approximately RMB88 million, representing an increase of approximately 4.8% as compared to approximately RMB84 million for the year 2010.

Source of gross profit	For the year ended 31 December 2011 Gross profit (RMB'000)	2011 Contribution (%)	2010 Gross profit (RMB'000)	2010 Contribution (%)
New automobile sales	**840,709**	**60.7**	376,457	51.8
After-sales services	**457,075**	**33.0**	265,385	36.5
Logistics and lubricant oil	**87,851**	**6.3**	84,474	11.7
Total	**1,385,635**	**100.0**	726,316	100.0

Source of gross profit from sales of automobiles business	For the year ended 31 December 2011 Gross profit (RMB'000)	2011 Contribution (%)	2010 Gross profit (RMB'000)	2010 Contribution (%)
Premium and ultra premium branded automobiles	**721,152**	**85.8**	321,730	85.5
Middle market branded automobiles	**119,557**	**14.2**	54,727	14.5
Total	**840,709**	**100.0**	376,457	100.0

For the year ended 31 December 2011, the Group's gross profit margin was approximately 9.6%, representing an increase of approximately 0.6 percentage point compared to approximately 9.0% for 2010. The gross profit margin for sales of new automobiles was approximately 6.5%. In particular, the gross profit margin for sales of new premium and ultra premium branded automobiles was approximately 6.8%. The gross profit margin for after-sales services was approximately 43.6%.

Selling and distribution expenses

For the year ended 31 December 2011, the Group's selling and distribution expenses amounted to approximately RMB330 million, representing an increase of approximately 71.9% over approximately RMB192 million for the year 2010. Such increase was mainly due to the Group's rapid expansion of branded automobile 4S dealership network by mergers and acquisitions and new establishment in 2011, resulting in corresponding increase in salaries and wages of sales staff as well as rental and general expenses of the branded automobile 4S dealership stores.

Administrative expenses

For the year ended 31 December 2011, the Group's administrative expenses amounted to approximately RMB320 million, representing an increase of approximately 81.8% over approximately RMB176 million for the year 2010. Such increase was primarily due to 1) the Group's rapid expansion of branded automobile 4S dealership network by mergers and acquisitions and new establishment in 2011, resulting in corresponding increase in the salaries and wages of management staff as well as depreciation and lease expenses; and 2) the amortisation of dealerships.

Profit from operations

For the year ended 31 December 2011, the Group's profit from operations amounted to approximately RMB856 million, representing an increase of approximately 111.4%, compared to approximately RMB405 million for the year 2010. The operating profit margin for 2011 is approximately 5.9%, an increase of approximately 0.9 percentage point over the operating margin of approximately 5.0% for 2010.

Income tax expenses

For the year ended 31 December 2011, the Group's income tax expenses amounted to approximately RMB187 million and the effective tax rate was approximately 25.0%.

Profit for the year

For the year ended 31 December 2011, the Group's profit was approximately RMB562 million, representing an increase of approximately 88.0% over approximately RMB299 million for the year 2010. The net profit margin for the year was approximately 3.9%, representing an increase of approximately 0.2 percentage point over the net profit margin of approximately 3.7% for 2010.

Final dividend

The Board did not recommend payment of any final dividend for the financial year ended 31 December 2011.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities or guarantees save the assets pledged for loans and borrowings.

Current assets and current liabilities

As at 31 December 2011, the Group's current assets amounted to approximately RMB8,467 million, representing an increase of approximately RMB2,457 million compared to current assets of approximately RMB6,010 million as at 31 December 2010. Such increase was primarily due to completion of the acquisition of entire issued share capital of Top Globe Limited during the year and inclusion of the acquired assets upon consolidation.

As at 31 December 2011, the Group's current liabilities amounted to approximately RMB8,683 million, representing an increase of approximately RMB6,042 million compared to current liabilities of approximately RMB2,641 million as at 31 December 2010. Such increase was mainly due to completion of the acquisition of entire issued share capital in Top Globe

Limited during the year, resulting in increase in borrowings, as well as inclusion of the acquired liabilities upon consolidation.

Cash flow

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB1,097 million, representing a decrease of approximately RMB2,335 million from approximately RMB3,432 million as at 31 December 2010, which was mainly due to a number of acquisition projects for the Group's expansion of dealership network.

The Group's transactions and monetary assets are principally conducted and held in RMB. During the year, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of fluctuation of exchange rate.

The Group's primary uses of cash were to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and normal recurring expenses, to establish new dealership stores and to acquire dealership stores or other businesses. The Group financed its liquidity requirements through cash flows generated from the Group's operating activities, bank loans and other financings. Looking into the future, the Group believes it can utilise the loans and borrowings and cash flow generated from operating activities to satisfy its liquidity needs.

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed scenarios, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient cash and adequate committed lines of credit from major financial institutions to meet its liquidity requirements in the short and longer term.

For the year ended 31 December 2011, the Group had net cash outflow from operating activities of RMB60 million, which was mainly due to increase in inventory as a result of the Group's bulk purchase of new automobiles driven by strong market demands.

Capital expenditure and investment

The Group's capital expenditure includes expenses on property, plant and equipment and consideration paid for external investment. For the year ended 31 December 2011, the Group's capital expenditure and investment was approximately RMB6,700 million.

Inventory analysis

The Group's inventories included vehicles and automobile spare parts. The Group also monitored the inventories within its dealership network and, subject to consent from relevant automobile manufacturers, may also transfer automobiles from one dealership store to another to balance inventory levels. The Group utilised its information technology systems to manage its inventory.

As at 31 December 2011, the inventories of the Group increased by approximately 333.1% to approximately RMB3,244 million compared to approximately RMB749 million as at 31 December 2010, which was primarily attributable to 1) new purchases to cope with the anticipated strong market demand; 2) inclusion of inventories of the acquired dealership stores into the Group as a result of a number of mergers and acquisitions and expansion of dealership network; and 3) inventory expansion due to new purchases (especially premium branded automobiles) for new dealership stores opened in 2011.

The following table sets forth the average inventory turnover days of the Group for the years indicated:

	Year ended 31 December (days)	
	2011	2010
Average inventory turnover days	**55.8**	26.1

The average inventory turnover days increased from 26.1 days in 2010 to 55.8 days in 2011, primarily due the Group's completion of acquisition of the entire issued share capital of Top Globe Limited in December 2011, resulting in inclusion of the inventory of its 4S dealership stores into the Group at the end of the reporting period while only a portion of the cost of sales was included in the Group's accounts. Given the average inventory turnover days based on the above calculation, the Directors consider that the inventory turnover days of the Group has been distorted. Excluding the financial impact of inclusion of Top Globe Limited into the Group, the Directors estimate that the average inventory turnover days of the Group would be 35.6 days.

Exchange risks

The Group conducts its business primarily in Renminbi and the majority of its monetary assets and liabilities are denominated in Renminbi. Accordingly, the Directors consider that the Group is not exposed to any material foreign exchange risks. The Group does not use any financial instruments for hedging purposes.

Loans and borrowings

As at 31 December 2011, the Group's loans and borrowings amounted to RMB4,220 million (2010: approximately RMB721 million). The increase in loans and borrowings for the year was due to increase in borrowings as a result of the acquisition of Top Globe Limited during the year and increase in demand for working capital as a result of the substantial business expansion and growth.

Pledged assets of the Group

The Group has pledged its corporate assets as guarantee for loans and borrowings as well as bank financings used as working capital for daily operations. As at 31 December 2011, pledged assets of the Group amounted to approximately RMB3,882 million (2010: RMB1,429 million).

The Group's borrowings mainly included bills payable and interesting-bearing loans and borrowings. As at 31 December 2011, the Group had borrowings totalling approximately RMB7,086 million, including bills payable of approximately RMB2,866 million and loans and borrowings of approximately RMB4,220 million. Its percentage to assets is as follows:

	2011 (RMB'000)	2010 (RMB'000)	Change (RMB'000)
Total borrowings	**7,086,200**	2,236,464	4,849,736
Total assets	**15,989,422**	6,732,293	9,257,129
Total debt ratio: (Total borrowings to total assets)	**44.3%**	33.2%	11.1%

As at 31 December 2011, total borrowings to total assets increased by 11 percentage points over 2010, primarily as a result of increase in borrowings as a result of the acquisition of Top Globe Limited during the year 2011 and increase in demand for working capital as a result of the substantial business expansion and growth.

Investments held in foreign currency and hedging

During the year, the Group did not hold any investment denominated in foreign currencies. Further, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of fluctuation in exchange rate. Currently, the Group does not employ any financial instrument for hedging purposes.

Employees and remuneration policies

As at 31 December 2011, the Group had a total of 7,107 employees in China (2010: 3,103 employees).

The Group's employees are well educated. As at 31 December 2011, approximately 65.9% of its employees had university or associated university degrees. The Group offered competitive remuneration packages and welfare benefits to its employees. Capitalising on the advantages of its listing, the Group reduced the staff turnover rate and attracted more talents to join the Group by designing and implementing share option schemes. The Group also attached much importance to its internal training system to explore potential talents and trained professionals. In view of this, the Group enriched with its employees with training programmes featuring the training of professional skills such as targeted sales, repairs and maintenance for technical staff, as well as programmes for training of management capabilities for senior management.

Future Prospects

China being the world's largest automobile market, the Group expects that China's automobile sector will become stronger going forward and the sector will enter a new phase of steady development. According to the CAAM's forecast, the number of automobiles sold in China will exceed 25 million units by 2015 and growth in sales of automobiles will continue to maintain steady going forward. The State's Twelfth Five-Year Plan has put forward the necessity to learn from mature international experience in accelerating and improving relevant policies, regulations and systems in the "Twelfth Five-Year" period and adopting effective measures to foster the rapid and healthy development of the automobile distribution sector. Specific goals, including "promoting the rational distribution of automobile sales networks", "actively cultivating the used automobile market" and "promoting and regulating the distribution of automobile accessories" were mentioned, all of which are related to the automobile dealership business being the core business of the Group, which is expected to be conducive to the Group's expansion of dealership network, enhancement of after-sales service capacity and exploration for new business models. The Group is very optimistic toward its future development prospects.

In terms of brand placement, although the Group is already a core dealer for BMW, Audi, Jaguar, Land Rover and Volvo, the Group will continue to optimise its brand portfolio through selectively introducing more premium and ultra-premium brands. The Group will continue moderate expansion of its dealership network in order to achieve greater economies of scale in the Group's operations. In terms of expansion approach, the Group will mainly focus on new establishment but will not rule out the possibility of further acquisition when opportunities arise.

In terms of geographical distribution, the Group will also continue to optimise the regional locationing of dealership outlets with an aim at a balanced development. The Group will penetrate uncovered regions with substantial economic growth potentials in a rational manner and enhance its profile and presence in covered regions by establishing new outlets, enhancing publicity, improving service quality and other means, strategically penetrating first-tier cities while vigorously arranging the penetration in economically fast-growing regions, hence fostering sustained growth in business results through a rational geographical spread.

For after-sales services, the profit contribution from after-sales services of the Group during 2011 fell slightly, due to the addition of certain new stores of the Group during 2011, resulting in an average store age of less than 3 years among dealership stores of the Group (excluding the 4S dealership stores under Top Globe Limited), and the seasonal nature of demand for after-sales services which usually takes a few years to fully reflect on its performance. As at the end of 2011, according to the figures released by Traffic Management Bureau, Ministry of Public Security, automobile ownership in China was approximately 106 million, representing an increase of approximately 17.73 million in the corresponding period of last year. The climbing automobile ownership in China generated tremendous market opportunities for the after-sales services business. The Group expects that, leveraging on its expanding scale of operation, and the development of newly opened stores, the after-sales services business of the Group will continue to grow in the future, increasing the Group's overall revenue and profitability.

In addition, the Group will seize the favourable timing of the flourishing industry and make good use of its advantageous position as a large-sized dealer in enhancing management capability and service quality and maintaining cooperative ties with automobile suppliers with a view to achieving speedy and coordinated development of the business segments and enhance the Group's overall profitability in full swing. In 2012, the Group will strive to achieve steady growth of the new automobile business, foster development of the after-sales services business, transform the used automobile business and extended business such as automobile accessory into a new growth driver, and expand the scale of the logistics and lubricant oil trading business.

Over the past few years, the Group has been able to seize market opportunities and achieve rapid business growth under the leadership of its management. The management believes that the Group will become a leading premium branded 4S dealership group in China by differentiating itself and expanding in the fast growing automobile market in China in an effort to maximise return to shareholders.

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2011.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are applied and implemented are explained in this Corporate Governance Report.

Corporate Governance Practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group also acknowledges the vital importance of good corporate governance to the Group's success and sustainability.

The Company has adopted the code provisions set out in the CG Code. The Board is of the view that throughout the year ended 31 December 2011, the Company has complied with the code provisions set out in the CG Code, save for the deviation from code provision A.2.1 which deviation is explained in the relevant paragraph of this report.

The Company will periodically review and enhance its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees (the "Committees") and has delegated to these Committees various responsibilities as set out in their respective terms of reference.

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

Delegation by the Board

The Board reserves for its decisions on all major matters of the Company, including: the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

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

The day-to-day management, administration and operation of the Company are delegated to the Operation and Management Committee which is the management authority of the Group. The members of it are the Chief Executive Officer, four other executive Directors, and members of the senior management. Its delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions to be entered into by the Group.

Board Composition

The Board is currently made up of 9 members in total, with 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The independent non-executive Directors represent one-third of the total number of Directors.

The Board comprises the following Directors:

Executive Directors:

Mr. Wang Kunpeng *(Chief Executive Officer and member of the Remuneration Committee)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Liu Dongli *(Chief Investment Officer and member of the Nomination Committee)*
Mr. Chen Tao *(Vice President)*
Mr. Shao Yong Jun *(Vice President)*

Non-executive Director:

Mr. Wang Muqing

Independent non-executive Directors:

Dr. Wong Tin Yau, Kelvin *(Chairman of the Audit Committee and member of the Remuneration Committee)*
Mr. Tan Xiangyong *(Chairman of the Remuneration Committee and member of the Nomination Committee and the Audit Committee)*
Mr. Zhang Yansheng *(Chairman of the Nomination Committee and member of the Audit Committee)*

Mr. Cao Limin, a former executive Director, resigned as executive Director on 18 August 2011 and at the same time, resigned from his office as Senior Vice President. Mr. Shao Yong Jun was appointed as executive Director of the Company with the approval of the Board at the Board meeting held on 18 August 2011.

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

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

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The Board has adopted the recommended best practice under the CG Code for maintaining, during the year ended 31 December 2011, the proportion of the independent non-executive Directors to at least one-third of the Board.

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

All Directors, including the non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Chairman and Chief Executive Officer

The Company fully understands the underlying rationale of Code Provision A.2.1 that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual so as to ensure a balance of power and authority.

As the Company has not appointed a Chairman of the Board at the moment, Mr. Wang Kunpeng, the Chief Executive Officer, usually chairs the meetings of the Board. In performing his role as chairman of the meetings, he provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices.

Mr. Wang Kunpeng is also the Chairman of the Operation and Management Committee and is responsible for running the Company's businesses, implementing the Company's strategic plans and business goals and formulating and recommending business plans and budgets to the Board.

The Board considers that the current arrangement does not impair the balance of power and authority between the Board and the management of the Company.

The Board reviews its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association (the "Articles"). The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. Details of the Nomination Committee are set out in the "Board Committees" section below.

Save for Mr. Shao Yong Jun, each of the Directors is engaged on a service contract (for executive Director) or letter of appointment (for non-executive Director and independent non-executive Director) for a term of 3 years. The appointment may be terminated by giving 3 months' written notice. On appointment as Director of the Company on 18 August 2011, Mr. Shao Yong Jun entered into a service agreement with the Company commencing from 18 August 2011 and ending on 16 November 2013.

Pursuant to the Articles, at each annual general meeting ("AGM"), one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) is required to retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot, and shall be eligible to offer themselves for re-election. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company and shall, being eligible, be subject to re-election at such meeting.

Accordingly, Mr. Wang Kunpeng, Mr. Liu Dongli, Mr. Chen Tao and Mr. Shao Yong Jun shall retire and being eligible, offer themselves for re-election at the forthcoming 2012 AGM.

The Company's circular dated 24 April 2012 to be sent to the shareholders contains detailed information of the Directors standing for re-election.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming 2012 AGM of the Company.

Induction and Continuing Development of Directors

Every newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

The existing Directors are continuously updated with developments in legal and regulatory regime and the business and market environments so as to facilitate the discharge of their responsibilities.

Board and Committee Meetings

Board Practices and Conduct of Meetings

During the year ended 31 December 2011, the Company held a total of 5 Board meetings, At the Board meetings, the Board reviewed and approved the final results for the year ended 31 December 2010 and interim results for the period ended 30 June 2011 and other significant matters of the Company. The attendance records of each Director at the Board meetings are set out below:

Name of Director	Attendance/ Number of Meetings during the Tenure of Office
Mr. Wang Muqing	5/5
Mr. Wang Kunpeng	5/5
Mr. Li Zhubo	5/5
Mr. Cao Limin (resigned on 18 August 2011)	2/2
Mr. Liu Dongli	5/5
Mr. Chen Tao	5/5
Mr. Shao Yong Jun (appointed on 18 August 2011)	2/2
Dr. Wong Tin Yau, Kelvin	5/5
Mr. Tan Xiangyong	5/5
Mr. Zhang Yansheng	5/5

The Company has annual meeting schedules and draft agenda of each meeting of the Board and the Committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 business days before each Board meeting or Committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are circulated to Directors or relevant Committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and Committee meetings are kept by the Company Secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all Directors at all reasonable time.

The Articles contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest.

Board Committees

The Board has established three Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee and the Audit Committee are established with defined written terms of reference. These terms of reference are posted on the Company's website and are available to shareholders upon request. The Committees are provided with sufficient resources to discharge their duties and are required to report back to the Board on their decisions or recommendation.

During the year ended 31 December 2011, one meeting of each of the Remuneration Committee and the Nomination Committee was held, and two meetings of the Audit Committee were held.

Remuneration Committee

The Remuneration Committee comprises three members, including executive Director: Mr. Wang Kunpeng; and independent non-executive Directors Dr. Wong Tin Yau, Kelvin and Mr. Tan Xiangyong. Mr. Tan Xiangyong is the chairman of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations on the Company's policy and structure for all remuneration of the Directors and the senior management and determining the remuneration packages of the executive Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration. Remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2011, the Remuneration Committee has met once to review the remuneration policies and structure, approve the terms of service contracts, the annual remuneration package, and assess the performance of executive Directors and senior management.

The attendance record of the Remuneration Committee meeting is as follows:

Name of Director	Attendance/ Number of Meeting during the Tenure of Office
Mr. Tan Xiangyong	1/1
Mr. Wang Kunpeng	1/1
Dr. Wong Tin Yau, Kelvin	1/1

Nomination Committee

The Nomination Committee comprises three members, including executive Director Mr. Liu Dongli and independent non-executive Directors Mr. Zhang Yansheng and Mr. Tan Xiangyong. Mr. Zhang Yansheng is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations regarding any proposed changes, identifying suitable candidates for appointment as Directors, making recommendations to the Board on the appointment or re-appointment of and succession planning of Directors and assessing the independence of independent non-executive Directors.

During the year ended 31 December 2011, the Nomination Committee has met once to review the structure, size and composition of the Board to ensure the professional knowledge, skills and experience of the Board to cope with the business of the Company.

The attendance record of the Nomination Committee meeting is as follows:

Name of Director	Attendance/ Number of Meeting during the Tenure of Office
Mr. Zhang Yansheng	1/1
Mr. Liu Dongli	1/1
Mr. Tan Xiangyong	1/1

Audit Committee

The Audit Committee comprises three members, of which all are independent non-executive Directors (including one independent non-executive Director with appropriate professional qualifications and accounting expertise), namely Dr. Wong Tin Yau, Kelvin, Mr. Tan Xiangyong and Mr. Zhang Yansheng. Dr. Wong Tin Yau, Kelvin is the chairman of the Audit Committee. None of the committee members is a former partner of the Company's current external auditors.

The Audit Committee is responsible for assisting the Board in reviewing and supervising the adequacy and effectiveness of the Company's financial reporting system, internal control systems and the risk management system and associated procedures as well as the internal and external audit functions. It is also responsible for reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions. The Audit Committee assesses the appointment of the external auditors annually and reviews the interim and final results of the Group prior to recommending them to the Board for approval.

During the year ended 31 December 2011, there were two Audit Committee meetings held. The Audit Committee has performed the following work during the year: (i) reviewing the annual results for the year ended 31 December 2010 and interim results for the half year ended 30 June 2011; (ii) reviewing the financial reporting procedures and compliance procedures, the report of internal audit on internal control procedures and risk management system; and (iii) reviewing the re-election of external auditors.

The attendance records of Audit Committee meetings are as follows:

Name of Director	Attendance/ Number of Meetings during the Tenure of Office
Dr. Wong Tin Yau, Kelvin	2/2
Mr. Zhang Yansheng	2/2
Mr. Tan Xiangyong	2/2

The Company's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Model Code for Securities Transactions

The Company has adopted a securities dealing code ("Securities Dealing Code") regarding securities transactions of the Directors with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code and the Model Code throughout the year ended 31 December 2011.

The Company has also adopted a warning to employees about insider dealing ("Insider Dealing Warning") for securities transactions by employees.

No incident of non-compliance of the Insider Dealing Warning by the employees was noted by the Company.

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

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

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about its reporting responsibilities for the financial statements is set out in the Section headed "Independent Auditor's Report" on page 74.

The remuneration charged by the Company's auditors, KPMG, during the year ended 31 December 2011 is set out below:

Category of Services	Fee Paid/Payable
	RMB
Audit Service	6,400,000
Non-audit Services	–
Total	6,400,000

Internal Controls

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

The Board is committed to conduct at least annually a review of the effectiveness of the internal control systems of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Board has conducted a review on the internal control system of the Company and its subsidiaries for the year ended 31 December 2011. Such review covered the areas of finance, operation, supervision and risk management of the Group. The Board confirmed that the internal control system of the Company is sound and effective.

Non-Compete Undertakings by the Controlling Shareholders

In accordance with the non-compete undertakings ("Non-Compete Undertakings") contained in the share purchase agreement dated 17 November 2010 between the Company, Mr. Wang Muqing, Grand Glory Enterprises Limited ("Grand Glory") and Joy Capital Holdings Limited ("Joy Capital"), each of Mr. Wang, Grand Glory and Joy Capital (collectively, the "Covenantors") has undertaken to the Company that during the period in which he and his associates, individually or taken as a whole, remains a controlling shareholder (as defined under the Listing Rules) of the Company, they would comply with the terms of the Non-Compete Undertakings.

In addition, under the Non-Compete Undertakings, each of the Covenantors has undertaken to the Company that he shall provide to the Company and/or the Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertakings. Each of the Covenantors has also undertaken to issue an annual confirmation to the Company on compliance with the terms of the Non-Compete Undertaking, their interests in any projects or business opportunities, if any, and consenting to the disclosure of such confirmation in the annual reports of the Company, thereby enabling the Company to keep monitoring the relevant compliance by the Covenantors.

The Company has received an annual confirmation from the Covenantors in respect of their compliance with the terms of the Non-Compete Undertakings and that they have not engaged, nor been interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year ended 31 December 2011.

The independent non-executive Directors have reviewed the said undertakings and are of the view that the Covenantors have complied with the Non-Compete Undertakings during the year ended 31 December 2011.

Communications with Shareholders and Investors

The Company considers that effective and on-going communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to evaluate the performance of the Group.

General meetings of the Company provide a forum for communication between the Board and the shareholders of the Company. The Company also communicates with the shareholders, investors and the general public through annual reports, interim reports and other corporate announcements.

The Company continues to maintain a high level of investor access through a range of investor relations activities including conference calls, one-to-one meetings, roadshows, conferences and site visits. The Company also regularly meets with institutional investors from overseas and Mainland China. These meetings enable the Company to update investors on major developments and strategies of the Group.

To promote communication, the Company maintains a website at *http://www.zhengtongauto.com*, where the updates on the Company's structure, the Board, business developments and operations, financial information, corporate governance practices and other information are posted.

Shareholder Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings are voted on by poll pursuant to the requirements of the Listing Rules and poll results are posted on the websites of the Company and the Stock Exchange after each general meeting. Detailed procedures for conducting a poll will be explained during the proceedings of general meetings.

DIRECTORS

Executive Directors

Mr. WANG Kunpeng (王昆鵬先生), aged 40, is an executive Director appointed on 20 July 2010 and has served as the chief executive officer since 1 May 2010. Mr. Wang Kunpeng is also the Chairman of the Operation and Management Committee and a member of the Remuneration Committee of the Company. He has held several senior management positions within the Group since 2006, including at Hubei Shengze Industry Co., Ltd. (湖北聖澤實業有限公司) where he has been the chief executive officer since 2009 and was previously the special assistant of the president and at Wuhan Shengze Jietong Logistics Co., Ltd. (武漢聖澤捷通物流有限公司), where he was the general manager and had the primary responsibilities of overseeing the logistics services business. Prior to joining the Group in 2006, Mr. Wang Kunpeng held several positions in FAW-Volkswagen Sales Company Ltd. (一汽大眾銷售有限責任公司), a company engaged in distribution-related activities with respect of Volkswagen automobiles, from 1997 to 2006, including as the general manager of the central south China region from 2002 to 2006, the chief executive manager of Liaoning and Shandong region from 2000 to 2002, the manager of the Liaoning region from 1997 to 2000, where his primary responsibilities included the management of sales of, after-sales services for, and logistics services relating to Audi and Volkswagen branded automobiles. Mr. Wang Kunpeng received a diploma in vehicle engineering from Jilin University of Technology in 1994.

Mr. LI Zhubo (李著波先生), aged 42, is an executive Director appointed on 20 July 2010 and has served as the chief financial officer since 1 May 2010 with primary responsibilities for overall financial management of the Group. He is also a member of the Operation and Management Committee of the Company. Mr. Li has also served as a vice president of Hubei Shengze Industry Co., Ltd. (湖北聖澤實業有限公司) since 2003. Mr. Li has approximately 20 years of experience in financial management in the automobile industry. Prior to joining the Group in 1999, Mr. Li served as an accounting officer of Hubei Shenying Automobile Co., Ltd. (湖北神鷹汽車有限責任公司), a specialty vehicle manufacturer based in Hubei province, from July 1992 to July 1996. Mr. Li received a diploma in audit from Finance and Trading School of Yunyang and a junior college certificate in financial accounting jointly issued by the Amateur College and Direct Subordinate Organisation of Hubei Provincial Government in 1992 and 2004 respectively. He also completed the non-degree undergraduate accounting program jointly sponsored by Beijing Technology and Business University and The Open University of China in 2006.

Mr. LIU Dongli (柳東靂先生), aged 41, has been an executive Director since 7 August 2010 and the chief investment officer of the Group since 1 May 2010 and is responsible for strategic investments and the development of dealership network, including the establishment and acquisition of dealership stores. Mr. Liu has over 10 years of experience in the automobile industry. He is also a member of the Nomination Committee and a member of the Operation and Management Committee of the Company. Mr. Liu joined the Group as the vice president of Hubei Shengze Industry Co., Ltd. (湖北聖澤實業有限公司) from August 2009 to July 2010. Prior to joining the Group, Mr. Liu was the chief operating officer of China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份公司), a major automobile dealership group in China, from October 2007 to February 2009, as its acting chief executive officer for one year and the chief dealership network officer from February 2009 to July 2009. From 1999 to 2007, Mr. Liu held various positions in Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司stock code: 600653), a listed subsidiary of Brilliance Auto Group Co., Ltd. (華晨汽車集團控股有限公司), which is an automobile manufacturer that has indirectly established BMW Brilliance Automotive Co., Ltd. (華晨寶馬汽車有限公司) with BMW AG to manufacture BMW branded automobiles in China, including acting as the deputy manager of investment department from 1999 to 2002, the secretary to the board of directors and the head of investment department from 2002 to 2003, the vice president from June 2002 to October 2007 and a director from December 2005 to October 2007. Mr. Liu received a bachelor's degree in business management from Shanghai University of Finance and Economics in 1992 and a master's degree in business administration from Shanghai University of Finance and Economics in 2000. Mr. Liu is also the vice chairman of the China Auto Dealers Chambers of Commerce and an executive member of China Automobile Dealers Association.

Mr. CHEN Tao (陳弢先生), aged 41, has served as a non- executive Director since 7 August 2010 and is re-designated as an executive Director on 12 March 2011. In the Group, he is responsible for strategic management and planning. Mr. Chen was a member of the Audit Committee of the Company from 17 November 2010 to 12 March 2011. Mr. Chen has over 16 years of experience in management consulting and has, since joining the Group in 2009, been a consultant to Hubei Shengze Industry Co., Ltd. (湖北聖澤實業有限公司). Prior to joining the Group, Mr. Chen served as a management consultant of Beijing Pilot Sales Marketing Management Consultant Co., Ltd. (北京派力營銷管理

諮詢有限公司) from 1994 to 1998 and as a management consultant of Shanghai Bexcel Management Consultants Co., Ltd. (上海遠卓企業管理諮詢有限責任公司) from 1999 to 2009. Mr. Chen received a bachelor's degree in machinery design and manufacture from Zhejiang University in 1992.

Mr. SHAO Yongjun Yong Jun (邵永駿先生), aged 37, has been an executive Director of the Company since 18 August 2011. Prior to joining the Group in July 2011, Mr. Shao served as vice president of Huaxiang Group between 2008 and 2010, general manager of Shenzhen Zhaohongyuan Technology Co., Ltd.* (深圳兆鴻源科技有限公司) between 2004 and 2007, and an auditor of KPMG China between 1997 and 2003. Mr. Shao received a bachelor's degree of accounting and auditing from Shenzhen University in 1996 and an EMBA from Shanghai Jiao Tong University in 2005. Mr. Shao has been the vice president of the Company since July 2011 and is mainly responsible for the investor relations and logistics services business of the Group.

Non-executive Director

Mr. WANG Muqing (王木清先生), aged 61, is the founder of the Group and has served as a non-executive Director since 9 July 2010. Mr. Wang Muqing is also the controlling shareholder of the Company. Prior to founding the Group in 1999, Mr. Wang Muqing held various positions from 1970 to 1998 in the Shiyan Representative Office of Hubei Industrial Building Group Installation Engineering Co., Ltd. (湖北省工業建築集團安裝工程有限公司十堰辦事處), which engaged in the business of the installation and commission of equipment. As he had an opportunity to meet with some of the manufacturers and/or distributors of automobiles, he became interested in establishing his own business in the automobile industry. He thus established an automobile trading business in 1996 with an initial registered capital amounted to RMB688,000. The management responsibility of such enterprise was then entrusted with other family members of Mr. Wang Muqing, and to date, he has not actively participate in the management of any 4S dealership business.

Independent Non-executive Directors

Mr. TAN Xiangyong (譚向勇先生), aged 54, has served as an independent non-executive Director since 17 November 2010. Mr. Tan is also the Chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee of the Company. Mr. Tan has been the president of Beijing Technology and Business University and as a doctoral supervisor in Economics since March 2008. Mr. Tan also holds several senior management positions in various associations and public bodies including vice chairman of the

China Logistic and Supply Association since 2007, vice chairman of the China Agricultural Economics Institution since 1999, a council member of the 7th and 8th Beijing municipal government since 2003 and a member of the expert committee of the "11th Five-Year Plan" of Beijing since 2005. Mr. Tan has also held several positions in various educational institutions, including Beijing Agricultural University (which became China Agricultural University in September 1995) from August 1982 to October 2005, where he was a professor and dean of the Economics and Management School from 1993 to 1997 and the executive vice dean of the postgraduate school from 1997 to 1998 and the vice president of the China Agricultural University from 1998 to 2005. Mr. Tan was also the president of Beijing Wuzi University from 2005 to 2008. Mr. Tan received a bachelor's degree in agricultural economics in 1982, a master's degree in agricultural economics and administration in 1988 and a doctor's degree in agricultural economics and management in 1995 from Beijing Agricultural University. Mr. Tan is an expert entitled to special subsidy from the State Council of the PRC. Mr. Tan was recognized as a Beijing Excellent Tutor and National Excellent Tutor in 1995.

Mr. ZHANG Yansheng (張燕生先生), aged 57, has served as an independent non-executive Director since 17 November 2010. Mr. Zhang is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. Mr. Zhang previously served as the senior supervisor of the Central University of Finance and Economics from 1984 to 1996 and as a professor of international finance of the Central University of Finance and Economics since 1996. Mr. Zhang also serves in several senior management positions of various official bodies including as the head of the Institute for International Economic Research of National Development and Reform Commission from 1996 to 2012 and Secretary-General of the Academic Committee of National Development and Reform Commission since 2012. Mr. Zhang received a bachelor's degree in law from Sichuan Normal College (now become Sichuan Normal University) in 1981 and graduated from the graduate school of Huazhong University of Science and Technology with a master's degree in Economics. Mr. Zhang is an expert entitled to special subsidy from the State Council of the PRC.

Dr. WONG Tin Yau Kelvin (黃天祐博士), aged 51, has served as an independent non-executive Director since 17 November 2010. Dr. Wong is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Wong is also an executive Director and deputy managing director of, the chairman of the corporate governance committee and a member of the executive committee of COSCO Pacific Limited 中遠太平洋有限公司 (stock code: 1199), where he is responsible for the overall management, strategic planning, financial management and investor relations. Dr. Wong held various senior positions in several listed companies in Hong Kong before he joined COSCO Pacific Limited 中遠太平洋有限公司 in July 1996. In addition, Dr. Wong is the Chairman of The Hong Kong Institute of Directors, the Council Advisor and past Chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of the Main Board and GEM Listing Committee of the Stock Exchange, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission, a member of the Appeal Board Panel (Town Planning), a council member of The Hong Kong Management Association, a member of The Board of Review (Inland Revenue Ordinance), a Board Director of Business Environment Council and was appointed by the Hong Kong Special Administrative Region as a member of the Standing Committee on Company Law Reform and the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption. Dr. Wong obtained a Master of Business Administration degree from Andrews University in Michigan in the United States in 1992 and a Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong is currently an independent non-executive Director and the chairman of the audit committee of China Metal International Holdings Inc. 勤美達國際控股有限公司 (stock code: 0319) and Xinjiang Goldwind Science & Technology Co., Ltd. 新疆金風科技股份有限公司 (stock code: 2208), an independent non-executive Director and the chairman of the audit committee and the nomination committee of I.T Limited (stock code: 0999), an independent non-executive Director of CIG Yangtze Ports PLC 中國基建港口有限公司 (stock code: 8233) and was an independent non-executive Director and the chairman of the audit committee of Tradelink Electronic Commerce Limited 貿易通電子貿易有限公司 (stock code: 0536). All the aforementioned companies are listed on the Stock Exchange.

OTHER SENIOR MANAGEMENT

Mr. MOK Kwok Choi Peter (莫國材先生), aged 42, has served as the chief operating officer since 16 July 2010 and oversees the management and operation of all of the Group's dealership stores. Mr. Mok has approximately 10 years of experience in the operation of automobile dealership stores. Prior to joining the Group in July 2010, Mr. Mok held various positions at Northern China German Auto Co. Limited 燕京德國汽車有限公司 and its subsidiaries, a BMW dealership company in northern China, from April 2003 to July 2010, including as the director of sales and marketing of the Beijing region from April 2003 to March 2004, the general manager of Beijing Yandebao Auto Sales Co., Ltd. (北京燕德寶汽車銷售有限公司), a subsidiary of Northern China German Auto Co., Limited 燕京德國汽車有限公司 from April 2004 to August 2005, the general manager of the Beijing region from September 2005 to June 2010, and the general manager of the northern China region for the BMW department from June 2010 to July 2010, with responsibilities that included managing the growth and expansion of the dealership network. Mr. Mok received a bachelor's degree in art with honours from the University of Hong Kong in 1991 and a master of business administration (distance education) from the University of Strathclyde in 2005. Mr. Mok has received several awards from BMW, including first place in the northern region of the BMW China Incentive 2006 Program and general manager of the Outstanding MINI Team 2009.

Ms. WANG Guoqing (王國清女士), aged 46, has served as the chief human resource officer since 17 June 2010 and oversees the Group's human resources. Ms. Wang has over 10 years of experience in human resources management. Prior to joining the Group on 17 June 2011, from 1999 to 2010, Ms. Wang held various positions in Auchan Group (歐尚集團), which operates supermarkets and hypermarkets internationally, including as the human resource manager of its Shanghai Zhongyuan store from 1999 to 2002 and recruiting manager and career development planning manager of Auchan Group China (歐尚中國) from 2002 to 2004. From 2004 to 2010, Ms. Wang was the chief human resources officer of Leroy Merlin China (樂華梅蘭集團中國公司), a member of company of Groupe Adeo, an international association of "do it yourself" home improvement retailers. Ms. Wang received a bachelor's degree in international politics from Fudan University in 1986 and a master's degree in marketing from ESSEC Business School of France in 1996.

Mr. WANG Limin (王利民先生), aged 46, has served as the vice president of the Group and member of the Operation and Management Committee since 1 February 2012, responsible for the operation of the 4S dealership stores under Shenzhen SCAS Investment Group Co. Ltd. ("SCAS") acquired by the Group. Mr. Wang has approximately 20 years of industry experience in automobile dealership. Prior to joining the Group, Mr. Wang worked with China Sanjiang Space Group from 1990 to 2001. In 2011, Mr. Wang joined SCAS and held various positions such as vice president, operations director and president. He joined the Group upon the Group's acquisition of SCAS on 29 December 2011. Mr. Wang graduated from Wuhan University of Technology in 1990 with a bachelor's degree in automobile engineering. In 2001, he obtained a master's degree in business administration from Wuhan University doctoral of Technology. In 2011, he obtained a doctoral degree in economics from Nankai University.

Mr. LIANG, Current Tien Tzu (梁天柱先生), also known as T.T. Liang, aged 55, has served as the financial controller and company secretary of the Company since 4 September 2010 and 17 November 2010 respectively. He has over 27 years of experience in accounting, finance and corporate finance. Prior to his joining the Group on 4 September 2010, he worked in Guocoland Limited (stock code: F17) as the group financial controller for its China division. He held a number of senior appointments which include director of investor relations of Samson Holding Ltd. (stock code: 531), chief financial officer of Lacquercraft (a subsidiary of Samson Holding Ltd. in China), deputy general manager of Lee & Man Paper Manufacturing Limited (stock code: 2314), executive Director and chief financial officer of Minth Group Limited 敏實集團有限公司 (stock code: 425), chief financial officer of NWS Holdings Limited (stock code: 659), chief internal auditor of New World Development Company Limited 新世界發展有限公司 (stock code: 17), and manager of Corporate Advisory Services of Thorne Ernst & Whinney in Toronto, Canada. He is a member of the Canadian Institute of Chartered Accountants and a fellow of the Hong Kong Institute Certified Public Accountants. He holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University and a Bachelor of Commerce degree from Concordia University of Montreal, Canada.

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in Cayman Islands with limited liability where its registered office is located in Cayman Islands and its operating headquarters is located in Beijing, the PRC.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 18 to the consolidated financial statements.

SUBSIDIARIES

Please refer to note 18 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2011 are set out in the consolidated financial statements.

The directors did not recommend the payment of a final dividend.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

PLANT, PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

On 28 July 2011, a placing and subscription agreement was entered into among the the Company, Joy Capital, Mr. Wang Muqing and JP Morgan Securities Ltd., pursuant to which Joy Capital agreed to subscribe for 200 million new ordinary shares of HK$0.1 (total nominal value being HK$20 million) of the Company ("Subscription Shares") at HK$10.45 per share. The Group used the net proceeds from the subscription to expand its dealership network primarily through acquisition of 4S dealership stores. The premium received by the Company was therefore HK$10.35 per share. On 9 August 2011, upon completion of the subscription of the Subscription Shares, the Company's issued share capital was increased by 200 million shares to 2,200 million shares. During the year 2011, the newly issued shares represented such additional shares issued on such subscription.

On 28 July 2011, the closing price of the shares the Company on the Stock Exchange was HK$11.24 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The single largest customer and the top five customers in aggregate of the Group accounted for 2.36% and 3.79% of the Group's total sales for the year ended 31 December 2011 respectively. The single largest supplier and the top five suppliers in aggregate of the Group accounted for 40.97% and 91.28% of the Group's total purchases for the year respectively.

As far as the Directors are aware, neither the Directors, their associates, nor shareholders who own more than 5% of the Company's share capital as at 31 December 2011 had any interest in any of the five largest suppliers and customers disclosed above.

TRANSFER TO RESERVES

Total comprehensive income attributable to shareholders of RMB531.2 million (2010: RMB277.0 million) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo
Mr. Liu Dongli
Mr. Chen Tao (Note)
Mr. Shao Yong Jun (Appointed on 18 August 2011)
Mr. Cao Limin (Resigned on 18 August 2011)

Note: Mr. Chen Tao was re-designated as executive Director from non-executive Director on 12 March 2011.

Non-Executive Director:

Mr. Wang Muqing

Independent Non-Executive Directors:

Dr. Wong Tin Yau, Kelvin
Mr. Tan Xiangyong
Mr. Zhang Yansheng

In accordance with the Articles, Mr. Wang Kunpeng, Mr. Liu Dongli, Mr. Chen Tao and Mr. Shao Yong Jun shall retire and being eligible, offer themselves for re-election at the AGM. The Board proposed to re-appoint the directors standing for re-election at the forthcoming 2012 AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in the section "Connected Transactions" in this report, no contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

Save as disclosed under the section "Connected Transactions" in this report, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Company constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to the Company by the Stock Exchange subject to compliance of certain conditions.

(A) Contractual Arrangements

A series of contracts entered into by, among others, 武漢聖澤捷通物流有限公司 (Wuhan Shengze Jietong Logistics Co., Ltd.) ("Wuhan Jietong"), Rising Wave Development Limited ("Rising Wave"), both wholly-owned subsidiaries of the Company, Mr. Li Zhubo ("Mr. Li"), an executive Director, and the PRC Operating Entities (as defined in the Prospectus and including Baotou Zhongrui (as defined below)) , the registered capital of each being indirectly owned by Mr. Wang Muqing, a non-executive Director and controlling shareholder of the Company, serves the purpose of providing the Group with effective control over the PRC Operating Entities to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operating Entities (details of which are set out in note 35 to the consolidated financial statements to the Company) (the "Contractual Arrangements"). The Contractual Arrangements include:

1. Equity Pledge Agreements

Pursuant to 27 and one several equity pledge agreements (the "Equity Pledge Agreements") dated 17 November 2010 and 1 May 2011 respectively and entered into between Wuhan Jietong as pledgee and:

(i) Hubei Shengze Industry Co., Ltd. ("Hubei Shengze") (as the controlling shareholder of Zhuhai Baoze Automobile Sales Services Co., Ltd. ("Zhuhai Baoze"), Inner Mongolia Dingjie Automobile Trading Co., Ltd. ("Inner Mongolia Dingjie"), Hubei Dingjie Automobile Sales Services Co., Ltd. ("Hubei Dingjie"), Hubei Xinrui Automobile Sales Services Co., Ltd. ("Hubei Xinrui"), Changsha Ruibao Automobile Sales Services Co., Ltd. ("Changsha Ruibao"), Beijing Baozehang Automobile Sales Services Co., Ltd. ("Beijing Baozehang"), Wuhan Baoze Automobile Sales Services Co., Ltd. ("Wuhan Baoze"), Shantou Hongxiang Materials Co., Ltd. ("Shantou Hongxiang"), Dongguan Jieyunhang Automobile Sales Services Co., Ltd. ("Dongguan Jieyunhang"), Shanghai Shenxie Automobile Trading Co., Ltd. ("Shanghai Shenxie"), Chenzhou Ruibao Automobile Sales Services Co., Ltd. ("Chenzhou Ruibao") and Baotou Zhongrui Automobile Sales Services Co., Ltd. ("Baotou Zhongrui")) as pledgor;

(ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai Automobile Sales Services Co., Ltd. ("Wuhan Kaitai") and Shiyan Shenxie Automobile Trading Co., Ltd. ("Shiyan Shenxie")) as pledgors;

(iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze Automobile Sales Services Co., Ltd. ("Inner Mongolia Dingze")) and Inner Mongolia Dingjie (as the controlling shareholder of Inner Mongolia Dingze) as pledgors;

(iv) Shanghai Shenxie (as the controlling shareholder of Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. ("Shenxie Shentong"), Shanghai Luda Automobile Sales Services Co., Ltd. ("Shanghai Luda") and Shanghai Aohui Automobile Sales Services Co., Ltd. ("Shanghai Aohui")) as pledgor;

(v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze Automobile Sales Services Co., Ltd. ("Nanchang Baoze")) and Changsha Ruibao (as the other shareholder of Nanchang Baoze) as pledgors;

(vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze Automobile Sales Services Co., Ltd. ("Guangzhou Baoze")) and Changsha Ruibao (as the other shareholder of Guangzhou Baoze) as pledgors;

(vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze Automobile Sales Services Co., Ltd. ("Yichang Baoze") and Huhhot Qibao Automobile Sales Services Co., Ltd. ("Huhhot Qibao")) as pledgor;

(viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng Automobile Sales Services Co., Ltd. ("Hubei Bocheng")) as pledgor;

(ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui Automobile Sales Services Co., Ltd. ("Hubei Jierui")) as pledgor; and

(x) Huhhot Qibao (as the controlling shareholder of Baotou City Baoze Automobile Sales Services Co., Ltd. ("Baotou Baoze")) as pledgor,

the above pledgors granted a continuing first priority security over all their direct equity interests in the PRC Operating Entities to Wuhan Jietong for guaranteeing the payment of the service fees under the relevant Exclusive Management and Consultation Services Agreements (as defined below).

2. **Exclusive Option Agreements**

Pursuant to 27 and one several option agreements (the "Exclusive Option Agreements") dated 17 November 2010 and 1 May 2011 respectively and entered into between Rising Wave and:

(i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie, Chenzhou Ruibao and Baotou Zhongrui) and each of the said PRC Operating Entities;

(ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie) and each of the said PRC Operating Entities;

(iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze), Inner Mongolia Dingjie (as the controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingze;

(iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui) and each of the said PRC Operating Entities;

(v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze), Changsha Ruibao (as the other shareholder of Nanchang Baoze) and Nanchang Baoze;

(vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze), Changsha Ruibao (as the other shareholder of Guangzhou Baoze) and Guangzhou Baoze;

(vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao) and each of the said PRC Operating Entities;

(viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng) and Hubei Bocheng;

(ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui) and Hubei Jierui; and

(x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze) and Baotou Baoze,

Rising Wave was granted options to acquire, directly or through one or more nominees, any part of the equity interest in the PRC Operating Entities at nil consideration or the minimum amount as permitted under the applicable PRC laws.

3. Exclusive Business Operation Agreements

Pursuant to 24 and one several business operation agreements (the "Exclusive Business Operation Agreements") dated 17 November 2010 and 1 May 2011 respectively and entered into between Wuhan Jietong and:

(i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie, Chenzhou Ruibao and Baotou Zhongrui) and each of the said PRC Operating Entities;

(ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie) and each of the said PRC Operating Entities;

(iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze), Inner Mongolia Dingjie (as the controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingze;

(iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui) and each of the said PRC Operating Entities;

(v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze), Changsha Ruibao (as the other shareholder of Nanchang Baoze) and Nanchang Baoze;

(vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze), Changsha Ruibao (as the other shareholder of Guangzhou Baoze) and Guangzhou Baoze;

(vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao) and each of the said PRC Operating Entities;

(viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng) and Hubei Bocheng;

(ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui) and Hubei Jierui; and

(x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze) and Baotou Baoze,

the PRC Operating Entities have undertaken not to enter into any material business transaction without the prior written consent of Wuhan Jietong and to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of the PRC Operating Entities.

4. Exclusive Management and Consultation Services Agreements

Pursuant to 24 and one several management and consultation services agreements (the "Exclusive Management and Consultation Services Agreements") dated 17 November 2010 and 1 May 2011 respectively and entered into between Wuhan Jietong and:

(i) each of the PRC Operating Entities (other than Shantou Hongxiang, Dongguan Jieyunhang and Baotou Baoze);

(ii) Lin Limin, Wu Yihong (being the minority shareholders of Shantou Hongxiang) and Shantou Hongxiang; and

(iii) Lin Cheng (being the minority shareholder of Dongguan Jieyunhang) and Dongguan Jieyunhang, whereby the PRC Operating Entities have engaged Wuhan Jietong on an exclusive basis to provide consultation services and other supporting services in connection with the PRC Operating Entities' business services as permitted under the PRC laws.

5. **Proxy Agreements**

Pursuant to 27 and one several proxy agreements (the "Proxy Agreements") dated 17 November 2010 and 1 May 2011 respectively and entered into between Wuhan Jietong, Mr. Li as chairman of Wuhan Jietong and an executive Director, and:

(i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie, Chenzhou Ruibao and Baotou Zhongrui);

(ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie);

(iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingjie (as the controlling shareholder of Inner Mongolia Dingze);

(iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui);

(v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze) and Changsha Ruibao (as the other shareholder of Nanchang Baoze);

(vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze) and Changsha Ruibao (as the other shareholder of Guangzhou Baoze);

(vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao);

(viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng);

(ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui); and

(x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze),

Mr. Li (or such other person being the chairman of Wuhan Jietong) is authorised to exercise the shareholders' rights in each of the PRC Operating Entities including attending shareholders' meeting and exercising voting rights according to the best interest and at the instructions of Wuhan Jietong; any person designated by Wuhan Jietong is authorised to enjoy and exercise the shareholders' rights in each of the PRC Operating Entities (in the event that Mr. Li shall cease to be the chairman of Wuhan Jietong); and any dividend and/or capital gain derived from the equity interests in the PRC Operating Entities shall be paid to Wuhan Jietong as soon as practicable and in any event no later than three days upon receipt of the payment or distribution.

The above Contractual Arrangements allow the Company to consolidate the financial results of the PRC Operating Entities into the Group's financial statements as if they were the Group's wholly-owned subsidiaries. The Directors consider that the Contractual Arrangements are fundamental to the Group's legal structure and business operations and are on normal commercial terms or terms more favourable to the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the shareholders as a whole.

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2011 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, had been operated so that the profits generated by the PRC Operating Entities has been substantially retained by Wuhan Jietong; (ii) no dividends or other distributions had been made by the PRC Operating Entities to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) such are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the shareholders as a whole.

(B) Lease Agreements

(1) Relationship between the Group and its connected persons

The relevant connected persons as lessor, with whom some of the Group's PRC operating entities or Wuhan Jietong have entered into the lease agreements (collectively, the "Lease Agreements" and each a "Lease Agreement") as lessee, are as follows:

1. Hubei Shengze, which is held as to 70.4% by Mr. Wang Muqing thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

2. 內蒙古聖澤鼎傑汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.) ("Inner Mongolia Dingjie Auto-trading"), being a company demerged from Inner Mongolia Dingjie and wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

3. 長沙聖澤瑞寶電子產品貿易有限公司 (Changsha Shengze Ruibao Electronics Trading Co., Ltd.) ("Changsha Electronics"), being a company demerged from Changsha Ruibao and wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

4. 武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd.) ("Wuhan Jieyun"), being a company wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules;

5. 武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd.) ("Wuhan Jiezhong"), being a company wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules; and

6. 北京寶澤汽車科技發展有限公司 (Beijing Baoze Automobile Technology Development Co., Ltd.) ("Beijing Development"), being a company held as to 90% by Hubei Shengze and 10% by 北京嘉瑞雅汽車銷售服務有限公司 (Beijing Jiaruiya Auto-sales Services Company Limited), an independent third party, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Under the Listing Rules, for so long as the above lessors remain as connected persons of the Company, the following transactions between the Group and the above lessors would constitute connected transactions for the Company.

(2) The Lease Arrangements

The Group has entered into the following non-exempt continuing connected transactions which are subject to the reporting and announcement requirements. The following Lease Agreements with respective lessors for leasing of the premises are necessary for the business operation of the Group in the PRC:

	Date of Agreement	Location	Lessor	Lessee	Monthly Rental in the year 2011	Term
1.	1 August 2010	4S Shop, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	Hubei Shengze	Hubei Bocheng	RMB126,000	From 1 August 2010 to 31 July 2013 (Note 1)
2.	1 August 2010	4S Shop, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	Hubei Shengze	Wuhan Kaitai	RMB176,000	From 1 August 2010 to 31 July 2013 (Note 1)
3.	30 September 2010	4S Shop, No. 40 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region (Note 2)	Inner Mongolia Dingjie Auto-trading	Huhhot Qibao	RMB13,000	From 30 September 2010 to 29 September 2013 (Note 3)
4.	30 September 2010	4S Shop, No. 688 Changsha Avenue, Yuhua District, Changsha City, Hunan Province, the PRC	Changsha Electronics	Changsha Ruibao	RMB175,000	From 30 September 2010 to 29 September 2013 (Note 1)
5.	30 September 2010	4S Shop, No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region, the PRC	Inner Mongolia Dingjie Auto-trading	Inner Mongolia Dingjie	RMB78,000	From 30 September 2010 to 29 September 2013 (Note 1)
6.	1 August 2010	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Wuhan Jieyun	Wuhan Jietong	RMB525,000	From 1 August 2010 to 31 July 2013 (Note 1)
7.	1 August 2010	Lot 5C2, Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Wuhan Jiezhong	Wuhan Jietong	RMB125,000	From 1 August 2010 to 31 July 2013 (Note 1)
8.	1 June 2010	4S Shop on Levels 1 to 3 and Basement 1 No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC	Beijing Development	Beijing Baozehang	RMB543,000	From 1 September 2010 to 31 December 2012

Notes:

1. Option granted to renew for successive terms of no more than three years each up to 2020.

2. Pursuant to this Lease Agreement, the piece of land located at 呼和浩特市新城區興安北路40號, instead of the premises thereon, is leased to Huhhot Qibao as lessee. Huhhot Qibao is the owner of the premises located on the said piece of land.

3. Option granted to renew on similar terms of the agreement up to 2020.

The annual cap on the rental payable in respect of the lease under the Lease Agreements for each of years ended 31 December 2010 and 2011 and ending 31 December 2012 would not exceed approximately RMB11.5 million, RMB21.2 million and RMB21.2 million respectively (equivalent to approximately HK$13.1 million, HK$24.0 million and HK$24.0 million respectively). The aggregate amount paid by the Group to the relevant landlord in respect of the Lease Agreements during the year was approximately RMB20.2 million, which did not exceed the capped amount.

Purpose of the transactions

The premises leased by the Group under the above lease agreements nos. 1, 2, 4, 5 and 8 are for the purpose of the Group's operation of 4S businesses. The land leased by the Group under the above lease agreement no. 3 is also for the purpose of the Group's operation of 4S businesses. The premises leased by the Group under the above lease agreements nos. 6 and 7 are for the purpose of the Group's operation of logistics and storage businesses.

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged KPMG, its independent external auditor, to perform certain procedures in respect of the continuing connected transactions undertaken by the Group for the year ended 31 December 2011 which has reported to the board of Directors in a letter dated 26 March 2012.

The independent non-executive Directors of the Company have reviewed the non-exempt continuing connected transactions and the report of KPMG and are of the opinion that the transactions were entered into by the Group:

(a) in the ordinary and usual course of the Group's business;

(b) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

The Group has entered into the following non-exempt connected transactions, subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules only.

On 20 May 2011, Wuhan Zhengtong Investment Management Co Ltd ("Wuhan Zhengtong"), an indirect wholly owned subsidiary of the Company as purchaser, and Hubei Shengze as vendor entered into four share transfer agreements ("Share Transfer Agreements"), pursuant to which Wuhan Zhengtong agreed to acquire and Hubei Shengze agreed to sell the entire equity interests in Xiangtan Yizezhiye Co., Ltd, Ulanqab Yizezhiye Co., Ltd, Ganzhou Yizezhiye Co., Ltd and Shangraoshi Yizezhiye Co., Ltd (collectively the "Target Companies"). The consideration payable to Hubei Shengze for the entire equity interest in the four Target Companies was approximately RMB40 million. The Company aimed at acquiring the land owned by the four Target Companies to be developed as premises for its 4S automobile dealership stores through acquisition of the entire equity interest therein. Mr. Wang Muqing, a controlling shareholder and a non-executive Director of the Company, then held approximately 70.4% equity interest in Hubei Shengze. Accordingly, Hubei Shengze was a connected person of the Company, and therefore the acquisitions under the Share Transfer Agreements constituted connected transactions of the Company under the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aforesaid acquisitions exceeded 0.1% but were below 5%, the acquisitions were, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and were exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

SHARE OPTION SCHEMES

(A) SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Share Option Scheme") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enables the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme became effective on 10 December 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption.

Eligible participants of the Share Option Scheme include the following:

(i) any employee ("Eligible Employee(s)") (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company, any of the Company's subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of the Company's subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As of the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commence on the Stock Exchange (the "General Scheme Limit"), i.e. 200,000,000 shares, representing 9.06% of the issued share capital of the Company as at the date of this report.

No option has been granted under the Share Option Scheme as at the date of this report.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit is subject to Shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules) ("Connected Persons"), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to shareholders' approval in general meeting.

The offer of a grant of share options may be accepted by a participant within 21 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the shares of the Company.

Subject to the early termination of the Share Option Scheme in accordance with the Share Option Scheme rules, the Share Option Scheme will expire on 16 November 2020.

(B) Pre-IPO Share Option Scheme

The Company has, based on a framework plan formulated on 9 August 2010, formally adopted a pre-initial public offering share option scheme ("Pre-IPO Share Option Scheme") pursuant to a resolution in writing passed by the shareholders on 17 November 2010, which enables the Company to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the Listing.

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted options for the subscription of 23,435,900 shares to certain Directors, senior management, employees and former employees of the Group on 10 August 2010, 20 August 2010 and 10 November 2010 respectively.

Details of the movements in the Pre-IPO Share Option Scheme for the year ended 31 December 2011 are as follows:

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011
Directors								
Wang Kunpeng	10/8/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011
				2,050,000				2,050,000
Li Zhubo	10/8/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000				2,050,000
Liu Dongli	10/8/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000				2,050,000
Sub-total				6,150,000				6,150,000
Employees and former employees	10/8/2010	1.50	01/01/2012-10/08/2017	5,695,350	0	0	144,700	5,550,650
	10/8/2010	1.50	01/01/2013-10/08/2017	2,847,675	0	0	72,350	2,775,325
	10/8/2010	1.50	01/01/2014-10/08/2017	2,847,675	0	0	72,350	2,775,325
				11,390,700			289,400	11,101,300
	10/8/2010	2.00	01/04/2012-10/08/2017	1,031,200	0	0	25,500	1,005,700
	10/8/2010	2.00	01/04/2013-10/08/2017	515,600	0	0	12,750	502,850
	10/8/2010	2.00	01/04/2014-10/08/2017	515,600	0	0	12,750	502,850
				2,062,400			51,000	2,011,400

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011
	10/8/2010	2.50	01/07/2012-10/08/2017	726,000	0	0	41,000	685,000
	10/8/2010	2.50	01/07/2013-10/08/2017	363,000	0	0	20,500	342,500
	10/8/2010	2.50	01/07/2014-10/08/2017	363,000	0	0	20,500	342,500
				1,452,000			82,000	1,370,000
	20/8/2010	2.50	01/07/2012-20/08/2017	1,009,400	0	0	98,000	911,400
	20/8/2010	2.50	01/07/2013-20/08/2017	504,700	0	0	49,000	455,700
	20/8/2010	2.50	01/07/2014-20/08/2017	504,700	0	0	49,000	455,700
				2,018,800			196,000	1,822,800
	17/11/2010	2.50	01/07/2012-17/11/2017	181,000	0	0	77,000	104,000
	17/11/2010	2.50	01/07/2013-17/11/2017	90,500	0	0	38,500	52,000
	17/11/2010	2.50	01/07/2014-17/11/2017	90,500	0	0	38,500	52,000
				362,000			154,000	208,000
Sub-total				17,285,900			772,400	16,513,500
Total				23,435,900	0	0	772,400	22,663,500

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) Long positions in the shares and underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Wang Muqing	Settlor of The Grand Glory Trust	1,364,987,500 (Note 1)	62.04%
Wang Kunpeng	Beneficial Owner	2,050,000 (Note 2)	0.093%
Li Zhubo	Beneficial Owner	2,050,000 (Note 2)	0.093%
Liu Dongli	Beneficial Owner	2,050,000 (Note 2)	0.093%

Notes:

1. These shares are directly held by Joy Capital Holdings Limited ("Joy Capital"). The entire issued share capital of Joy Capital is owned by Grand Glory Enterprises Limited ("Grand Glory"), whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the Pre-IPO Share Options granted to each of them. In respect of these three Directors, the Pre-IPO Share Options may be exercised in three tranches: (i) The first tranche represents 50% of the total number of Shares which may be subscribed for upon the exercise of the Pre-IPO Share Option, and is exercisable during the period between 1 January 2012 to 10 August 2017. (ii) The second tranche represents 25% of the total number of Shares which may be subscribed for upon the exercise of the Pre-IPO Share Option, and is exercisable during the period between 1 January 2013 to 10 August 2017. (iii) The third tranche represents 25% of the total number of Shares which may be subscribed for upon the exercise of the Pre-IPO Share Option, and is exercisable during the period between 1 January 2014 to 10 August 2017. The exercise price for subscription of each Share upon the exercise of the Pre-IPO Share Options is RMB1.5.

(ii) Long Positions in the associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Joy Capital	Settlor of The Grand Glory Trust (Note 1)	100%
Wang Muqing	Wuhan Kaitai (Note 2)	Interest of controlled corporations (Note 3)	100% (Note 39)
Wang Muqing	Yichang Baoze (Note 2)	Interest of controlled corporations (Note 4)	100% (Note 39)
Wang Muqing	Hubei Xinrui (Note 2)	Interest of controlled corporation (Note 5)	100% (Note 39)
Wang Muqing	Zhuhai Baoze (Note 2)	Interest of controlled corporation (Note 6)	100% (Note 39)
Wang Muqing	Inner Mongolia Dingjie (Note 2)	Interest of controlled corporation (Note 7)	100% (Note 39)
Wang Muqing	Hubei Dingjie (Note 2)	Interest of controlled corporation (Note 8)	100% (Note 39)
Wang Muqing	Changsha Ruibao (Note 2)	Interest of controlled corporation (Note 9)	100% (Note 39)
Wang Muqing	Beijing Baozehang (Note 2)	Interest of controlled corporation (Note 10)	100% (Note 39)
Wang Muqing	Wuhan Baoze (Note 2)	Interest of controlled corporation (Note 11)	100% (Note 39)
Wang Muqing	Shanghai Shenxie (Note 2)	Interest of controlled corporation (Note 12)	100% (Note 39)
Wang Muqing	Shantou Hongxiang (Note 2)	Interest of controlled corporation (Note 13)	80% (Note 39)
Wang Muqing	Chenzhou Ruibao (Note 2)	Interest of controlled corporation (Note 14)	100% (Note 39)
Wang Muqing	Dongguan Jieyunhang (Note 2)	Interest of controlled corporation (Note 15)	75% (Note 39)
Wang Muqing	Shiyan Shenxie (Note 2)	Interest of controlled corporations (Note 16)	100% (Note 39)
Wang Muqing	Shenxie Shentong (Note 2)	Interest of controlled corporations (Note 17)	100% (Note 39)
Wang Muqing	Shanghai Luda (Note 2)	Interest of controlled corporations (Note 18)	100% (Note 39)
Wang Muqing	Shanghai Aohui (Note 2)	Interest of controlled corporations (Note 19)	100% (Note 39)
Wang Muqing	Inner Mongolia Dingze (Note 2)	Interest of controlled corporations (Note 20)	100% (Note 39)

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Hubei Bocheng (Note 2)	Interest of controlled corporations (Note 21)	100% (Note 39)
Wang Muqing	Hubei Jierui (Note 2)	Interest of controlled corporations (Note 22)	100% (Note 39)
Wang Muqing	Huhhot Qibao (Note 2)	Interest of controlled corporations (Note 23)	100% (Note 39)
Wang Muqing	Baotou Baoze (Note 2)	Interest of controlled corporations (Note 24)	70% (Note 39)
Wang Muqing	Nanchang Baoze (Note 2)	Interest of controlled corporations (Note 25)	100% (Note 39)
Wang Muqing	Guangzhou Baoze (Note 2)	Interest of controlled corporations (Note 26)	100% (Note 39)
Wang Muqing	Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. ("Foshan ZT") (Note 2)	Interest of controlled corporations (Note 27)	100% (Note 39)
Wang Muqing	Shangrao City Baozo Automobile Sales Services Co., Ltd. ("Shangrao Baoze") (Note 2)	Interest of controlled corporations (Note 28)	100% (Note 39)
Wang Muqing	Xiangyang Baoze Automobile Sales Services Co., Ltd. ("Xiangyang Baoze") (Note 2)	Interest of controlled corporations (Note 29)	100% (Note 39)
Wang Muqing	Chengdu Baoze Automobile Sales Services Co., Ltd. ("Chengdu Baoze") (Note 2)	Interest of controlled corporations (Note 30)	100% (Note 39)
Wang Muqing	Xiangtan Baoze Automobile Sales Services Co., Ltd. ("Xiangtan Baoze") (Note 2)	Interest of controlled corporations (Note 31)	100% (Note 39)
Wang Muqing	Wulanchabu City Ding Sheng Automobile Sales Services Co., Ltd. ("Wulanchabu Ding Sheng") (Note 2)	Interest of controlled corporations (Note 32)	100% (Note 39)
Wang Muqing	Ganzhou Baoze Automobile Sales Services Co., Ltd. ("Ganzhou Baoze") (Note 2)	Interest of controlled corporations (Note 33)	100% (Note 39)
Wang Muqing	Baotou Zhong Rui Automobile Sales Services Co., Ltd. ("Baotou Zhong Rui") (Note 2)	Interest of controlled corporation (Note 34)	100% (Note 39)
Wang Muqing	Jieyang Ding Jie Automobile Sales Services Co., Ltd. ("Jieyang Dingjie") (Note 2)	Interest of controlled corporations (Note 35)	80% (Note 39)

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Wuhan ZhengTong Second Hand Automobile Brokerage Co., Ltd. ("Wuhan Second Hand Automobile") (Note 2)	Interest of controlled corporations (Note 36)	100% (Note 39)
Wang Muqing	Huhhot Jietong Second Hand Automobile Brokerage Co., Ltd. ("Huhhot Second Hand Automobile") (Note 2)	Interest of controlled corporations (Note 37)	100% (Note 39)
Wang Muqing	Beijing Zhengtong Old Automobile Brokerage Co., Ltd. ("Beijing Old Automobile") (Note 2)	Interest of controlled corporations (Note 38)	100% (Note 39)

Notes:

1. Joy Capital is the direct owner of 1,364,987,500 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. This entity is one of the Group's operating entities in the PRC in which the Group does not have direct shareholding. By a series of contracts entered into by, among others, this entity and certain wholly-owned subsidiaries of the Company, the Group is given effective control over the financial and operational policies of this entity and is vested with the economic benefits and associated risks in connection with the operation and business of this entity. Details and effects of and rationale for these contracts or contracts of similar nature with respect to the operating entity of the Group in the PRC are set out in the section headed "Contractual Arrangements" of the prospectus dated 29 November 2010 published by the Company. By virtue of the legal rights and relationship created by these contracts, this entity constitutes a subsidiary of the Group and an associated corporation of the Company even though the Group does not have direct shareholding in it.

3. Wuhan Kaitai is held as to 100% by Hubei Dingjie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wuhan Kaitai held by Hubei Dingjie which is held by Hubei Shengze, both of which are his controlled corporations.

4. Yichang Baoze is held as to 100% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Yichang Baoze held by Wuhan Baoze which is held by Hubei Shengze, both of which are his controlled corporations.

5. Hubei Xinrui is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Xinrui held by Hubei Shengze, which is his controlled corporation.

6. Zhuhai Baoze is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Baoze held by Hubei Shengze, which is his controlled corporation.

7. Inner Mongolia Dingjie is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Inner Mongolia Dingjie held by Hubei Shengze, which is his controlled corporation.

8. Hubei Dingjie is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Dingjie held by Hubei Shengze, which is his controlled corporation.

9. Changsha Ruibao is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Changsha Ruibao held by Hubei Shengze, which is his controlled corporation.

10. Beijing Baozehang is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Beijing Baozehang held by Hubei Shengze, which is his controlled corporation.

11. Wuhan Baoze is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wuhan Baoze held by Hubei Shengze, which is his controlled corporation.

12. Shanghai Shenxie is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Shenxie held by Hubei Shengze, which is his controlled corporation.

13. Shantou Hongxiang is held as to 80% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shantou Hongxiang held by Hubei Shengze, which is his controlled corporation.

14. Chenzhou Ruibao is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Chenzhou Ruibao held by Hubei Shengze, which is his controlled corporation.

15. Dongguan Jieyunhang is held as to 75% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Dongguan Jieyunhang held by Hubei Shengze, which is his controlled corporation.

16. Shiyan Shenxie is held as to 100% by Hubei Dingjie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shiyan Shenxie held by Hubei Dingjie which is held by Hubei Shengze, both of which are his controlled corporations.

17. Shenxie Shentong is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shenxie Shentong held by Shanghai Shenxie which is held by Hubei Shengze, both of which are his controlled corporations.

18. Shanghai Luda is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Luda held by Shanghai Shenxie which is held by Hubei Shengze, both of which are his controlled corporations.

19. Shanghai Aohui is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Aohui held by Shanghai Shenxie which is held by Hubei Shengze, both of which are his controlled corporations.

20. Inner Mongolia Dingze is held as to 70% by Wuhan Kaitai, which is held by Hubei Dingjie and is in turn held by Hubei Shengze, and as to 30% by Inner Mongolia Dingjie, which is also held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Inner Mongolia Dingze held by Wuhan Kaitai, which is held by Hubei Dingjie and is in turn held by Hubei Shengze, and Inner Mongolia Dingjie, which is also held by Hubei Shengze, all of which are his controlled corporations.

21. Hubei Bocheng is held as to 100% by Shanghai Luda, which is held by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Bocheng held by Shenxie Luda and further held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.

22. Hubei Jierui is held as to 100% by Hubei Bocheng, which is 100% held by Shanghai Luda, which is also 100% held by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Jierui held by Hubei Bocheng, which is held by Shanghai Luda and further held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.

23. Huhhot Qibao is held as to 100% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Huhhot Qibao held by Wuhan Baoze which is held by Hubei Shengze, both of which are his controlled corporations.

24. Baotou Baoze is held as to 70% by Huhhot Qibao, which is held by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Baotou Baoze, which is held by Huhhot Qibao held by Wuhan Baoze, which is further held by Hubei Shengze, all of which are his controlled corporations.

25. Nanchang Baoze is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Nanchang Baoze held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

26. Guangzhou Baoze is held as to 40% by Changsha Ruibao and as to 60% by Wuhan Baoze, the entire equity interest of which are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Baoze held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

27. Foshan ZT is entirely held by Guangzhou Baoze, which is held as to 40% by Changsha Ruibao and as to 60% by Wuhan Baoze, the entire equity interest of which are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Foshan ZT held by Guangzhou Baoze which is held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

28. Shangrao Baoze is entirely held by Nanchang Baoze, which is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shangrao Baoze held by Nanchang Baoze which is held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

29. Xiangyang Baoze is entirely held by Wuhan Baoze, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Xiangyang Baoze held by Wuhan Baoze which is held by Hubei Shengze, both of which are his controlled corporations.

30. Chengdu Baoze is entirely held by Beijing Baozehang, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Chengdu Baoze held by Beijing Baozehang which is held by Hubei Shengze, both of which are his controlled corporations.

31. Xiangtan Baoze is entirely held by Changsha Ruibao, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Xiangtan Baoze held by Changsha Ruibao which is held by Hubei Shengze, both of which are his controlled corporations.

32. Wulanchabu Ding Sheng is entirely held by Inner Mongolia Dingjie, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wulanchabu Ding Sheng held by Inner Mongolia Dingjie which is held by Hubei Shengze, both of which are his controlled corporations.

33. Ganzhou Baoze is entirely held by Nanchang Baoze, which is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Ganzhou Baoze held by Nanchang Baoze which is held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

34. Baotou Zhong Rui is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Baotou Zhong Rui held by Hubei Shengze, which is his controlled corporation.

35. Jieyang Dingjie is held as to 80% by Hubei Dingjie, which is held as to 100% held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Jieyang Dingjie held by Hubei Dingjie and Hubei Shengze, both of which are his controlled corporations.

36. Wuhan Second Hand Automobile is held as to 100% by Hubei Bocheng, which is 100% held by Shanghai Luda, which is also 100% held by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wuhan Second Hand Automobile held by Hubei Bocheng, which is held by Shanghai Luda and further held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.

37. Huhhot Second Hand Automobile is held as to 100% by Huhhot Qibao, which is held as to 100% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Huhhot Second Hand Automobile held by Huhhot Qibao which is held by Wuhan Baoze which is in turn held by Hubei Shengze, all of which are his controlled corporations.

38. Beijing Old Automobile is held as to 100% by Beijing Baozehang, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Beijing Old Automobile held by Beijing Baozehang which is held by Hubei Shengze, both of which are his controlled corporations.

39. The percentage shareholding shown is the equity interest in the relevant subsidiary attributable to Hubei Shengze (or its wholly owned subsidiary). Wang Muqing is interested in approximately 70.4% of the entire registered capital in Hebei Shengze.

Save as disclosed above, as at 31 December 2011, none of the Directors or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the interests or short positions of the substantial shareholders (other than the Directors) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the Shares of the Company:

Name of Shareholders	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding
Joy Capital	Beneficial owner (Note)	1,364,987,500	62.04%
Grand Glory	Interest of controlled corporations (Note)	1,364,987,500	62.04%

Note: Joy Capital is the direct owner of 1,364,987,500 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option schemes, at no time during the reporting period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

NON-COMPETE UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company has received an annual confirmation from the controlling shareholders, Mr. Wang Muqing, Joy Capital and Grand Glory in respect of their compliance with the terms of the non-compete undertakings as described in the Prospectus and that they have not engaged, nor interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year 2011.

The independent non-executive Directors have reviewed the said undertakings and are of the view that Mr. Wang Muqing, Joy Capital and Grand Glory have complied with the non-compete undertakings during the year 2011.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2011 are set out in note 24 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the general staff of the Company is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are proposed by the remuneration committee of the Company to the Board, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

The remuneration of the Directors of the Company are set out in note 8 to the consolidated financial statements.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2011, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules except for the deviation from the code provision A.2.1, detail of which is set out on page 27 to page 37 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code regarding securities transactions of the directors with standards no less exacting than that of the Model Code. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Securities Dealing Code and the Model Code during 2011.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDITORS

The consolidated financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company to be held in 2012.

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM of the Company.

On behalf of the Board

Wang Kunpeng
Chief Executive Officer and Executive Director
26 March 2012

Independent auditor's report to the shareholders of
China ZhengTong Auto Services Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China ZhengTong Auto Services Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 75 to 154, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(Expressed in RMB'000)

		For the year ended 31 December	
	Note	2011	2010
Turnover	4	**14,443,927**	8,034,249
Cost of sales		**(13,058,292)**	(7,307,933)
Gross profit		**1,385,635**	726,316
Other revenue	5	**106,898**	39,305
Other net income	5	**13,169**	7,300
Selling and distribution expenses		**(329,845)**	(191,993)
Administrative expenses		**(319,979)**	(175,557)
Profit from operations		**855,878**	405,371
Finance costs	6(a)	**(128,173)**	(56,146)
Share of profit of a jointly controlled entity		**21,127**	10,355
Gain on remeasurement of previously held equity interest in a jointly controlled entity		**–**	3,177
Gain on bargain purchase		**–**	27,266
Profit before taxation	6	**748,832**	390,023
Income tax	7(a)	**(187,016)**	(90,571)
Profit for the year		**561,816**	299,452
Other comprehensive income for the year:			
Exchange differences on translation of financial statements of foreign operations		**7,174**	1,030
Other comprehensive income for the year, net of tax		**7,174**	1,030
Total comprehensive income for the year		**568,990**	300,482
Profit attributable to:			
Shareholders of the Company		**524,045**	276,004
Non-controlling interests		**37,771**	23,448
Profit for the year		**561,816**	299,452
Total comprehensive income attributable to:			
Shareholders of the Company		**531,219**	277,034
Non-controlling interests		**37,771**	23,448
Total comprehensive income for the year		**568,990**	300,482
Earnings per share	12		
Basic and diluted (RMB cent)		**25.2**	18.0

The notes on pages 81 to 154 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2011
(Expressed in RMB'000)

	Note	At 31 December 2011	2010
Non-current assets			
Property, plant and equipment	14	**984,188**	404,424
Lease prepayments	15	**176,453**	117,864
Intangible assets	16	**4,271,997**	58,601
Goodwill	17	**1,926,551**	16,236
Interest in a jointly controlled entity	19	**141,602**	120,475
Deferred tax assets	28	**21,270**	4,530
		7,522,061	722,130
Current assets			
Inventories	20	**3,244,023**	748,733
Trade and other receivables	21	**2,945,858**	868,442
Pledged bank deposits	22	**1,168,909**	960,928
Time deposits		**11,800**	–
Cash and cash equivalents	23	**1,096,771**	3,432,060
		8,467,361	6,010,163
Current liabilities			
Loans and borrowings	24	**4,220,370**	721,292
Trade and other payables	25	**4,156,397**	1,847,037
Income tax payables	7(c)	**305,935**	73,053
		8,682,702	2,641,382
Net current (liabilities)/assets		**(215,341)**	3,368,781
Total assets less current liabilities		**7,306,720**	4,090,911
Non-current liabilities			
Deferred tax liabilities	28	**984,801**	17,920
		984,801	17,920
NET ASSETS		**6,321,919**	4,072,991
Equity			
Share capital	29	**187,959**	171,420
Reserves		**6,022,445**	3,843,363
Equity attributable to shareholders of the Company		**6,210,404**	4,014,783
Non-controlling interests		**111,515**	58,208
TOTAL EQUITY		**6,321,919**	4,072,991

Approved and authorised for issue by the board of directors on 26 March 2012.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 81 to 154 form part of these financial statements.

BALANCE SHEET

At 31 December 2011
(Expressed in RMB'000)

	Note	At 31 December 2011	2010
Non-current assets			
Property, plant and equipment	14	**700**	–
Investment in subsidiaries	18	**5,582,599**	82,599
		5,583,299	82,599
Current assets			
Trade and other receivables	21	**340,975**	581
Cash and cash equivalents	23	**136,612**	3,020,208
		477,587	3,020,789
Current liabilities			
Loans and borrowings	24	**1,000,000**	–
Trade and other payables	25	**300,000**	22,721
		1,300,000	22,721
Net current (liabilities)/assets		**(822,413)**	2,998,068
Total assets less current liabilities		**4,760,886**	3,080,667
NET ASSETS		**4,760,886**	3,080,667
Equity			
Share capital	29	**187,959**	171,420
Reserves	30	**4,572,927**	2,909,247
TOTAL EQUITY		**4,760,886**	3,080,667

Approved and authorised for issue by the board of directors on 26 March 2012.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 81 to 154 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

(Expressed in RMB'000)

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital reserves	PRC statutory reserves	Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	(note 29)	(note 30(a))	(note 30(b))	(note 30(c))	(note 30(d))	(note 30(e))				
Balance at 1 January 2010	**223,500**	**–**	**(5,641)**	**25,218**	**2,824**	**3,591**	**194,532**	**444,024**	**15,641**	**459,665**
Capital reduction	(25,000)	–	–	–	–	–	–	(25,000)	–	(25,000)
Capital contribution to a subsidiary by non-controlling interests	–	–	2,957	–	–	–	–	2,957	9,068	12,025
Acquisition of a subsidiary through business combinations (note 30(b)(i))	4,000	–	52,440	–	–	–	–	56,440	10,051	66,491
Capitalisation of shareholder's loans (note 30(b)(ii))	–	–	83,195	–	–	–	–	83,195	–	83,195
Capital injection	154,500	–	–	–	–	–	–	154,500	–	154,500
Elimination on the completion of the Reorganisation (note 30(b)(iii))	(348,429)	–	348,429	–	–	–	–	–	–	–
Issue of ordinary shares by initial public offering, net of issuance costs (note 30(a)(i))	42,855	2,972,834	–	–	–	–	–	3,015,689	–	3,015,689
Capitalisation issue (note 30(a)(ii))	119,994	(119,994)	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	1,030	–	276,004	277,034	23,448	300,482
Equity settled share-based transactions	–	–	5,944	–	–	–	–	5,944	–	5,944
Appropriation to reserves	–	–	–	25,309	–	868	(26,177)	–	–	–
Balance at 31 December 2010 and 1 January 2011	**171,420**	**2,852,840**	**487,324**	**50,527**	**3,854**	**4,459**	**444,359**	**4,014,783**	**58,208**	**4,072,991**
Capital contribution by the controlling shareholder of the Company	–	–	10,000	–	–	–	–	10,000	–	10,000
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	6,500	6,500
Issue of ordinary shares by placing, net of issuance costs (note 29(b)(v))	16,539	1,667,516	–	–	–	–	–	1,684,055	–	1,684,055
Acquisition of subsidiary with non-controlling interests (note 31(d))	–	–	–	–	–	–	–	–	39,849	39,849
Acquisition of non-controlling interests in a subsidiary (note 31(e))	–	–	(45,141)	–	–	–	–	(45,141)	(14,859)	(60,000)
Total comprehensive income for the year	–	–	–	–	7,174	–	524,045	531,219	37,771	568,990
Equity settled share-based transactions	–	–	15,488	–	–	–	–	15,488	–	15,488
Dividends	–	–	–	–	–	–	–	–	(15,954)	(15,954)
Appropriation to reserves	–	–	–	42,780	–	–	(42,780)	–	–	–
Balance at 31 December 2011	**187,959**	**4,520,356**	**467,671**	**93,307**	**11,028**	**4,459**	**925,624**	**6,210,404**	**111,515**	**6,321,919**

The notes on pages 81 to 154 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011
(Expressed in RMB'000)

	Note	For the year ended 31 December 2011	2010
Operating activities:			
Profit before taxation		**748,832**	390,023
Adjustments for:			
– Depreciation	6(c)	**58,281**	42,737
– Amortisation of lease prepayments	6(c)	**2,929**	4,039
– Amortisation of intangible assets	6(c)	**15,260**	1,494
– Net gain on disposal of property, plant and equipment	5	**(9,750)**	(6,590)
– Finance costs	6(a)	**128,173**	56,146
– Share of profit of a jointly controlled entity		**(21,127)**	(10,355)
– Gain on remeasurement of previously held equity interest in a jointly controlled entity		**–**	(3,177)
– Gain on bargain purchase		**–**	(27,266)
– Interest income from bank deposits	5	**(24,520)**	(8,874)
– Equity settled share-based transactions	27	**15,488**	5,944
		913,566	444,121
Changes in working capital:			
– Increase in inventories		**(583,891)**	(404,346)
– Increase in trade and other receivables		**(717,579)**	(290,140)
– Decrease/(Increase) in pledged bank deposits		**71,773**	(12,159)
– Increase in trade and other payables		**354,664**	224,101
Cash generated from/(used in) operations		**38,533**	(38,423)
Income tax paid	7(c)	**(98,631)**	(85,184)
Net cash used in operating activities		**(60,098)**	(123,607)
Investing activities:			
Payment for purchase of property, plant and equipment		**(413,995)**	(198,257)
Proceeds from disposal of property, plant and equipment		**40,408**	21,047
Payment for purchase of lease prepayments		**(44,729)**	(17,940)
Acquisition of a jointly controlled entity		**–**	(41,000)
Net cash (used)/assumed in acquisition of subsidiaries	31	**(6,005,470)**	2,662
Advances to related parties		**–**	(464)
Repayment of advances to related parties		**–**	52,217
Increase in time deposits		**(11,800)**	–
Interest received		**24,520**	8,874
Net cash used in investing activities		**(6,411,066)**	(172,861)

The notes on pages 81 to 154 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011
(Expressed in RMB'000)

	Note	For the year ended 31 December 2011	2010
Financing activities:			
Proceeds from loans and borrowings		**4,235,660**	1,823,227
Repayment of loans and borrowings		**(1,592,487)**	(1,367,257)
Net proceeds from issue of ordinary shares		**1,684,055**	3,015,689
Advances from related parties		**–**	59,479
Acquisition of non-controlling interests in a subsidiary	31(e)	**(60,000)**	–
Repayment of advances from related parties		**–**	(53,892)
Distribution to shareholder of the Company as a result of capital reduction		**–**	(25,000)
Capital contribution by controlling shareholder of the Company		**–**	154,500
Capital injection by non-controlling interests		**6,500**	–
Dividends paid		**(15,954)**	–
Interest paid		**(128,173)**	(56,146)
Net cash generated from financing activities		**4,129,601**	3,550,600
Net (decrease)/increase in cash and cash equivalents		**(2,341,563)**	3,254,132
Cash and cash equivalents at beginning of the year		**3,432,060**	176,898
Effect of foreign exchange rate changes		**6,274**	1,030
Cash and cash equivalents at end of the year	23	**1,096,771**	3,432,060
Supplemental disclosure of material non-cash transactions:			
Contribution by the controlling shareholder of the Company		**8,173**	53,778
Land use rights contributed by non-controlling interests		**–**	12,025
Disposal of fixed assets and land use rights to related parties	35(b)	**–**	160,644
Capitalisation of shareholder's loans	35(b)	**–**	83,195

The notes on pages 81 to 154 form part of these financial statements.

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

China ZhengTong Auto Services Holdings Limited (the "Company") was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively, the "Group") are principally engaged in 4S dealership business, motor-related logistics business and lubricant oil trading business in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation completed on 17 November 2010 (the "Reorganisation") to rationalise the Group's structure in preparation for the public offering (the "Offering") of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as defined in the Company's prospectus dated 29 November 2010 (the "Prospectus"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company's shares were listed on the Stock Exchange on 10 December 2010 (the "Listing Date").

Prior to 17 November 2010, the Group's 4S dealership businesses were conducted through various domestic companies established in the PRC (the "PRC Operating Entities"), which were ultimately owned and controlled by the same equity holder, namely Mr. Wang Muqing (hereinafter referred to as the "Controlling Shareholder") through direct or indirect equity holdings in the PRC Operating Entities. On 17 November 2010, Wuhan Shengze Jietong Logistics Co., Ltd. ("Wuhan Jietong"), an indirect wholly-owned subsidiary of the Company, entered into certain agreements (the "Contractual Arrangements") with the PRC Operating Entities and their respective equity holders. The Contractual Arrangements, taken as a whole, enable Wuhan Jietong to have effective control over the operating and financial policies of the PRC Operating Entities and to obtain the economic benefits from the businesses of the PRC Operating Entities. The directors of the Group are of the view that, notwithstanding the lack of equity ownership, the Contractual Arrangements effectively provide Wuhan Jietong the power to govern and control the PRC Operating Entities so as to obtain benefits from their business activities. As a result, the Group retained control of the PRC Operating Entities and continued to obtain the economic benefits from the 4S dealership businesses by executing the Contractual Arrangements. Accordingly, the PRC Operating Entities are included in the Group's consolidated financial statements as controlled subsidiaries.

All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the Controlling Shareholder both before and after the Reorganisation. Since there was a continuation of the risks and benefits to the Controlling Shareholder, the Reorganisation is considered to be a combination of entities under common control. These financial statements have been prepared using the merger basis of accounting as if the current Group structure had always been in existence at the beginning of the earliest year presented.

All material intra-group transactions and balances have been eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in a jointly controlled entity.

These consolidated financial statements are presented in Renminbi ("RMB") which is the Group's presentation currency, rounded to the nearest thousand, except for earnings per share information. These consolidated financial statements have been prepared on the historical cost basis, except for otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 37.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

As at 31 December 2011, the Group had net current liabilities of approximately RMB215,341,000. The directors are of the opinion that, based on 1) a cash flow forecast prepared by the directors for the twelve months ending 31 December 2012, the Group will be able to generate adequate cash flows from its continuing operations; and 2) the Group has unutilised bank facilities of RMB1,583,115,000 as of 31 December 2011, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2011 on a going concern basis.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's balance sheet, an investment in subsidiaries is stated at cost less impairment losses (see note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling shareholder.

The assets and liabilities of the combining entities or businesses are consolidated at the carrying amounts previously recognised in the respective controlling shareholder's financial statements.

The consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when 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 comparative amounts in the consolidated financial statements are presented as if the combining entities or businesses had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(e) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the other comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30-40 years after the date of completion.
–	Leasehold improvements	Over the shorter of the un-expired term of the lease and 5 years
–	Plant and machinery	10 years
–	Motor vehicles	5 years
–	Office equipment and furniture	5 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditures relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Any other subsequent expenditure is recognised in profit or loss as an expense as incurred.

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the consolidated balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

–	Car dealership	20 years
–	Favourable lease contracts	Over the unexpired term of lease, being 1-10 years

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Lease prepayments

Lease prepayments represent the cost of acquiring land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 2(j)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any event or change in circumstances indicates that the carrying amount may not be recoverable, an impairment loss is determined and recognised as follows:

For trade and other receivable carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the provision account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the respective balance sheet dates to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– intangible assets;

– investments in jointly controlled entities;

– investments in subsidiaries; and

– goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase after deducting rebates from suppliers 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 necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expenses in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

The Group derecognises trade and other receivables when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on trade and other receivables in a transaction in which substantially all the risks and rewards of ownership of trade and other receivables are transferred.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Interest-bearing borrowings are derecognised when the Group's contractual obligations are discharged, cancelled or expire.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Trade and other payables are derecognised when the Group's contractual obligations are discharged, cancelled or expired.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the consolidated statement of comprehensive income as incurred.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Sales of motor spare parts

Revenue arising from the sale of motor spare parts is recognised when significant risks and rewards of ownership have been transferred to the buyers.

(iii) Maintenance services income

Revenue arising from maintenance services is recognised when the relevant service is rendered without further performance obligations.

(iv) Logistics services income and other related services income

Revenue arising from logistics services and other related services is recognised when the service is rendered to customers.

(v) Sales of lubricant oil

Revenue arising from the sales of lubricant oil is recognised when lubricant oil is delivered at the customers' premises.

(vi) Commission income

Commission income is recognised at the time when the services concerned are rendered to customers.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The segment information is reported to the chief executive officer of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance.

3 CHANGES IN ACCOUNTING POLICIES

The HKIPCA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKAS 24 (revised 2009), Related party disclosures

– Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of the above are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. These amendments do not have any material impact on the disclosures of the Group's financial instruments in the financial statements.

4 TURNOVER

The Group is mainly engaged in sales of passenger automobile, motor spare parts, provision of maintenance services, provision of logistics services and sales of lubricant oil. Turnover represents the sales of goods and services income rendered to customers.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sales of motor vehicles	**12,952,725**	7,009,426
Sales of motor spare parts	**242,579**	127,821
Provision of maintenance services	**804,801**	473,694
Provision of logistics services	**150,149**	167,397
Sales of lubricant oil	**293,673**	255,911
	14,443,927	8,034,249

5 OTHER REVENUE AND NET INCOME

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Other revenue:		
Commission income	**81,042**	28,585
Interest income from bank deposits	**24,520**	8,874
Rental income	**–**	1,242
Others	**1,336**	604
	106,898	39,305
Other net income:		
Net gain on disposal of property, plant and equipment	**9,750**	6,590
Others	**3,419**	710
	13,169	7,300

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Note	For the year ended 31 December 2011 RMB'000	2010 RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings wholly repayable within 5 years		**71,995**	22,318
	Other finance costs	(i)	**56,178**	33,828
			128,173	56,146
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**260,202**	131,505
	Contributions to defined contribution retirement plans	(ii)	**17,730**	7,846
	Equity settled share-based payment expenses	27	**15,488**	5,944
			293,420	145,295

(i) It mainly represents the interest expenses arising from discount of bills.

(ii) Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

		For the year ended 31 December 2011 RMB'000	2010 RMB'000
(c)	**Other items:**		
	Cost of inventories	**12,891,630**	7,160,227
	Depreciation	**58,281**	42,737
	Amortisation of lease prepayments	**2,929**	4,039
	Amortisation of intangible assets	**15,260**	1,494
	Operating lease charges	**58,611**	18,903
	Net foreign exchange loss	**10,029**	7,038
	Auditors' remuneration	**6,400**	1,500

7 INCOME TAX

(a) Income tax in the consolidated statement of comprehensive income represents:

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Current tax:		
Provision for income tax for the year	**193,111**	96,179
Deferred tax:		
Origination of temporary differences (note 28)	**(6,095)**	(5,608)
	187,016	90,571

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax was made for the subsidiaries located in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) In accordance with the relevant PRC corporate income tax laws and its implementation rules, certain subsidiaries in Mainland China are entitled to tax concessions and tax relief whereby the profits of these subsidiaries are taxed at preferential income tax rates. Taxation of the Group's subsidiaries in Mainland China is calculated using the applicable preferential income tax rates granted to these subsidiaries.

According to the PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprises.

The Group's subsidiaries in the PRC are directly or indirectly held by the Group's intermediate holding company, Rising Wave Development Limited ("Rising Wave") and Wealth Fame Holdings Limited ("Wealth Fame"), both of which are Hong Kong tax residents. Since the Group can control the quantity and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

7 INCOME TAX (continued)

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

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit before taxation	**748,832**	390,023
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**187,208**	97,506
Non-deductible expenses	**8,523**	6,772
Effect of tax concessions	**(3,171)**	(2,586)
Non-taxable income on:		
– Share of profits recognised under the equity method	**(5,282)**	(2,589)
– Gain on remeasurement of previously held equity interest in a jointly controlled entity	**–**	(794)
– Gain on bargain purchase	**–**	(6,817)
Others	**(262)**	(921)
Income tax	**187,016**	90,571

(c) Income tax payables in the consolidated balance sheet represent:

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Balance at beginning of the year	**73,053**	60,506
Acquisition of subsidiaries through business combinations (note 31)	**138,402**	1,552
Provision for current income tax for the year	**193,111**	96,179
Payment during the year	**(98,631)**	(85,184)
Balance at the end of the year	**305,935**	73,053

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2011

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share-based payments	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (note iv)	RMB'000	RMB'000
Executive Directors						
Wang Kunpeng	–	630	397	1,457	12	2,496
Li Zhubo	–	568	372	1,457	23	2,420
Cao Limin (note (i))	–	348	117	1,457	11	1,933
Liu Dongli	–	564	376	1,457	30	2,427
Chen Tao (note (ii))	–	450	264	–	15	729
Shao Yong Jun (note (iii))	–	315	136	–	6	457
Non-executive Director						
Wang Muqing	–	–	–	–	–	–
Independent non-executive Directors						
Wong Tin Yau, Kelvin	244	–	–	–	–	244
Tan Xiangyong	244	–	–	–	–	244
Zhang Yansheng	244	–	–	–	–	244
	732	2,875	1,662	5,828	97	11,194

8 DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2010

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share-based payments	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (note iv)	RMB'000	RMB'000
Executive Directors						
Wang Kunpeng	–	180	–	568	1	749
Li Zhubo	–	108	–	568	12	688
Cao Limin	–	180	–	568	12	760
Liu Dongli	–	108	–	568	36	712
Non-executive Directors						
Wang Muqing	–	–	–	–	–	–
Chen Tao	–	–	–	–	–	–
Independent non-executive Directors						
Wong Tin Yau, Kelvin	32	–	–	–	–	32
Tan Xiangyong	32	–	–	–	–	32
Zhang Yansheng	32	–	–	–	–	32
	96	576	–	2,272	61	3,005

Notes:

(i) Mr. Cao Limin resigned as executive Director on 18 August 2011.

(ii) Mr. Chen Tao was re-designated as executive Director from non-executive Director on 12 March 2011.

(iii) Mr. Shao Yong Jun was appointed as executive Director on 18 August 2011.

(iv) It represents the estimated value of share options granted to the directors under the Company's pre-IPO employee share option plan. The value of these share options is measured according to the Company's accounting policies for share-based payment transactions as set out in note 2(p)(iii). Details are disclosed in note 27.

No directors of the Company waived or agreed to waive any remuneration during the year. During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, three (2010: Nil) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2010: five) individuals are as follows:

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	**360**	320
Discretionary bonuses	**2,084**	2,324
Contributions to retirement benefit schemes	**6**	84
Share-based payments	**44**	124
	2,494	2,852

The above two individuals' emoluments are within the band of HK$1,000,001 to HK$1,500,000 in 2011 (2010: Nil to HK$1,000,000).

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2011 includes a loss of RMB19,324,000 (2010: a loss of RMB23,565,000) which has been dealt with in the financial statements of the Company.

11 DIVIDEND

The Company did not declare the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

12 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2011 was based on the profit attributable to shareholders of the Company for the year of RMB524,045,000 (2010: RMB276,004,000) and the weighted average number of shares in issue during the year ended 31 December 2011 of 2,078,904,110 (2010: 1,530,136,986).

Weighted average number of ordinary shares

	For the year ended 31 December	
	2011	2010
Issued ordinary shares at 1 January	**2,000,000,000**	1,500,000,000
Effect of shares issued on initial public offering (note 29(b)(iii))	**–**	30,136,986
Effect of shares issued upon placing (note 29(b)(v))	**78,904,110**	–
Weighted average number of ordinary shares at 31 December	**2,078,904,110**	1,530,136,986

The pre-IPO employee share option scheme (see note 27) does not give rise to any dilution effect on the Company's earnings per share and there were no dilutive potential ordinary shares throughout the years ended 31 December 2011 and 2010, and therefore, the basic and diluted earnings per share are the same.

13 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments:

1 4S dealership business

4S dealership business mainly includes sales of motor vehicles, motor spare parts and provision of maintenance services through the Group's network of 4S dealerships in the PRC.

2 Logistics business

Logistics business mainly includes provision of motor-related logistics services.

3 Lubricant oil business

Lubricant oil business mainly includes trading of lubricant oil.

As neither of logistics business nor lubricant oil business has exceeded the quantitative threshold for determining a reportable segment, they are grouped together to form one reportable segment. Consequently, the Group has two reportable segments, namely "4S dealership business" and "Logistics and lubricant oil businesses".

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

- The measure used for reporting segment profit is profit before taxation. To arrive at profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs, other revenue, other net income and finance costs.

- Segment assets include all current and non-current assets with the exception of intangible assets, goodwill, deferred tax assets and unallocated head office assets. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities and unallocated head office liabilities.

13 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

- In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment sales), loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

	4S dealership business Year ended 31 December		Logistics and lubricant oil businesses Year ended 31 December		Total Year ended 31 December	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover from external customers	**14,000,105**	7,610,941	**443,822**	423,308	**14,443,927**	8,034,249
Inter-segment turnover	**–**	–	**7,127**	5,044	**7,127**	5,044
Reportable segment turnover	**14,000,105**	7,610,941	**450,949**	428,352	**14,451,054**	8,039,293
Reportable segment profit	**707,701**	362,430	**86,943**	60,897	**794,644**	423,327
Depreciation and amortisation for the year	**72,246**	43,450	**4,224**	4,820	**76,470**	48,270
Reportable segment assets	**8,720,709**	3,358,051	**1,161,123**	414,035	**9,881,832**	3,772,086
Additions to non-current segment assets during the year	**729,524**	230,236	**697**	12,382	**730,221**	242,618
Reportable segment liabilities	**(8,489,035)**	(2,396,624)	**(642,530)**	(280,816)	**(9,131,565)**	(2,677,440)
Interest in a jointly controlled entity	**–**	–	**141,602**	120,475	**141,602**	120,475

13 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment turnover, profit before taxation, assets and liabilities

	For the year ended 31 December 2011 RMB'000	2010 RMB'000
Turnover:		
Reportable segment turnover	**14,451,054**	8,039,293
Elimination of inter-segment turnover	**(7,127)**	(5,044)
Consolidated turnover	**14,443,927**	8,034,249
Profit before taxation:		
Reportable segment profit	**794,644**	423,327
Unallocated head office expenses	**(37,706)**	(23,763)
Other revenue	**106,898**	39,305
Other net income	**13,169**	7,300
Finance costs	**(128,173)**	(56,146)
Consolidated profit before taxation	**748,832**	390,023

	At 31 December 2011 RMB'000	2010 RMB'000
Assets:		
Reportable segment assets	**9,881,832**	3,772,086
Intangible assets	**4,271,997**	58,601
Goodwill	**1,926,551**	16,236
Deferred tax assets	**21,270**	4,530
Unallocated head office assets	**643,620**	3,020,927
Elimination of inter-segment receivables	**(755,848)**	(140,087)
Consolidated total assets	**15,989,422**	6,732,293
Liabilities:		
Reportable segment liabilities	**(9,131,565)**	(2,677,440)
Non-trade payables due to related parties	**–**	(7,180)
Income tax payables	**(305,935)**	(73,053)
Deferred tax liabilities	**(984,801)**	(17,920)
Unallocated head office liabilities	**(1,050)**	(23,796)
Elimination of inter-segment payables	**755,848**	140,087
Consolidated total liabilities	**(9,667,503)**	(2,659,302)

(c) Geographic information

As the Group solely operates in the PRC, no geographical segment information has been presented.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment and furniture	Construction in progress	Sub-total	Investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2010	235,996	22,467	50,388	58,769	34,994	45,345	447,959	13,220	461,179
Acquisition of a subsidiary through business combinations	6,100	–	267	1,213	624	–	8,204	–	8,204
Additions	13,252	3,878	25,757	69,157	10,343	82,062	204,449	–	204,449
Transfer	124,429	–	190	–	–	(124,619)	–	–	–
Disposals	(111,733)	–	(163)	(20,516)	(3,778)	–	(136,190)	(13,220)	(149,410)
At 31 December 2010 and 1 January 2011	268,044	26,345	76,439	108,623	42,183	2,788	524,422	–	524,422
Acquisition of subsidiaries through business combinations (note 31)	79,211	33,651	29,092	106,794	16,847	6,962	272,557	–	272,557
Additions	83,409	4,830	34,857	105,671	30,802	136,577	396,146	–	396,146
Transfer	74,413	4,071	860	–	–	(79,344)	–	–	–
Disposals	(54)	–	(491)	(38,878)	(4,011)	–	(43,434)	–	(43,434)
At 31 December 2011	**505,023**	**68,897**	**140,757**	**282,210**	**85,821**	**66,983**	**1,149,691**	**–**	**1,149,691**
Accumulated depreciation:									
At 1 January 2010	32,423	8,554	15,476	29,074	21,789	–	107,316	2,581	109,897
Charge for the year	14,345	5,915	5,887	11,132	5,143	–	42,422	315	42,737
Written back on disposals	(19,740)	–	(49)	(6,672)	(3,279)	–	(29,740)	(2,896)	(32,636)
At 31 December 2010 and 1 January 2011	27,028	14,469	21,314	33,534	23,653	–	119,998	–	119,998
Charge for the year	12,785	4,091	8,550	25,145	7,710	–	58,281	–	58,281
Written back on disposals	(2)	–	(255)	(10,255)	(2,264)	–	(12,776)	–	(12,776)
At 31 December 2011	**39,811**	**18,560**	**29,609**	**48,424**	**29,099**	**–**	**165,503**	**–**	**165,503**
Net book value:									
At 31 December 2011	**465,212**	**50,337**	**111,148**	**233,786**	**56,722**	**66,983**	**984,188**	**–**	**984,188**
At 31 December 2010	241,016	11,876	55,125	75,089	18,530	2,788	404,424	–	404,424

14 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Leasehold improvements	Office equipment and furniture	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2010 and 2011	–	–	–
Additions	729	33	762
At 31 December 2011	**729**	**33**	**762**
Accumulated depreciation:			
At 1 January 2010 and 2011	–	–	–
Charge for the year	61	1	62
At 31 December 2011	**61**	**1**	**62**
Net book value:			
At 31 December 2011	**668**	**32**	**700**
At 31 December 2010	–	–	–

(a) The Group's buildings are located in the PRC. The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB67,714,949 as at 31 December 2011 (2010: RMB56,657,057). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2011.

(b) Property, plant and equipment with carrying amount of RMB77,003,000 are pledged against bank loans (see note 24) as at 31 December 2011 (2010: RMB4,503,000).

(c) The Group leased out property, plant and equipment under operating leases. The lease typically runs for an initial period of 1-3 years. None of the leases include contingent rentals. The Group's total minimum lease receipts under non-cancellable operating leases are receivable as follows:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**–**	3,384

15 LEASE PREPAYMENTS

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**127,708**	164,369
Additions	**44,729**	29,965
Acquisition of subsidiaries through business combinations (note 31)	**16,789**	–
Disposal	**–**	(66,626)
At 31 December	**189,226**	127,708
Accumulated amortisation:		
At 1 January	**(9,844)**	(14,104)
Charge for the year	**(2,929)**	(4,039)
Written back on disposals	**–**	8,299
At 31 December	**(12,773)**	(9,844)
Net book value:		
At 31 December	**176,453**	117,864

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 23 to 50 years when granted.

Lease prepayments with carrying amount of RMB52,655,000 are pledged against bank loans (see note 24) as at 31 December 2011 (2010: RMB5,099,000).

16 INTANGIBLE ASSETS

	The Group				
	Car dealerships	**Favourable lease contracts**	**Trademark**	**Club debenture**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2010	–	–	–	363	363
Acquisition of a subsidiary through business combination	59,732	–	–	–	59,732
At 31 December 2010 and 1 January 2011	59,732	–	–	363	60,095
Acquisition of subsidiaries through business combinations (note 31)	3,829,020	36,904	362,732	–	4,228,656
At 31 December 2011	**3,888,752**	**36,904**	**362,732**	**363**	**4,288,751**
Accumulated amortisation:					
At 1 January 2010	–	–	–	–	–
Charge for the year	(1,494)	–	–	–	(1,494)
At 31 December 2010 and 1 January 2011	(1,494)	–	–	–	(1,494)
Charge for the year	(13,952)	(1,308)	–	–	(15,260)
At 31 December 2011	**(15,446)**	**(1,308)**	**–**	**–**	**(16,754)**
Net book Value:					
At 31 December 2011	**3,873,306**	**35,596**	**362,732**	**363**	**4,271,997**
At 31 December 2010	58,238	–	–	363	58,601

The car dealerships arise from relationship with automobile manufacturers, with an estimated useful life of 20 years. The fair value of the car dealerships as at the respective acquisition dates was determined by using the multiple-period excess earning method.

The trademark, arising from the acquisition of Top Globe Limited, has an indefinite useful life because it is expected to contribute net cash inflows to the Group indefinitely. The fair value of the trademark as at the acquisition date was determined by using the relief from royalty method.

The amortisation charge for the year is included in “administrative expenses” in the consolidated statement of comprehensive income.

17 GOODWILL

	The Group At 31 December 2011 RMB'000	The Group At 31 December 2010 RMB'000
At 1 January	**16,236**	–
Acquisition of subsidiaries through business combinations (note 31)	**1,910,315**	16,236
At 31 December	**1,926,551**	16,236

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units identified according to the reportable segments as follow:

	The Group At 31 December 2011 RMB'000	The Group At 31 December 2010 RMB'000
4S dealership business	**1,926,551**	16,236

The recoverable amount of this cash-generating unit is determined based on fair value less cost to sell, which was assessed by management based on a market value basis as at 31 December 2011.

18 INVESTMENT IN SUBSIDIARIES

	The Company As at 31 December 2011 RMB'000	The Company As at 31 December 2010 RMB'000
Investment, at cost	**5,582,599**	82,599

18 INVESTMENT IN SUBSIDIARIES (continued)

As of 31 December 2011, the Company, either through legal ownership or implementation of the Contractual Arrangements, has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Big Glory International Limited (浩榮國際有限公司)		British Virgin Islands ("BVI") 22 June 2006	US$100	100%	–	Investment holding
Top Globe Limited (同方有限公司)		British Virgin Islands ("BVI") 27 August 2007	US$100	100%	–	Investment holding
Acme Joy Group Limited		British Virgin Islands ("BVI") 28 April 2011	US$50,000	–	100%	Investment holding
Chang Jun Limited (昌駿控股有限公司)		British Virgin Islands ("BVI") 16 June 2011	US$100	–	100%	Investment holding
Silver Journey Global Limited		British Virgin Islands ("BVI") 6 July 2011	US$50,000	–	100%	Investment holding
Rising Wave Development Limited (升濤發展有限公司)		Hong Kong 21 April 2006	HK$100	–	100%	Investment holding
Wealth Fame Holdings Limited (佳名集團有限公司)		Hong Kong 19 July 2007	HK$1	–	100%	Investment holding
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)		Hong Kong 10 November 2008	HK$10,000	–	100%	Investment holding
Wuhan Shengze Jietong Logistics Co., Ltd. (武漢聖澤捷通物流有限公司)	(i)	The PRC 22 November 2002	RMB399,539,000	–	100%	Provision of auto-mobile related logistic services
Shanghai Shenxie Automobile Trading Co., Ltd. (上海紳協汽車貿易有限公司)	(ii)	The PRC 21 April 1999	RMB50,000,000	–	100%	Automobile dealership
Shanghai Yige Science & Technology Trading Co., Ltd. (上海繹格科工貿有限公司)	(iii)	The PRC 25 September 2002	RMB15,000,000	–	50%	Distribution of lubricant oil

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hubei Dingjie Automobile Sales Services Co., Ltd. (湖北鼎傑汽車銷售服務有限公司)	(ii)	The PRC 12 December 2002	RMB55,000,000	–	100%	Automobile dealership
Inner Mongolia Dingjie Automobile Trading Co., Ltd. (內蒙古鼎傑汽車貿易有限公司)	(ii)	The PRC 23 January 2003	RMB7,000,000	–	100%	Automobile dealership
Hubei Bocheng Automobile Sales Services Co., Ltd. (湖北博誠汽車銷售服務有限公司)	(ii)	The PRC 30 May 2003	RMB20,000,000	–	100%	Automobile dealership
Wuhan Kaitai Automobile Sales Services Co., Ltd. (武漢開泰汽車銷售服務有限公司)	(ii)	The PRC 20 October 2003	RMB10,000,000	–	100%	Automobile dealership
Hubei Xinrui Automobile Sales Services Co., Ltd. (湖北欣瑞汽車銷售服務有限公司)	(ii)	The PRC 18 March 2004	RMB10,000,000	–	100%	Automobile dealership
Wuhan Baoze Automobile Sales Services Co., Ltd. (武漢寶澤汽車銷售服務有限公司)	(ii)	The PRC 26 May 2004	RMB70,000,000	–	100%	Automobile dealership
Shiyan Shenxie Automobile Trading Co., Ltd. (十堰紳協汽車貿易有限公司)	(ii)	The PRC 18 June 2004	RMB19,000,000	–	100%	Automobile dealership
Shanghai Luda Automobile Sales Services Co., Ltd. (上海陸達汽車銷售服務有限公司)	(ii)	The PRC 8 November 2004	RMB10,000,000	–	100%	Automobile dealership
Changsha Ruibao Automobile Sales Services Co., Ltd. (長沙瑞寶汽車銷售服務有限公司)	(ii)	The PRC 21 June 2005	RMB20,000,000	–	100%	Automobile dealership
Hubei Jierui Automobile Sales Services Co., Ltd. (湖北捷瑞汽車銷售服務有限公司)	(ii)	The PRC 24 June 2005	RMB22,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huhhot Qibao Automobile Sales Services Co., Ltd. (呼和浩特市祺寶汽車銷售服務有限公司)	(ii)	The PRC 23 February 2006	RMB10,000,000	–	100%	Automobile dealership
Yichang Baoze Automobile Sales Services Co., Ltd. (宜昌寶澤汽車銷售服務有限公司)	(ii)	The PRC 13 June 2006	RMB8,000,000	–	100%	Automobile dealership
Chenzhou Ruibao Automobile Sales Services Co., Ltd. (郴州瑞寶汽車銷售服務有限公司)	(ii)	The PRC 6 September 2006	RMB6,000,000	–	100%	Automobile dealership
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. (上海紳協紳通汽車銷售服務有限公司)	(ii)	The PRC 31 January 2007	RMB15,000,000	–	100%	Automobile dealership
Nanchang Baoze Automobile Sales Services Co., Ltd. (南昌寶澤汽車銷售服務有限公司)	(ii)	The PRC 2 June 2008	RMB29,000,000	–	100%	Automobile dealership
Zhuhai Baoze Automobile Sales Services Co., Ltd. (珠海寶澤汽車銷售服務有限公司)	(ii)	The PRC 27 June 2008	RMB30,000,000	–	100%	Automobile dealership
Shanghai Aohui Automobile Sales Services Co., Ltd. (上海奧滙汽車銷售服務有限公司)	(ii)	The PRC 4 December 2008	RMB10,000,000	–	100%	Automobile dealership
Guangzhou Baoze Automobile Sales Services Co., Ltd. (廣州寶澤汽車銷售服務有限公司)	(ii)	The PRC 20 April 2009	RMB30,000,000	–	100%	Automobile dealership
Dongguan Jieyunhang Automobile Sales Services Co., Ltd. (東莞捷運行汽車銷售服務有限公司)	(ii)	The PRC 6 July 2009	RMB10,000,000	–	75%	Automobile dealership
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)	(ii)	The PRC 6 August 2009	RMB26,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Baozehang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司)	(ii)	The PRC 16 October 2009	RMB90,000,000	–	100%	Automobile dealership
Inner Mongolia Dingze Automobile Sales Services Co., Ltd. (內蒙古鼎澤汽車銷售服務有限公司)	(ii)	The PRC 27 October 2009	RMB20,000,000	–	100%	Automobile dealership
Shantou Hongxiang Materials Co., Ltd. (汕頭市宏祥物資有限公司)	(ii)	The PRC 12 July 2000	RMB5,000,000	–	80%	Automobile dealership
Shangrao Baoze Automobile Sales Services Co., Ltd. (上饒市寶澤汽車銷售服務有限公司)	(ii)	The PRC 2 November 2010	RMB10,000,000	–	100%	Automobile dealership
Ganzhou Baoze Automobile Sales Services Co., Ltd. (贛州寶澤汽車銷售服務有限公司)	(ii)	The PRC 3 December 2010	RMB10,000,000	–	100%	Automobile dealership
Xiangyang Baoze Automobile Sales Services Co., Ltd. (襄陽寶澤汽車銷售服務有限公司)	(ii)	The PRC 1 November 2010	RMB10,000,000	–	100%	Automobile dealership
Xiangtan Baoze Automobile Sales Services Co., Ltd. (湘潭寶澤汽車銷售服務有限公司)	(ii)	The PRC 9 November 2010	RMB10,000,000	–	100%	Automobile dealership
Ulanqab Dingsheng Automobile Sales Services Co., Ltd. (烏蘭察布市鼎盛汽車銷售服務有限公司)	(ii)	The PRC 29 October 2010	RMB5,000,000	–	100%	Automobile dealership
Chengdu Baoze Automobile Sales Services Co., Ltd. (成都寶澤汽車銷售服務有限公司)	(ii)	The PRC 17 November 2010	RMB10,000,000	–	100%	Automobile dealership
Wuhan Shengtong Investment Management Co., Ltd. (武漢升通投資管理有限公司)		The PRC 22 April 2011	RMB10,000,000	–	100%	Investment holding
Baotou Luze Automobile Sales Services Co., Ltd. (包頭市路澤汽車銷售服務有限公司)		The PRC 4 May 2011	RMB20,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ganzhou Yizezhiye Co., Ltd. (贛州益澤置業有限公司)		The PRC 19 November 2010	RMB10,000,000	–	100%	Real Estate Development
Xiangtan Yizezhiye Co., Ltd. (湘潭益澤置業有限公司)		The PRC 18 November 2010	RMB10,000,000	–	100%	Real Estate Development
Shangrao Yizezhiye Co., Ltd. (上饒市益澤置業有限公司)		The PRC 18 November 2010	RMB10,000,000	–	100%	Real Estate Development
Ulanqab Yizezhiye Co., Ltd. (烏蘭察布市益澤置業有限公司)		The PRC 21 December 2010	RMB10,000,000	–	100%	Real Estate Development
Hubei Aoze Automobile Sales Services Co., Ltd. (湖北奧澤汽車銷售服務有限公司)		The PRC 25 May 2011	RMB20,000,000	–	100%	Automobile parts sales
Lhasa Jinsheng Automobile Sales Co., Ltd. (拉薩金勝汽貿有限公司)		The PRC 13 April 2011	RMB20,000,000	–	100%	Automobile parts sales
Qingdao Huacheng Automobile Services Co., Ltd. (青島華成汽車服務有限公司)		The PRC 8 March 2001	RMB8,800,000	–	100%	Automobile dealership
Shantou Lujie Automobile Sales Services Co., Ltd. (汕頭市路傑汽車銷售服務有限公司)		The PRC 2 September 2011	RMB10,000,000	–	75%	Automobile dealership
Lhasa Hongjin Automobile Sales Co., Ltd. (拉薩弘進汽貿有限公司)		The PRC 12 April 2011	RMB15,000,000	–	100%	Automobile parts sales
Henan Jintangsheng Automobile Co., Ltd. (河南省錦堂盛汽車有限公司)		The PRC 7 May 2008	RMB10,000,000	–	100%	Automobile dealership
Zhengzhou Jiwo Automobile Sales Services Co., Ltd. (鄭州吉沃汽車銷售服務有限公司)		The PRC 3 June 2010	RMB10,000,000	–	100%	Automobile dealership
ZhengTong Automobile Investment Holding (Wuhan) Co., Ltd. (正通汽車投資控股(武漢)有限公司)	(i)	The PRC 29 March 2011	RMB600,000,000	–	100%	Investment holding
Chengdu Qibao Automobile Sales Services Co., Ltd. (成都祺寶汽車銷售服務有限公司)		The PRC 13 July 2011	RMB50,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wuhan ZhengTong Second Hand Automobile Brokerage Co., Ltd. (武漢正通二手車經紀有限公司)	(ii)	The PRC 27 June 2011	RMB500,000	–	100%	Automobile Trading Agency
Beijing ZhengTong Old Automobile Brokerage Co., Ltd. (北京正通舊機動車經紀有限公司)	(ii)	The PRC 5 May 2011	RMB500,000	–	100%	Automobile Trading Agency
Huhhot Jietong Second Hand Automobile Brokerage Co., Ltd. (呼和浩特市捷通二手車經紀有限公司)	(ii)	The PRC 16 June 2011	RMB500,000	–	100%	Automobile Trading Agency
Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. (佛山正通眾鋭汽車銷售服務有限公司)	(ii)	The PRC 18 April 2011	RMB10,000,000	–	100%	Automobile dealership
Baotou Zhongrui Automobile Sales Service Co., Ltd. (包頭眾鋭汽車銷售服務有限公司)	(ii)	The PRC 21 September 2010	RMB10,000,000	–	100%	Automobile dealership
ZhengTong Automobile Services Co., Ltd. (正通汽車服務有限公司)		The PRC 1 September 2011	RMB50,000,000	–	100%	Automobile parts sales
Jiangxi Deao Automobile Sales Services Co., Ltd. (江西德奧汽車銷售服務有限公司)		The PRC 17 September 2002	RMB5,000,000	–	100%	Automobile dealership
Huhhot Jieyun Automobile Sales Services Co., Ltd. (呼和浩特市捷運行汽車銷售服務有限公司)		The PRC 29 December 2011	RMB10,000,000	–	100%	Automobile dealership
Jieyang Dingjie Automobile Sales Services Co., Ltd. (揭陽鼎傑汽車銷售服務有限公司)	(ii)	The PRC 19 July 2011	RMB20,000,000	–	80%	Automobile dealership
Shenzhen Roadmate Technology Co., Ltd. (深圳路美特科技有限公司)	(iv)	The PRC 15 March 2004	US$2,100,000	–	100%	Investment holding
Shenzhen SCAS Investment Group Co., Ltd. (深圳市中汽南方投資集團有限公司)		The PRC 21 May 2001	RMB50,000,000	–	100%	Investment holding

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Yema Automobile Trading Co., Ltd. (深圳野馬汽車貿易有限公司)		The PRC 15 June 1993	RMB15,000,000	–	100%	Investment holding
Shenzhen SCAS Electric Machinery Co., Ltd. (深圳市中汽南方機電設備有限公司)		The PRC 25 November 1996	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Automobile Maintenance Co., Ltd. (深圳市中汽南方汽車維修有限公司)		The PRC 14 August 2000	RMB2,000,000	–	100%	Provision of automobile maintenance services
Guangdong SCAS Automobile Sales Services Co., Ltd. (廣東中汽南方汽車銷售服務有限公司)		The PRC 21 July 2004	RMB10,000,000	–	100%	Automobile dealership
Dongguan SCAS Automobile Sales Services Co., Ltd. (東莞中汽南方汽車銷售服務有限公司)		The PRC 30 July 2004	RMB5,000,000	–	100%	Automobile dealership
Zhongshan SCAS Automobile Sales Services Co., Ltd. (中山中汽南方汽車銷售服務有限公司)		The PRC 29 April 2011	RMB5,000,000	–	100%	Automobile dealership
Zhuhai SCAS Automobile Sales Services Co., Ltd. (珠海中汽南方汽車銷售服務有限公司)		The PRC 10 March 2005	RMB5,000,000	–	100%	Automobile dealership
Hunan SCAS Automobile Sales Services Co., Ltd. (湖南中汽南方汽車銷售服務有限公司)		The PRC 26 May 2005	RMB10,000,000	–	90%	Automobile dealership
Hainan SCAS Automobile Sales Services Co., Ltd. (海南中汽南方汽車銷售服務有限公司)		The PRC 23 May 2008	RMB1,000,000	–	100%	Automobile dealership
Fujian SCAS Automobile Sales Services Co., Ltd. (福建中汽南方汽車銷售服務有限公司)		The PRC 29 April 2005	RMB10,000,000	–	100%	Automobile dealership
Beijing SCAS North China Automobile Services Co., Ltd. (北京中汽南方華北汽車服務有限公司)		The PRC 2 July 2001	RMB10,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Beijing BWWR Automobile Sales Services Co., Ltd. (北京百旺沃瑞汽車銷售服務有限公司)		The PRC 27 March 2008	RMB5,000,000	–	100%	Automobile dealership
Beijing Dewanlong Trading Co., Ltd. (北京德万隆經貿有限公司)		The PRC 9 September 1999	RMB10,000,000	–	100%	Automobile dealership
Beijing SCAS Zhongguan Automobile Sales Co., Ltd. (北京中汽南方中關汽車銷售有限公司)		The PRC 19 March 2010	RMB5,000,000	–	100%	Automobile dealership
Tianjin SCAS Automobile Sales Services Co., Ltd. (天津中汽南方汽車銷售服務有限公司)		The PRC 21 May 2004	RMB10,000,000	–	100%	Automobile dealership
Tianjin Automobile Industry SCAS Sales Co., Ltd. (天津汽車工業銷售深圳南方有限公司)		The PRC 28 November 1995	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengxing Automobile Sales Services Co., Ltd. (深圳市南方騰星汽車銷售服務有限公司)		The PRC 15 May 2006	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd. (深圳市南方英菲尼迪汽車銷售服務有限公司)		The PRC 19 October 2006	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Changfu Automobile Sales Co., Ltd. (深圳市中汽南方長福汽車銷售有限公司)		The PRC 10 December 2004	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengtian Automobile Sales Services Co., Ltd. (深圳市南方騰田汽車銷售服務有限公司)		The PRC 24 March 2006	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd. (深圳市南方騰龍汽車銷售服務有限公司)		The PRC 5 December 2005	RMB5,000,000	–	100%	Automobile dealership
Shenzhen SCAS Toyota Automobile Sales Services Co., Ltd. (深圳南方丰田汽車銷售服務有限公司)		The PRC 9 April 2002	RMB10,000,000	–	100%	Automobile dealership

18 INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd. (清遠南方合眾汽車銷售服務有限公司)		The PRC 31 December 2009	RMB3,000,000	–	100%	Automobile dealership
Qingyuan SCAS Heda Automobile Sales Services Co., Ltd. (清遠南方合達汽車銷售服務有限公司)		The PRC 26 October 2010	RMB8,000,000	–	100%	Automobile dealership
Qingyuan SCAS Toyota Automobile Sales Services Co., Ltd. (清遠南方丰田汽車銷售服務有限公司)		The PRC 17 October 2008	RMB10,000,000	–	100%	Automobile dealership

Notes:

(i) These entities are incorporated in the PRC as wholly foreign-owned enterprises by Rising Wave Development Limited.

(ii) These are PRC Operating Entities ultimately controlled by the Controlling Shareholder through Contractual Arrangements.

(iii) This entity is considered a subsidiary of the Group because the Group has power to govern the financial and operating policies of this entity by virtue of an agreement signed with another equity shareholder which holds 50% interest in this entity, that results in the Group has the power to appoint the sole director of the entity.

(iv) This entity is incorporated in the PRC as a wholly foreign-owned enterprise by Wealth Fame Holdings Limited.

(v) Except for Big Glory International Limited, Rising Wave Development Limited, Tongda Group (China) Co., Ltd., Silver Journey Global Limited, Acme Joy Group Limited, Chang Jun Limited, Top Globe Limited and Wealth Fame Holdings Limited, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

19 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Share of net assets	**141,602**	120,475

Details of the Group's interest in the jointly controlled entity are as follows:

			Proportion of ownership interest		
Name of the investee	**Place of incorporation/ establishment**	**Particulars of issued and paid up capital**	**Group's effective interest**	**held by subsidiaries**	**Principal activities**
Guangzhou Fengshen Logistics Co., Ltd.	The PRC	RMB60,000,000	50%	50%	Provision of automobile related logistic

Summary of financial information on jointly controlled entity

	Assets	**Liabilities**	**Equity**	**Revenue**	**Profit**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010					
100 per cent	418,409	177,459	240,950	605,761	31,681
Group's effective interest	209,205	88,730	120,475	223,997	10,355
31 December 2011					
100 per cent	**698,177**	**414,973**	**283,204**	**1,000,106**	**42,254**
Group's effective interest	**349,089**	**207,487**	**141,602**	**500,053**	**21,127**

For the periods presented, no adjustments have been made (or are necessary) to conform the jointly controlled entity's accounting policies to those of the Group as there are no material differences between the accounting policies adopted by the jointly controlled entity and the Group.

20 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Motor vehicles	**3,039,142**	675,918
Automobile spare parts	**199,173**	69,609
Others	**5,708**	3,206
	3,244,023	748,733

As at 31 December 2011, inventories carried at net realisable value amounted to approximately RMB3,141,000 (2010: Nil).

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Carrying amount of inventories sold	**12,891,630**	7,160,227

Inventories with carrying amount of RMB1,330,287,000 have been pledged as security for the bills payable (see note 25) as at 31 December 2011 (2010: RMB413,281,000).

Inventories with carrying amount of RMB159,734,000 have been pledged as security for loans and borrowings from banks and other financial institutions (see note 24) as at 31 December 2011 (2010: RMB45,311,000).

21 TRADE AND OTHER RECEIVABLES

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**291,207**	131,247	**–**	–
Bills receivable	**7,887**	4,409	**–**	–
	299,094	135,656	**–**	–
Prepayments	**1,374,323**	480,129	**7,840**	–
Deposit within an escrow account (note 31(d))	**300,000**	–	**300,000**	–
Other receivables and deposits	**972,159**	252,657	**215**	581
Receivables due from third parties	**2,945,576**	868,442	**308,055**	581
Receivables due from subsidiaries	**–**	–	**32,920**	–
Receivables due from related parties (note 35(d))	**282**	–	**–**	–
Trade and other receivables	**2,945,858**	868,442	**340,975**	581

All of the trade and other receivables are expected to be recovered within one year.

Trade and other receivables with carrying amount of RMB38,500,000 are pledged against bank loans (see note 24) as at 31 December 2011 (2010: Nil).

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Current	**279,644**	133,608
Less than 1 month past due	**–**	–
1 to 3 months past due	**7,201**	1,525
3 to 12 months past due	**10,055**	523
1 year past due	**2,194**	–
Total amount past due	**19,450**	2,048
	299,094	135,656

Details on the Group's credit policy are set out in note 32(a).

22 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Bank loans (note 24)	**18,554**	10,120
Bills payable (note 25)	**1,150,355**	950,808
Total	**1,168,909**	960,928

The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payable.

23 CASH AND CASH EQUIVALENTS

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposit with banks within 3 months of maturity	**5,910**	984,439	**–**	984,439
Cash at banks and on hand	**1,090,861**	2,447,621	**136,612**	2,035,769
Cash and cash equivalents in consolidated cash flow statements	**1,096,771**	3,432,060	**136,612**	3,020,208

24 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unsecured bank loans (i)	**1,955,652**	418,400	**–**	–
Secured bank loans (ii)	**1,208,541**	270,277	**–**	–
Secured borrowings from other financial institutions (iii)	**56,177**	32,615	**–**	–
Other secured borrowing (v)	**1,000,000**	–	**1,000,000**	–
Sub-total	**2,264,718**	302,892	**1,000,000**	–
Total	**4,220,370**	721,292	**1,000,000**	–

At the respective balance sheet dates, loans and borrowings were secured by assets of the Group as follows:

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans and borrowings:				
– secured by assets of the Group (iv)	**1,264,718**	302,892	**–**	–
– secured by shares (v)	**1,000,000**	–	**1,000,000**	–
Total	**2,264,718**	302,892	**1,000,000**	–

(i) Unsecured bank loans carried interest at annual rates ranging from 6.06% to 9.00% as at 31 December 2011 (2010: from 5.10% to 6.11%).

(ii) Secured bank loans carried interest at annual rates ranging from 4.88% to 7.87% as at 31 December 2011 (2010: from 5.10% to 6.10%).

(iii) Borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 6.99% to 8.50% as at 31 December 2011 (2010: from 5.81% to 6.97%).

24 LOANS AND BORROWINGS (continued)

(iv) As at 31 December 2011, the following assets of the Group had been pledged to secure for the Group's banking facilities totalling to RMB1,543,570,000 (2010: RMB302,892,000):

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Inventories	**159,734**	45,311
Pledged bank deposits	**18,554**	10,120
Property, plant and equipment	**77,003**	4,503
Lease prepayments	**52,655**	5,099
Trade and other receivables	**38,500**	–
Total	**346,446**	65,033

As of 31 December 2011, the above banking facilities were utilised to the extent of RMB1,264,718,000 (2010: RMB302,892,000).

Certain banking facilities of the Group's subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: Nil).

(v) Other secured borrowing represents a loan obtained from – Easy Honour Limited, an independent third party, on 29 December 2011. The loan bears a fixed annual interest rate of 10% and is repayable on 29 December 2012.

The loan was secured by the Group's entire equity interest in Top Globe Limited ("Top Globe"), which was acquired by the Group on 22 December 2011 (see note 31(d)). Total net asset value of Top Globe and its subsidiaries as at 31 December 2011 was approximately RMB1,054,701,000.

25 TRADE AND OTHER PAYABLES

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**131,339**	39,956	**–**	–
Bills payable	**2,865,830**	1,515,172	**–**	–
	2,997,169	1,555,128	**–**	–
Receipts in advance	**543,644**	159,364	**–**	–
Other payables and accruals	**615,584**	121,521	**300,000**	22,721
Payables due to third parties	**4,156,397**	1,836,013	**300,000**	22,721
Payables due to related parties (note 35(d))	**–**	11,024	**–**	–
Trade and other payables	**4,156,397**	1,847,037	**300,000**	22,721

All trade and other payables are expected to be settled within one year.

Bills payable of RMB1,150,355,000 as at 31 December 2011 (2010: RMB950,808,000) were secured by pledged bank deposits (see note 22).

Bills payable of RMB1,715,475,000 as at 31 December 2011 (2010: RMB564,364,000) were secured by inventories (see note 20).

An ageing analysis of trade and bills payables is as follows:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Due within 3 months	**2,981,984**	1,480,539
Due after 3 months but within 6 months	**14,303**	53,787
Due after 6 months but within 12 months	**882**	20,802
	2,997,169	1,555,128

26 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities where the subsidiaries are registered whereby these PRC subsidiaries are required to make a contribution at the respective local rates of the eligible employees' salaries to the Schemes. The Group has accrued for the required pension fund contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employee covered under the Schemes.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution passed on 9 August 2010, the Company adopted a pre-IPO employee share option scheme (the "Option Scheme") whereby 93 employees of the Group were granted the rights to subscribe for share options of the Company. A total number of 23,435,900 share options were granted on 10 August 2010, 20 August 2010 and 10 November 2010 respectively, with an exercise price equivalent to RMB1.5, RMB2.0 and RMB2.5 for type 1, type 2 and type 3 correspondingly.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees on:			
10 August 2010 including:			
Type 1	17,540,700	50% on 1 January 2012,	5.61 years
		25% on 1 January 2013,	4.61 years
		25% on 1 January 2014	3.61 years
Type 2	2,062,400	50% on 1 April 2012,	5.36 years
		25% on 1 April 2013,	4.36 years
		25% on 1 April 2014	3.36 years
Type 3	1,452,000	50% on 1 July 2012,	5.11 years
		25% on 1 July 2013,	4.11 years
		25% on 1 July 2014	3.11 years
20 August 2010 including:			
Type 3	2,018,800	50% on 1 July 2012,	5.14 years
		25% on 1 July 2013,	4.14 years
		25% on 1 July 2014	3.14 years
10 November 2010 including:			
Type 3	362,000	50% on 1 July 2012,	5.36 years
		25% on 1 July 2013,	4.36 years
		25% on 1 July 2014	3.36 years
Total share options granted	23,435,900		

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**RMB1.7**	**23,435,900**	–	–
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**RMB1.7**	**(772,400)**	–	–
Granted during the year	**–**	**–**	RMB1.7	23,435,900
Outstanding at the end of the year	**RMB1.7**	**22,663,500**	RMB1.7	23,435,900
Exercisable at the end of the year		**–**		–

The options outstanding at 31 December 2011 had a weighted average remaining contractual life of 3.76 years (2010: 4.76 years).

Total expenses of RMB15,488,000 (2010: RMB5,944,000) were recognised as personnel expenses during the year ended 31 December 2011 (see note 6(b)).

No share options were exercised during the year.

28 DEFERRED TAX ASSETS AND LIABILITIES

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

The Group:

	Fair value adjustment arising from business combination	Depreciation allowances in excess of depreciation charges	Future benefits of tax losses	Inventory provision	Deferred revenue	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets/(liabilities) arising from:							
At 1 January 2010	–	(6,209)	2,373	–	–	–	(3,836)
Acquisition of a subsidiary through business combination	(15,162)	–	–	–	–	–	(15,162)
Credited/(charged) to profit or loss (note 7(a))	379	2,277	(972)	–	–	3,924	5,608
At 31 December 2010 and 1 January 2011	(14,783)	(3,932)	1,401	–	–	3,924	(13,390)
Acquisition of subsidiaries through business combination (note 31)	(968,919)	(3,415)	3,059	771	5,185	7,083	(956,236)
Credited/(charged) to profit or loss (note 7(a))	3,827	–	5,920	–	857	(4,509)	6,095
At 31 December 2011	**(979,875)**	**(7,347)**	**10,380**	**771**	**6,042**	**6,498**	**(963,531)**

	The Group At 31 December 2011	At 31 December 2010
	RMB'000	RMB'000
Representing:		
Net deferred tax assets	**21,270**	4,530
Net deferred tax liabilities	**(984,801)**	(17,920)
	(963,531)	(13,390)

Deferred tax liabilities not recognised:

At 31 December 2011, temporary differences relating to the Group's undistributed profits of subsidiaries located in the PRC amounted to RMB873,691,000 (2010: RMB390,175,000). Deferred tax liabilities of RMB84,606,000 (2010: RMB39,018,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

29 SHARE CAPITAL

The share capital of the Group represents the issued capital of the Company at the respective balance sheet dates.

Movements in the authorised share capital of the Company during the year are as follows:

		2011		2010	
	Note	Number of shares (thousand)	Amount HK$('000)	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised (note (a)):					
Ordinary shares of HK$0.10 each		**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid (note (b)):					
At 9 July 2010 (date of incorporation)/ 1 January 2011	(i)	**2,000,000**	**200,000**	1,000	100
Increase in share capital on 17 November 2010	(ii)	**–**	**–**	99,000	9,900
Issues of ordinary shares by initial public offering	(iii)	**–**	**–**	500,000	50,000
Capitalisation issue	(iv)	**–**	**–**	1,400,000	140,000
Issues of ordinary shares under placing	(v)	**200,000**	**20,000**	–	–
At 31 December		**2,200,000**	**220,000**	2,000,000	200,000
RMB equivalent ('000)			**187,959**		171,420

(a) Authorised share capital

The Company was incorporated in the Cayman Islands on 9 July 2010 with an authorised share capital of HK$100,000, divided into 1,000,000 shares of par value of HK$0.1 each.

Pursuant to a resolution dated 17 November 2010 passed by the Company's then sole shareholder, namely Joy Capital Holdings Limited ("Joy Capital"), the authorised number of ordinary shares was increased from 1,000,000 to 20,000,000,000 by the creation of 19,999,000,000 new shares of par value of HK$0.1 each.

(b) Issued share capital

The following sets out the changes in the Company's issued share capital since the date of its incorporation:

(i) The Company was incorporated on 9 July 2010 with issued capital of 1,000,000 ordinary shares at HK$0.1 each. The issued capital was subsequently credited as fully paid.

(ii) On 17 November 2010, the Company allotted and issued, credited as fully paid, an aggregate of 99,000,000 shares to Joy Capital.

(iii) On 10 December 2010, the Company issued 500,000,000 new ordinary shares of HK$0.1 each by way of the Offering to Hong Kong and overseas investors. Consequently, RMB42,855,000 (equivalent to HK$50,000,000) were recorded in share capital.

29 SHARE CAPITAL (continued)

(b) Issued share capital (continued)

(iv) Pursuant to a resolution dated 17 November 2010 passed by Joy Capital, the Company capitalised, out of the share premium as of 10 December 2010, HK$140,000,000 in paying up in full at par 1,400,000,000 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 November 2010.

(v) Pursuant to a share placing agreement dated 28 July 2011, the Company completed a share placing by issuing 200,000,000 ordinary shares at a price of HK$10.45 per share on 9 August 2011. Consequently, RMB16,539,000 (equivalent to HK$20,000,000) were recorded in share capital.

30 RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Attributable to shareholders of the Company			
	Share premium	**Capital reserves**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	–	–	–	–
Elimination on the completion of the Reorganisation (note 30(b)(iv))	–	74,028	–	74,028
Issue of ordinary shares by initial public offering, net of issuance costs (note 30(a)(i))	2,972,834	–	–	2,972,834
Capitalisation issue (note 30(a)(ii)	(119,994)	–	–	(119,994)
Equity settled share-based transactions (note 27)	–	5,944	–	5,944
Total comprehensive income for the year	–	–	(23,565)	(23,565)
Balance at 31 December 2010 and 1 January 2011	**2,852,840**	**79,972**	**(23,565)**	**2,909,247**
Issue of ordinary shares by placing, net of issuance costs (note 30(a)(iii))	1,667,516	–	–	1,667,516
Equity settled share-based transactions (note 27)	–	15,488	–	15,488
Total comprehensive income for the year	–	–	(19,324)	(19,324)
Balance at 31 December 2011	**4,520,356**	**95,460**	**(42,889)**	**4,572,927**

30 RESERVES (continued)

(a) Share premium

(i) On 10 December 2010, the Company issued 500,000,000 new ordinary shares of HK$0.1 each at a price of HK$7.3 per share by way of the Offering to Hong Kong and overseas investors. Net proceeds from the Offering amounted to RMB3,015,689,000 (after offsetting issuance costs of RMB112,726,000), out of which RMB42,855,000 and RMB2,972,834,000 were recorded in share capital and share premium respectively.

(ii) Pursuant to a resolution dated 17 November 2010 passed by Joy Capital, the Company capitalised, out of the share premium as of 10 December 2010, HK$140,000,000 (equivalent to RMB119,994,000) in paying up in full at par 1,400,000,000 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 November 2010.

(iii) Pursuant to a share placing agreement dated 28 July 2011, the Company completed a share placing by issuing 200,000,000 ordinary shares at a price of HK$10.45 per share on 9 August 2011.

Total net proceeds, after deducting issuance costs of HK$53,559,000, amounted to HK$2,036,441,000 (equivalent to approximately RMB1,684,055,000), of which HK$20,000,000 (equivalent to approximately RMB16,539,000) was credited to share capital and the remaining HK$2,016,441,000 (equivalent to approximately RMB1,667,516,000) was credited to the share premium account.

(b) Capital reserves

(i) On 28 June 2010, the Controlling Shareholder acquired 80% equity interest in Shantou Hongxiang Materials Co., Ltd. and contributed to the Group by way of the Contractual Arrangements as further described in note 1. The total consideration was RMB56,440,000, out of which RMB4,000,000 and RMB52,440,000 were recorded in share capital and capital reserve, respectively.

(ii) On 29 September 2010, the Group settled all the loans from the Controlling Shareholder, with a carrying amount of RMB83,195,000, by capitalization (note 35(b)).

(iii) On 17 November 2010, the Company became the holding company of the Group, and the combined share capital of RMB348,429,000 were eliminated on consolidation.

(iv) On 17 November 2010, the Company issued additional 99,000,000 ordinary shares of HK$0.1 each to Joy Capital for acquiring its entire equity interest in Big Glory International Limited, with a carrying amount of RMB82,599,000 (note 18). The Company credited all 100,000,000 ordinary shares outstanding as of 17 November 2010 as fully paid, amounting to HK$10,000,000 (equivalent to RMB8,571,000). The remaining RMB74,028,000 was recorded in the capital reserve.

30 RESERVES (continued)

(c) PRC statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(d) Exchange reserves

Foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(t).

(e) Discretionary surplus reserves

The transfer to this reserve from the retained earnings of the companies comprising the Group which are incorporated in the PRC is subject to the approval by the respective boards of directors' meeting. Its usage is similar to that of statutory surplus reserve.

(f) Distributable reserves

The Company was incorporated on 9 July 2010. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, all reserves of the Company may be applied for payment of distributions or dividends to equity holders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2011, distributable reserves of the Company amounted to RMB4,572,927,000 (31 December 2010: RMB2,909,247,000).

30 RESERVES (continued)

(g) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose the Group defines net debt as interest-bearing loans and borrowings, bills payable less cash and cash equivalents, time deposits and pledged bank deposits, and capital is defined as the total equity.

The net debt-to-capital ratios at 31 December 2011 and 31 December 2010 were as follows:

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans and borrowings (note 24)	**4,220,370**	721,292	**1,000,000**	–
Bills payable (note 25)	**2,865,830**	1,515,172	**–**	–
Total borrowings	**7,086,200**	2,236,464	**1,000,000**	–
Less: Pledged bank deposits (note 22)	**(1,168,909)**	(960,928)	**–**	–
Time deposits	**(11,800)**	–	**–**	–
Cash and cash equivalents (note 23)	**(1,096,771)**	(3,432,060)	**(136,612)**	(3,020,208)
Net debt/(cash)	**4,808,720**	(2,156,524)	**863,388**	(3,020,208)
Total equity	**6,321,919**	4,072,991	**4,760,886**	3,080,667
Net debt-to-capital ratio	**0.76**	(0.53)	**0.18**	(0.98)

The Group is subject to capital requirements imposed by certain banks as disclosed in note 24(iv).

31 BUSINESS COMBINATION

(a) Lhasa Hongjin Auto Trading Company Limited ("Lhasa Hongjin")

On 25 April 2011, the Group acquired 100% equity interest in Lhasa Hongjin from an independent third party at a total consideration of RMB167,200,000. Lhasa Hongjin and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major assets consist of one Audi 4S dealership store located in Nanchang, Jiangxi Province, the PRC.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 14)	11,790	–	11,790
Car dealership (note 16)	–	118,240	118,240
Inventories	16,814	–	16,814
Trade and other receivables	35,630	–	35,630
Cash and cash equivalents	63,100	–	63,100
Trade and other payables	(117,859)	–	(117,859)
Income tax payables	(5,807)	–	(5,807)
Deferred tax assets/(liabilities) (note 28)	291	(29,560)	(29,269)
Net identified assets	3,959	88,680	92,639
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			92,639
Goodwill arising from the acquisition (note 17)			74,561
Total consideration			167,200
Analysis of the net cash outflow in respect of the acquisition:			
Cash consideration paid			165,421
Less: cash acquired			(63,100)
Net cash outflow in acquisition			102,321

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and profit that Lhasa Hongjin contributed to the Group during year ended 31 December 2011 are RMB415,655,000 and RMB26,263,000, respectively. If the acquisition had occurred on 1 January 2011, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been RMB14,592,799,000 and RMB555,576,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2011.

31 BUSINESS COMBINATION (continued)

(b) Acme Joy Group Limited ("Acme Joy")

On 26 June 2011, the Group acquired 100% equity interest in Acme Joy from an independent third party at a total consideration of RMB327,360,000. Acme Joy and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major assets consist of one Audi 4S dealership store located in Qingdao, Shandong Province, the PRC.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 14)	14,550	–	14,550
Car dealership (note 16)	–	206,450	206,450
Favourable lease contracts (note 16)	–	23,751	23,751
Inventories	55,701	–	55,701
Trade and other receivables	18,452	–	18,452
Cash and cash equivalents	39,679	–	39,679
Trade and other payables	(97,807)	–	(97,807)
Income tax payables	(3,215)	–	(3,215)
Deferred tax assets/(liabilities) (note 28)	294	(57,550)	(57,256)
Net identified assets	27,654	172,651	200,305
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			200,305
Goodwill arising from the acquisition (note 17)			127,055
Total consideration			327,360
Analysis of the net cash outflow in respect of the acquisition:			
Cash consideration paid			326,729
Less: cash acquired			(39,679)
Net cash outflow in acquisition			287,050

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and profit that Acme Joy contributed to the Group during year ended 31 December 2011 are RMB355,839,000 and RMB22,638,000, respectively. If the acquisition had occurred on 1 January 2011, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been RMB14,719,691,000 and RMB563,038,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2011.

31 BUSINESS COMBINATION (continued)

(c) Silver Journey Global Limited ("SJ Global")

On 31 August 2011, the Group acquired 100% equity interest of SJ Global from an independent third party at a total consideration of RMB205,000,000. SJ Global and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major assets consist of two Volvo 4S dealership stores located in Zhengzhou, Henan Province, the PRC.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 14)	5,297	–	5,297
Car dealerships (note 16)	–	111,850	111,850
Favourable lease contracts (note 16)	–	3,620	3,620
Inventories	37,496	–	37,496
Trade and other receivables	19,613	–	19,613
Cash and cash equivalents	18,229	–	18,229
Trade and other payables	(50,048)	–	(50,048)
Income tax payables	(1,047)	–	(1,047)
Deferred tax liabilities (note 28)	–	(28,868)	(28,868)
Net identified assets	29,540	86,602	116,142
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			116,142
Goodwill arising from the acquisition (note 17)			88,858
Total consideration			205,000
Analysis of the net cash outflow in respect of the acquisition:			
Cash consideration paid			203,637
Less: cash acquired			(18,229)
Net cash outflow in acquisition			185,408

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and profit that SJ Global contributed to the Group during the year ended 31 December 2011 are RMB118,745,000 and RMB7,581,000, respectively. If the acquisition had occurred on 1 January 2011, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been RMB14,645,957,000 and RMB569,066,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2011.

31 BUSINESS COMBINATION (continued)

(d) Top Globe Limited ("Top Globe")

On 23 August 2011, the Group entered into a share purchase agreement (as supplemented by a supplemental agreement dated 29 November 2011) with Exactwin Limited, an independent third party, to acquire 100% equity interest in Top Globe at a total consideration of RMB5,500,000,000. Top Globe and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major assets mainly consist of 22 dealership stores, mainly including Volvo, Land Rover and Jaguar, in the PRC. The above acquisition was approved by the Company's shareholders at the extraordinary general meeting held on 22 December 2011 and was completed on the same date.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 14)	240,920	–	240,920
Lease prepayments (note 15)	7,036	9,753	16,789
Car dealerships (note 16)	–	3,392,480	3,392,480
Trademark (note 16)	–	362,732	362,732
Favourable lease contracts (note 16)	–	9,533	9,533
Inventories	1,801,388	–	1,801,388
Trade and other receivables	953,902	–	953,902
Cash and cash equivalents	69,309	–	69,309
Pledged bank deposits	279,754	–	279,754
Trade and other payables	(1,381,718)	–	(1,381,718)
Short-term loans	(855,905)	–	(855,905)
Income tax payables	(128,333)	–	(128,333)
Deferred tax assets/(liabilities) (note 28)	12,098	(852,941)	(840,843)
Net identified assets	998,451	2,921,557	3,920,008
Non-controlling interests arising from the acquisition			(39,849)
Goodwill arising from the acquisition (note 17)			1,619,841
Total consideration			5,500,000
Analysis of the net cash outflow in respect of the acquisition:			
Cash consideration paid			5,200,000
Cash paid to an escrow account (note 21)			300,000
Less: cash acquired			(69,309)
Net cash outflow in acquisition			5,430,691

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

31 BUSINESS COMBINATION (continued)

(d) Top Globe Limited ("Top Globe") (continued)

The revenue and profit that Top Globe contributed to the Group during the year ended 31 December 2011 are RMB752,992,000 and RMB56,250,000, respectively. If the acquisition had occurred on 1 January 2011, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been RMB24,412,934,000 and RMB947,284,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2011.

(e) Acquisition of non-controlling interests

In December 2011, the Group acquired additional 30% interest in Baotou Baoze Automobile Sales Services Co., Ltd ("Baotou Baoze") for RMB60 million in cash, increasing its ownership from 70% to 100%. The carrying amount of Baotou Baoze's net assets in the Group's consolidated financial statements on the date of the acquisition was approximately RMB50 million. The Group recognised a decrease in non-controlling interests of approximately RMB15 million and a decrease in capital reserve of approximately RMB45 million.

The followings summaries the effect of changes in the Group's ownership interest in Baotou Baoze.

	The Group At 31 December 2011 RMB'000
The Group's ownership interest at 1 January	25,009
Effect of increase in the Group's ownership interest	14,859
Share of comprehensive income	9,662
The Group's ownership interest at 31 December	49,530

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalent, time deposits, pledged bank deposits, and trade and other receivables. Financial liabilities of the Group include loans and borrowings, and trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

– credit risk

– liquidity risk

– interest rate risk

– foreign currency risk

– fair value

The Company's board of directors (the "Board") has the overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, which is normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

At the respective balance sheet dates, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2011 represented 40% of the total trade and other receivables (2010: 81%), while 13% of the total trade and other receivables were due from the largest single debtor (2010: 34%).

The Group does not provide any other guarantees outside the Group which would expose the Group to credit risk.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

As at 31 December 2011, the Group had net current liabilities of RMB215,341,000 (2010: net current assets of RMB3,368,781,000). Based on the detailed review of the working capital forecast of the Group for the year ending 31 December 2012, and of the anticipated ability of the Group to obtain continued bank financing to finance its continuing operation, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

The following are the contractual maturities of the Group's financial liabilities at 31 December 2011, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

The Group

	At 31 December 2011				At 31 December 2010			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Balance sheet carrying amount**	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	**4,393,121**	**–**	**4,393,121**	**4,220,370**	763,211	–	763,211	721,292
Trade and other payables	**4,156,397**	**–**	**4,156,397**	**4,156,397**	1,847,037	–	1,847,037	1,847,037
	8,549,518	**–**	**8,549,518**	**8,376,767**	2,610,248	–	2,610,248	2,568,329

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Liquidity risk (continued)

The Company

	At 31 December 2011				At 31 December 2010			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	1,099,452	–	1,099,452	1,000,000	–	–	–	–
Trade and other payables	300,000	–	300,000	300,000	22,721	–	22,721	22,721
	1,399,452	–	1,399,452	1,300,000	22,721	–	22,721	22,721

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, time deposits, pledged bank deposits, and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with fixed interest rates ranging from 0.01% to 0.5% per annum as at 31 December 2011 (2010: 0.36%-0.87%). Time deposits are with fixed interest rates ranging from 1.35% to 2.75% per annum as at 31 December 2011 (2010: nil). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 0.36% to 1.98% per annum as at 31 December 2011 (2010: 1.71% to 2.75%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2011 are set as follows:

		The Group At 31 December	
	Interest Rate	2011	2010
		RMB'000	RMB'000
Fixed rate borrowings	6.56% to 10.00%	1,086,983	107,478
Variable rate borrowings	4.88% to 9.00%	3,133,387	613,814
		4,220,370	721,292

		The Company At 31 December	
	Interest Rate	2011	2010
		RMB'000	RMB'000
Fixed rate borrowings	10.00%	1,000,000	–

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2011, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB13,087,000 (2010: RMB3,671,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2010.

(d) Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands.

(e) Fair values

At 31 December 2011 and 2010, all financial assets and liabilities were carried at amounts not materially different from their fair values.

33 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at 31 December 2011 not provided for in the consolidated financial statements were as follows:

	The Group At 31 December	
	2011	2010
	RMB'000	RMB'000
Contracted for	**48,738**	12,506
Authorised but not contracted for	**–**	–
	48,738	12,506

The Company has no capital commitments outstanding at 31 December 2011.

33 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group At 31 December		The Company At 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**117,542**	34,697	**1,503**	–
After 1 year but within 5 years	**303,709**	78,659	**1,503**	–
After 5 years	**258,905**	83,763	**–**	–
	680,156	197,119	**3,006**	–

The Group leases a number of warehouses, lands and office premises under operating leases. The leases typically run for an initial period between 1 and 20 years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES

Financial guarantees issued

As at 31 December 2011, the Company has issued guarantees to certain banks in respect of banking facilities granted to certain subsidiaries which remain in force so long as the subsidiaries have drawn down under the banking facilities.

As at 31 December 2011, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 December 2011 under the guarantees by the Company is the aggregate amount of the facilities drawn down by the subsidiaries of RMB974,763,000 (2010: Nil).

35 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
Wang Muqing 王木清	Controlling Shareholder
Xu Ling 徐淩	Daughter-in-law of the Controlling Shareholder
Hubei Shengze Industry Co., Ltd. ("Hubei Shengze") 湖北聖澤實業有限公司	Controlled by the Controlling Shareholder
Beijing Jiaruiya Automobile Sales and Service Co., Ltd. ("Beijing Jiaruiya") 北京嘉瑞雅汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Hubei Ruishi Automobile Sales and Service Co., Ltd. ("Hubei Ruishi") 湖北瑞獅汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Lushi Automobile Sales and Service Co., Ltd. ("Shanghai Lushi") 上海陸獅汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Shenxie Shenqi Automobile Sales and Service Co., Ltd. ("Shanghai Shenxie Shenqi") 上海紳協紳起汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Inner Mongolia Huadun Automobile Trading Co., Ltd. ("Inner Mongolia Huadun") 內蒙古華頓汽車貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Xinboheng Trading Co., Ltd. ("Wuhan Xinboheng") 武漢欣博恒貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Zhongcheng Automobile Sales and Service Co., Ltd. ("Wuhan Zhongcheng") 武漢眾成汽車銷售服務有限公司	Controlled by the Controlling Shareholder

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

Name of party	Relationship
Shanghai Shenrui Automobile Sales and Service Co., Ltd. (“Shanghai Shenrui”) 上海紳瑞汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Jingdezhen Jishun Transportation Co., Ltd. (“Jingdezhen Jishun”) 景德鎮吉順汽車運輸有限公司	Controlled by the Controlling Shareholder
Beijing Baoze Automobile Technology Development Co., Ltd. (“Beijing Baoze Technology”) 北京寶澤汽車科技發展有限公司	Controlled by the Controlling Shareholder
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. (“Inner Mongolia Shengze Dingjie”) 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Changsha Shengze Ruibao Electronics Trading Co., Ltd. (“Changsha Shengze Ruibao”) 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Shengze Dingjie Automobile Trading Co., Ltd. (“Shanghai Shengze Dingjie”) 上海聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Baotou Zhongrui Automobile Sales Service Co., Ltd. (“Baotou Zhongrui”) 包頭眾鋭汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jieyun Trading Co., Ltd. (“Wuhan Jieyun”) 武漢聖澤捷運貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jiezhong Logistics Co., Ltd. (“Wuhan Jiezhong”) 武漢聖澤捷眾物流有限公司	Controlled by the Controlling Shareholder
Shanghai Dingze Auto-trading Co., Ltd. (“Shanghai Dingze Auto-trading”) 上海鼎澤汽車貿易有限公司	Controlled by the Controlling Shareholder

Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Recurring transactions

	The Group For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Rental expense:		
Hubei Shengze	**3,624**	3,684
Beijing Baoze Technology	**6,516**	3,801
Inner Mongolia Shengze Dingjie	**1,092**	273
Changsha Shengze Ruibao	**2,100**	525
Wuhan Jieyun	**6,300**	2,100
Wuhan Jiezhong	**1,500**	500
	21,132	10,883

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

(b) Non-recurring transactions

	The Group For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Rendering of motor-related services:		
Shanghai Lushi	**–**	98
Shanghai Shenxie Shenqi	**–**	266
Wuhan Zhongcheng	**–**	198
Shanghai Shenrui	**–**	172
	–	734
Receipt of motor-related services:		
Shanghai Shenxie Shenqi	**–**	3
Wuhan Zhongcheng	**–**	8,032
	–	8,035
Sales of motor vehicles:		
Beijing Jiaruiya	**–**	193
Shanghai Shenxie Shenqi	**–**	90
Wuhan Zhongcheng	**–**	2,872
	–	3,155
Purchases of motor vehicles:		
Shanghai Shenxie Shenqi	**–**	3,061

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Non-recurring transactions (continued)

	The Group For the year ended 31 December 2011 RMB'000	2010 RMB'000
Advance from related parties:		
Hubei Shengze	–	44,903
Beijing Jiaruiya	–	343
Shanghai Shenrui	–	588
Jingdezhen Jishun	–	3,427
Inner Mongolia Shengze Dingjie	–	2,995
Baotou Zhongrui	–	7,180
Beijing Baoze Technology	–	43
	–	59,479
Repayment of advance from related parties:		
Xu Ling	–	2,000
Hubei Shengze	–	22,595
Hubei Ruishi	–	16
Wuhan Xinboheng	–	8,000
Wuhan Zhongcheng	–	11,127
Jingdezhen Jishun	–	7,159
Inner Mongolia Shengze Dingjie	–	2,995
	–	53,892
Advance to related parties:		
Beijing Baoze Technology	–	368
Changsha Shengze Ruibao	–	3
Shanghai Shengze Dingjie	–	93
	–	464
Repayment of advance to related parties:		
Beijing Jiaruiya	–	12
Hubei Ruishi	–	16
Shanghai Lushi	–	16,296
Shanghai Shenxie Shenqi	–	16,923
Inner Mongolia Huadun	–	653
Wuhan Zhongcheng	–	285
Shanghai Shenrui	–	17,568
Beijing Baoze Technology	–	368
Changsha Shengze Ruibao	–	3
Shanghai Shengze Dingjie	–	93
	–	52,217

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Non-recurring transactions (continued)

	The Group For the year ended 31 December 2011 RMB'000	2010 RMB'000
Disposal of fixed assets and lease prepayments to related parties:		
Inner Mongolia Shengze Dingjie	–	21,169
Changsha Shengze Ruibao	–	35,902
Shanghai Dingze Auto-trading	–	10,325
Wuhan Jiezhong	–	14,450
Wuhan Jieyun	–	78,798
	–	160,644
Loans from the Controlling Shareholder	–	44,599
Capitalisation of shareholder's loans	–	83,195

(c) Other transactions

	The Group For the year ended 31 December 2011 RMB'000	2010 RMB'000
Acquisition of subsidiaries from:		
Hubei Shengze***	**40,000**	–
Capital contribution by the equity holder of the Company:	**10,000**	–

*** Pursuant to the share transfer agreements dated 20 May 2011, the Group acquired 100% equity interests in four subsidiaries from Hubei Shengze. The main assets of these subsidiaries are land use rights located in the PRC and they do not have any business operations upon transfer. Therefore, the transfer has been accounted for as the acquisition of assets, which are stated at cost.

(d) Balances with related parties

As at the respective balance sheet dates, the Group had the following balances with related parties:

	The Group At 31 December 2011 RMB'000	2010 RMB'000
Other receivables due from:		
Beijing Baoze Technology	**282**	–

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	The Group At 31 December 2011 RMB'000	2010 RMB'000
Other payables due to:		
Beijing Baoze Technology	–	3,844
Baotou Zhongrui	–	7,180
	–	11,024

(e) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and note 9.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standards, amendments and Interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, Financial instruments: *Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, Income taxes – Deferred tax: *Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(b) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debt would affect the consolidated statement of comprehensive income in future years.

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(d) Provision for inventories

The Group reviews the carrying amounts of the inventories at the respective balance sheet dates to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

(e) Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries and jointly controlled entities through business combination, the assets acquired and liabilities assumed are adjusted to their estimated fair values on the respective date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

38 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 31 December 2011 to be Joy Capital Holdings Limited, which was incorporated in the British Virgin Islands.

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Liu Dongli *(Chief Investment Officer)*
Mr. Chen Tao *(Vice President)*
Mr. Shao Yong Jun *(Vice President)*

Non-executive Director

Mr. Wang Muqing

Independent non-executive Directors

Dr. Wong Tin Yau, Kelvin
Mr. Tan Xiangyong
Mr. Zhang Yansheng

REGISTERED OFFICE

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PLACE OF BUSINESS IN HONG KONG

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WEBSITE ADDRESS

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COMPANY SECRETARY

Mr. Liang, Current Tien Tzu (HKICPA, CICA)

AUTHORIZED REPRESENTATIVES

Mr. Liu Dongli
Mr. Liang, Current Tien Tzu

MEMBERS OF THE OPERATION AND MANAGEMENT COMMITTEE

Mr. Wang Kunpeng *(Chairman)*
Mr. Li Zhubo
Mr. Liu Dongli
Mr. Chen Tao
Mr. Shao Yong Jun
Mr. Mok Kwok Choi Peter
Ms. Wang Guoqing
Mr. Wang Limin

MEMBERS OF THE AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Mr. Tan Xiangyong
Mr. Zhang Yansheng

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Zhang Yansheng *(Chairman)*
Mr. Liu Dongli
Mr. Tan Xiangyong

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Tan Xiangyong *(Chairman)*
Mr. Wang Kunpeng
Dr. Wong Tin Yau, Kelvin

HONG KONG SHARE REGISTRAR

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Cayman Islands

COMPLIANCE ADVISOR

CCB International Capital Limited

PRINCIPAL BANKERS

China Construction Bank Corporation
Hubei Branch
Shenzhen Development Bank
Shanghai Waitan Branch
Bank of China, Wuhan Economic
Development Zone Branch
China Merchants Bank, Liberation Park Branch
Industrial Bank, Hankou Branch
Bank of Communications, Pacific Branch

AUDITORS

KPMG
Certified Public Accountants

HONG KONG LEGAL COUNSEL

Chiu & Partners
Solicitors

正 通

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AUTO SERVICES HOLDINGS LIMITED
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