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China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

PROPOSED ISSUE OF SENIOR NOTES

The Company proposes to conduct an international offering of guaranteed senior notes and will commence a series of roadshow presentations and meetings with institutional investors beginning on or around 26 April 2012. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, including but not limited to management's discussion and analysis of the Group's financial condition and results of operations and the recently acquired target group's financial condition and results of operations, and indebtedness information, some of which have not previously been made public. An extract of such information is attached hereto and can also be viewed at the Company's website www.zhengtongauto.com at approximately the same time when such information is released to the institutional investors. Completion of the Proposed Notes Issue is subject to market conditions and investor interest. J.P. Morgan, as the sole global co-ordinator and sole bookrunner, and CCB International as lead manager, are managing the Proposed Notes Issue. As of the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Proposed Notes Issue are yet to be finalized.

Upon finalizing the terms of the Notes, the Company, the Subsidiary Guarantors, J.P. Morgan and CCB International will enter into the Purchase Agreement. The Company currently intends to use (a) the net proceeds from the Proposed Notes Issue to repay (i) its Hong Kong dollar denominated loan in the outstanding principal amount of HK$1.218 billion from Bank of Communications and (ii) its RMB denominated loan in the outstanding principal amount of RMB1.0 billion from Easy Honour Limited and (b) the remaining portion for general corporate and working capital purposes.

Approval-in-principle has been received for the listing of the Notes on the SGX-ST. Admission of the Notes to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or the Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this announcement.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as of the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be executed.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of guaranteed senior notes and will commence a series of roadshow presentations and meetings with institutional investors beginning on or around 26 April 2012. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, including but not limited to management's discussion and analysis of the Group's financial condition and results of operations and the recently acquired target group's financial condition and results of operations, and indebtedness information, some of which have not previously been made public. An extract of such information is attached hereto and can also be viewed at the Company's website www.zhengtongauto.com at approximately the same time when such information is released to the institutional investors.

Completion of the Proposed Notes Issue is subject to market conditions and investor interest. J.P. Morgan, as the sole global co-ordinator and sole bookrunner, and CCB International as lead manager, are managing the Proposed Notes Issue. As of the date of this announcement, the principal amount, the interest rate, the payment date and certain other terms and conditions of the Proposed Notes Issue are yet to be finalized. Upon finalizing the terms and conditions of the Notes, the Company, the Subsidiary Guarantors, J.P. Morgan CCB International will enter into the Purchase Agreement.

The Notes and the Subsidiary Guarantees will be offered only (i) in the United States, to qualified institutional buyers (as defined under Rule 144A of the U.S. Securities Act) under Rule 144A of the U.S. Securities Act, or (ii) outside the United States, in compliance with Regulation S under the U.S. Securities Act. The Notes and the Subsidiary Guarantees have not been or will not be registered under the U.S. Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

The Company is a leading 4S dealership group in China with a diversified brand portfolio covering 20 popular automobile brands, in particular premium brands such as BMW/MINI, Audi, Land Rover, Jaguar and Volvo. The Company is also the largest dealership group for BMW/MINI, Jaguar/Land Rover and Volvo in China by number of 4S dealership stores. In addition to its premium brands dealership stores, the Company also operates dealership stores for middle market brands such as Nissan, Buick, Hyundai, Honda and Chevrolet.

Use of Proceeds

The Company currently intends to use (a) the net proceeds from the Proposed Notes Issue to repay (i) its Hong Kong dollars denominated loan in the outstanding principal amount of HK$1.218 billion from Bank of Communications and (ii) its RMB denominated loan in the outstanding principal amount of RMB1.0 billion from Easy Honour Limited and (b) the remaining portion for general corporate and working capital purposes.

Listing

Approval-in-principle has been received for the listing of the Notes on the SGX-ST. Admission of the Notes to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or the Notes. No listing of the Notes has been sought in Hong Kong.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as of the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

The Company will make a further announcement in respect of the Proposed Notes Issue upon the execution of the Purchase Agreement.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:-

"Board"	the board of Directors;
"CCB International"	CCB International Capital Limited, a lead manager in respect of the Proposed Notes Issue
"Company"	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange (Stock Code: 1728);
"connected person"	shall have the meaning as ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"J.P. Morgan"	J.P. Morgan Securities Ltd., the sole global co-ordinator and sole bookrunner in respect of the Proposed Notes Issue;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"Notes"	the guaranteed senior notes to be issued by the Company;
"PRC" or "China"	the People's Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan);
"Proposed Notes Issue"	the proposed issue of the Notes by the Company;
"Purchase Agreement"	the agreement proposed to be entered into among the Company, the Subsidiary Guarantors, J.P. Morgan and CCB International in relation to the Proposed Notes Issue;
"SGX-ST"	Singapore Exchange Securities Trading Limited;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiary Guarantees"	the unconditional and irrevocable guarantees given on a senior basis by the Subsidiary Guarantors with respect to the Notes;
"Subsidiary Guarantors"	the subsidiaries of the Company which provide guarantee for the payment of the Notes provided that those Subsidiary Guarantors will not include any subsidiaries of the Company established under the laws of the PRC; and
"U.S. Securities Act"	the United States Securities Act of 1933, as amended.

By order of the Board of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
WANG KUNPENG
Chief Executive Officer
and Executive Director

Hong Kong, 26 April 2012

As at the date of this announcement, the Board comprises Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. LIU Dongli, Mr. CHEN Tao and Mr. SHAO Yong Jun as Executive Directors; Mr. WANG Muqing as Non-Executive Director; and Dr. WONG Tin Yau, Kelvin, Mr. TAN Xiangyong and Mr. ZHANG Yansheng as Independent Non-Executive Directors.

China ZhengTong Auto Services Holdings Limited
中 國 正 通 汽 車 服 務 控 股 有 限 公 司

(Incorporated under the laws of the Cayman Islands with limited liability)

Extract of Financial Information

(as of 31 December 2011)

Unaudited pro forma consolidated financial information of the Enlarged Group

This following unaudited pro forma consolidated income statement of the Enlarged Group for the year ended December 31, 2011 was prepared by us in accordance with Hong Kong Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, based on our Group's historical consolidated financial statements and the historical consolidated financial statements of SCAS Group for the same period, included elsewhere in this document, adjusted to give pro forma effect to the acquisition of Top Globe Limited by the Company which was completed in December 2011 (the "**SCAS Acquisition**") as if we had completed the SCAS Acquisition on January 1, 2011.

The unaudited pro forma consolidated financial information is presented for illustrative purposes only, is hypothetical in nature and is not necessarily indicative of the operating results or financial condition of our Group that would have achieved been if the SCAS Acquisition had been completed on the date or for the period presented, nor does it purport to project the results of operations or financial position of our Group for any future period or any future date. The pro forma adjustments relating to the SCAS Acquisition are those that are (i) directly attributable to the SCAS Acquisition; and (ii) factually supportable as if the SCAS Acquisition had been completed on January 1, 2011. The actual results may differ significantly from such estimates and assumptions.

"Management's discussion and analysis of financial condition and results of operations" and the respective historical consolidated financial statements of our Group and SCAS Group and the notes thereto included elsewhere in this document. The following unaudited pro forma consolidated financial information has not been prepared or presented in compliance with the published guidelines of Article 11 of Regulation S-X of the Securities Act for the preparation and presentation of pro forma consolidated financial information.

Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended December 31, 2011

(RMB in thousands)	Historical — December 31, 2011 The Group	SCAS Group	Pro Forma Adjustments Note 1	Note 2	Note 3	The Pro Forma Result
Turnover	14,443,927	10,721,999	(752,992)	—	—	24,412,934
Cost of sales	(13,058,292)	(9,437,668)	646,807	—	—	(21,849,153)
Gross profit	1,385,635	1,284,331	(106,185)	—	—	2,563,781
Other revenue	106,898	42,234	(2,703)	—	—	146,429
Other net income	13,169	3,407	(37)	—	—	16,539
Selling and distribution expenses	(329,845)	(302,502)	16,006	—	—	(616,341)
Administrative expenses	(319,979)	(207,649)	15,454	(171,268)	—	(683,442)
Profit from operations	855,878	819,821	(77,465)	(171,268)	—	1,426,966
Finance costs	(128,173)	(63,386)	2,367	—	—	(189,192)
Share of profit of an associate or a jointly controlled entity	21,127	—	—	—	—	21,127
Profit before taxation	748,832	756,435	(75,098)	(171,268)	—	1,258,901
Income tax	(187,016)	(186,266)	18,848	42,817	—	(311,617)
Profit for the year	561,816	570,169	(56,250)	(128,451)	—	947,284
Profit attributable to:						
Equity holders	524,045	524,746	(55,254)	(128,451)	36,090	901,176
Non-controlling interests	37,771	45,423	(996)	—	(36,090)	46,108
Profit for the year	561,816	570,169	(56,250)	(128,451)	—	947,284

Notes to the unaudited consolidated pro forma financial information of the Enlarged Group

1. The Company, Big Glory International Limited and its subsidiaries, and SCAS Group are collectively referred to as the "**Enlarged Group**" for the purposes of disclosing the unaudited pro forma consolidated financial information for the year ended December 31, 2011 in this document.

2 This adjustment represents the elimination of post-acquisition results of SCAS Group for the period from December 22, 2011 to December 31, 2011 that have been included in the Group's audited consolidated financial statements for the year ended December 31, 2011.

3 This adjustment represents the recognition of amortization charges of car dealerships and favorable lease contracts (i.e. intangible assets with finite useful lives) for the year ended December 31, 2011 as of the SCAS Acquisition had been completed on January 1, 2011.

4 This adjustment represents the acquisition of all of the non-controlling interests in a subsidiary of SCAS Group on August 23, 2011, which is a condition precedent of the SCAS Acquisition, as if the acquisition of such non-controlling interest had been completed on January 1, 2011.

The following tables set forth the unaudited pro forma EBITDA and certain related pro forma financial data for the Enlarged Group for the year ended December 31, 2011.

Year ended December 31, (in thousands, except percentages and ratios)	2011 RMB
Other financial data:	
EBITDA[1]	1,693,793
EBITDA margin[2]	5.9%
EBITDA/Finance costs	9.0%
Total debt[3]/EBITDA	2.5%

(1) EBITDA consists of profit before income tax expense, depreciation and amortization and finance costs (excluding capitalized interest) (as well as excluding other net income and share of profit of a jointly controlled entity). EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profits or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Set forth below is a reconciliation of EBITDA to the most directly comparable HKFRS measure, profit for the year.

Year ended December 31, (in thousands)	2011 RMB
Profit for the year	947,284
Add:	
Amortization	189,669
Depreciation	93,697
Finance costs	189,192
Income tax expense	311,617
Minus:	
Other net income	(16,538)
Share of profit of a jointly controlled entity	(21,127)
EBITDA	1,693,793

(2) EBITDA margin means EBITDA divided by turnover.

(3) Total debt includes short-term and long-term interest-bearing loans and borrowings.

Selected historical consolidated financial information and other data

Summary financial information of our Group

We have derived the following selected historical consolidated financial information and other data from our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011, which have been audited by KPMG. You should read the following selected historical consolidated financial information and other data together with the section entitled "Management's discussion and analysis of financial condition and results of operations" and the financial statements and related notes included elsewhere in this document.

We completed the acquisition of SCAS Group on December 22, 2011. As such, the balance sheet of our Group as of December 31, 2011 has included the balance sheet financial information of SCAS Group as of the same date. Similarly, the results of operations of our Group for the year ended December 31, 2011 have consolidated the results of SCAS Group from December 22, 2011 to December 31, 2011. Therefore, the financial condition and results of operations of our Group as of and for the year ended December 31, 2011 are not directly comparable to those of our Group as of and for the years ended December 31, 2009 and 2010.

Our Group's audited financial statements were prepared and presented in accordance with HKFRS.

Consolidated statement of comprehensive income data of our Group

	2009	**2010**	**2011**	**2011**
Year ended December 31, (in thousands)	**RMB**	**RMB**	**RMB**	**US$**
Turnover	4,981,174	8,034,249	14,443,927	2,294,909
Cost of sales	(4,566,633)	(7,307,933)	(13,058,292)	(2,074,754)
Gross profit	414,541	726,316	1,385,635	220,155
Other revenue	23,942	39,305	106,898	16,984
Other net income	7,182	7,300	13,169	2,092
Selling and distribution expenses	(138,337)	(191,993)	(329,845)	(52,407)
Administrative expenses	(82,334)	(175,557)	(319,979)	(50,840)
Profit from operations	224,994	405,371	855,878	135,984
Finance costs	(31,465)	(56,146)	(128,173)	(20,365)
Share of profit of an associate or a jointly controlled entity	4,570	10,355	21,127	3,357
Gain on remeasurement of previously held equity interest in a jointly controlled entity	—	3,177	—	—
Gain on bargain purchase	—	27,266	—	—
Profit before taxation	198,099	390,023	748,832	118,976
Income tax	(48,277)	(90,571)	(187,016)	(29,714)
Profit for the year	149,822	299,452	561,816	89,262

Year ended December 31, (in thousands)	2009 RMB	2010 RMB	2011 RMB	2011 US$
Other comprehensive income for the year:				
Exchange differences on translation of financial statements of foreign operations	62	1,030	7,174	1,140
Total comprehensive income for the year	149,884	300,482	568,990	90,402
Profit attributable to:				
Equity holders of the Company	145,854	276,004	524,045	83,262
Non-controlling interests	3,968	23,448	37,771	6,000
Profit for the year	149,822	299,452	561,816	89,262
Total comprehensive income attributable to:				
Equity holders of the Company	145,916	277,034	531,219	84,402
Non-controlling interests	3,968	23,448	37,771	6,000
Total comprehensive income for the year	149,884	300,482	568,990	90,404

The following tables set forth our Group's EBITDA and certain related financial data for the periods indicated.

Year ended December 31, (in thousands, except percentages and ratios)	2009 RMB	2010 RMB	2011 RMB	2011 US$
Other financial data:				
EBITDA(1)	254,733	446,341	919,179	146,044
EBITDA margin(2)	5.1%	5.6%	6.4%	6.4%
EBITDA/Finance costs	8.1x	7.9x	7.2x	7.2x
Total debt(3)/EBITDA	1.4x	1.6x	4.6x	4.6x

(1) EBITDA consists of profit before income tax expense, depreciation and amortization and finance costs (excluding capitalized interest) as well as excluding other net income, gain on remeasurement of previously held equity interest in a jointly controlled entity, gain on bargain purchase and share of profit of an associate or a jointly controlled entity. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profits or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Set forth below is a reconciliation of EBITDA to the most directly comparable HKFRS measure, profit for the year.

Year ended December 31, (in thousands)	2009 RMB	2010 RMB	2011 RMB	2011 US$
Profit for the year	149,822	299,452	561,816	89,264
Add:				
Amortization	3,040	5,533	18,189	2,890
Depreciation	33,881	42,737	58,281	9,260
Finance costs	31,465	56,146	128,173	20,365
Income tax expense	48,277	90,571	187,016	29,714
Minus:				
Other net income	(7,182)	(7,300)	(13,169)	(2,092)
Share of profit of an associate or a jointly controlled entity	(4,570)	(10,355)	(21,127)	(3,357)
Gain on remeasurement of previous held equity interest in a jointly controlled entity	—	(3,177)	—	—
Gain on bargin purchase	—	(27,266)	—	—
EBITDA	254,733	446,341	919,179	146,044

(2) EBITDA margin means EBITDA divided by turnover.

(3) Total debt includes short-term and long-term interest-bearing loans and borrowings.

Consolidated statements of financial position data of our Group:

We completed the acquisition of SCAS Group on December 22, 2011. As such, the balance sheet of our Group as of December 31, 2011 has included the balance sheet financial information of SCAS Group as of the same date.

	2009	**2010**	**2011**	**2011**
As at December 31, (in thousands)	**RMB**	**RMB**	**RMB**	**US$**
Non-current assets				
Fixed assets:				
— Investment properties	10,639	—	—	—
— Other property, plant and equipment	340,643	404,424	984,188	156,372
Lease prepayments	150,265	117,864	176,453	28,036
Intangible assets	363	58,601	4,271,997	678,752
Goodwill	—	16,236	1,926,551	306,098
Interest in an associate	38,677	—	—	—
Interest in a jointly controlled entity	—	120,475	141,602	22,498
Deferred tax assets	2,225	4,530	21,270	3,379
	542,812	722,130	7,522,061	1,195,135
Current assets				
Inventories	295,312	748,733	3,244,023	515,423
Trade and other receivables	598,874	868,442	2,945,858	468,050
Pledged bank deposits	894,853	960,928	1,168,909	185,721
Time deposits	—	—	11,800	1,875
Cash and cash equivalents	176,898	3,432,060	1,096,771	174,259
	1,965,937	6,010,163	8,467,361	1,345,328
Current liabilities				
Loans and borrowings	348,517	721,292	4,220,370	670,549
Trade and other payables	1,634,000	1,847,037	4,156,397	660,385
Income tax payables	60,506	73,053	305,935	48,608
	2,043,023	2,641,382	8,682,702	1,379,542
Net current (liabilities)/assets	(77,086)	3,368,781	(215,341)	(34,214)
Total assets less current liabilities	465,726	4,090,911	7,306,720	1,160,921
Non-current liabilities				
Deferred tax liabilities	6,061	17,920	984,801	156,469
	6,061	17,920	984,801	156,469
NET ASSETS	459,665	4,072,991	6,321,919	1,004,452
Equity				
Share capital	223,500	171,420	187,959	29,864
Reserves	220,524	3,843,363	6,022,445	956,870
Equity attributable to equity holders of the Company	444,024	4,014,783	6,210,404	986,734
Non-controlling interests	15,641	58,208	111,515	17,718
TOTAL EQUITY	459,665	4,072,991	6,321,919	1,004,452

Condensed consolidated statements of cash flows data of the Group:

Our Group's statement of cash flows for the year ended December 31, 2011 is derived from our balance sheet as at December 31, 2011, which has included the balance sheet financial information of SCAS Group as of the same date, given that we completed the acquisition of SCAS Group on December 22, 2011.

	2009	2010	2011	2011
Year ended December 31, (in thousands)	**RMB**	**RMB**	**RMB**	**US$**
Net cash generated from/(used in) operating activities	273,194	(123,607)	(60,098)	(9,549)
Net cash used in investing activities	(149,445)	(172,861)	(6,411,066)	(1,018,616)
Net cash (used in)/generated from financing activities	(1,708)	3,550,600	4,129,601	656,128
Net increase/(decrease) in cash and cash equivalents	122,041	3,254,132	(2,341,563)	(372,037)

Summary of financial information of SCAS Group

We have derived the following selected historical consolidated financial information from the audited consolidated financial statements of Top Globe Limited and its subsidiaries (collectively "**SCAS Group**") as of and for the years ended December 31, 2009, 2010 and 2011, which have been audited by KPMG. You should read the following selected historical consolidated financial information together with the section entitled "Management's discussion and analysis of financial condition and results of operations" and the financial statements and related notes included elsewhere in this document.

SCAS Group's audited financial statements were prepared and presented in accordance with HKFRS. We have included historic financial information and analysis thereof relating to SCAS Group in this document to facilitate an understanding of the historic results of operations and financial condition of SCAS Group, given that the SCAS Acquisition in December 2011 had caused the Group to expand significantly. For a discussion of the basis of preparation of SCAS Group's audited financial statements, see Note 2(b) to the audited consolidated financial statements of SCAS Group included elsewhere in this document.

Consolidated statement of comprehensive income data of SCAS Group

	2009	2010	2011	2011
Year ended December 31, (in thousands)	**RMB**	**RMB**	**RMB**	**US$**
Turnover	5,085,872	8,373,215	10,721,999	1,703,554
Cost of sales	(4,651,052)	(7,656,068)	(9,437,668)	(1,499,494)
Gross profit	434,820	717,147	1,284,331	204,060
Other revenue	34,828	38,201	42,234	6,710
Other net income	12,565	26,889	3,407	541
Selling and distribution expenses	(150,213)	(211,761)	(302,502)	(48,063)
Administrative expenses	(97,672)	(126,982)	(207,649)	(32,992)
Profit from operations	234,328	443,494	819,821	130,256
Finance costs	—	(3,800)	(63,386)	(10,071)
Profit before taxation	234,328	439,694	756,435	120,185
Income tax	(65,402)	(110,215)	(186,266)	(29,594)
Profit for the year	168,926	329,479	570,169	90,591
Profit and total comprehensive income for the year	168,926	329,479	570,169	90,591
Profit and total comprehensive income attributable to:				
Equity holder of Top Globe Limited	150,999	297,631	524,746	83,374
Non-controlling interests	17,927	31,848	45,423	7,217
Profit and total comprehensive income for the year	168,926	329,479	570,169	90,591

The following tables set forth SCAS Group's EBITDA and certain related financial data for the years indicated.

Year ended December 31, (in thousands, except percentages and ratios)	2009 RMB	2010 RMB	2011 RMB	2011 US$
Other financial data:				
EBITDA[1]	258,982	456,219	852,506	135,450
EBITDA margin[2]	5.1%	5.4%	8.0%	8.0%

(1) EBITDA consists of profit before income tax expense, depreciation and amortization and finance costs (excluding capitalized interest) (as well as excluding other net income, EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profits or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Set forth below is a reconciliation of EBITDA to the most directly comparable HKFRS measure, profit for the year.

Year ended December 31, (in thousands)	2009 RMB	2010 RMB	2011 RMB	2011 US$
Profit for the year	168,926	329,479	570,169	90,591
Add:				
Amortization	197	217	217	34
Depreciation	37,022	39,397	35,875	5,700
Finance costs	—	3,800	63,386	10,071
Income tax expense	65,402	110,215	186,266	29,595
Minus:				
Other net income	(12,565)	(26,889)	(3,407)	(541)
EBITDA	258,982	456,219	852,506	135,450

(2) EBITDA margin means EBITDA divided by turnover.

Consolidated statements of financial position data of SCAS Group

As at December 31, (in thousands)	2009 RMB	2010 RMB	2011 RMB	2011 US$
Non-current assets				
Property, plant and equipment	146,952	158,712	244,543	38,854
Lease prepayments	8,027	7,810	7,593	1,206
Deferred tax assets	2,821	1,969	14,017	2,227
	157,800	168,491	266,153	42,287
Current assets				
Inventories	674,486	979,100	1,570,491	249,526
Trade and other receivables	414,892	939,270	943,067	149,838
Time deposits	—	409,428	—	—
Pledged bank deposits	—	—	229,124	36,404
Cash and cash equivalents	276,936	187,488	165,699	26,327
	1,366,314	2,515,286	2,908,381	462,095
Current liabilities				
Loans and borrowings	—	470,000	855,905	135,990
Trade and other payables	834,450	1,186,928	1,090,659	173,288
Deferred revenue	5,905	12,353	24,169	3,840
Income tax payables	33,610	81,553	148,122	23,534
	873,965	1,750,834	2,118,855	336,652
Net current assets	492,349	764,452	789,526	125,443
Total assets less current liabilities	650,149	932,943	1,055,679	167,730
Non-current liabilities				
Deferred tax liabilities	19,019	15,153	978	155
	19,019	15,153	978	155
NET ASSETS	631,130	917,790	1,054,701	167,575
Equity				
Share capital	—	—	—	—
Reserves	597,080	883,637	1,042,232	165,594
Equity attributable to equity holder of Top Globe Limited	597,080	883,637	1,042,232	165,594
Non-controlling interests	34,050	34,153	12,469	1,981
TOTAL EQUITY	631,130	917,790	1,054,701	167,575

Condensed consolidated statements of cash flows data of SCAS Group

	2009	2010	2011	2011
Years ended December 31, (in thousands)	**RMB**	**RMB**	**RMB**	**US$**
Net cash (used in)/generated from operating activities	(178,346)	(142,800)	303,398	48,205
Net cash generated from/(used in) investing activities	101,180	(559,431)	449,958	71,491
Net cash (used in)/generated from from financing activities	(88,201)	612,783	(775,145)	(123,158)
Net decrease in cash and cash equivalents	(165,367)	(89,448)	(21,789)	(3,462)

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with "Selected Consolidated Financial Information" and the consolidated financial statements of our Group and SCAS Group and related notes included elsewhere in this document. The financial statements of our Group and SCAS Group have been prepared in accordance with HKFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control.

Overview

We are a leading 4S dealership group in China with a diversified brand portfolio covering 20 popular automobile brands in China, in particular premium brands such as BMW/Mini, Audi, Land Rover, Jaguar and Volvo. According to All China Marketing Research Co. Ltd. ("**ACMR**"), we ranked among China's top 10 automobile dealers in terms of Combined 2011 Turnover of the Enlarged Group for the year ended December 31, 2011. We are also the largest dealer group for BMW/Mini, Jaguar/Land Rover and Volvo in China in terms of the number of 4S dealership stores. In addition to our premium brands dealership stores, we also operate dealership stores for middle market brands such as Nissan, Buick, Hyundai, Honda and Chevrolet.

Since 1999 when we established our first dealership store in Shanghai, we have expanded our automobile dealership business to regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population. We have adopted a development strategy of growing our dealership network through both opening additional dealership stores and acquiring existing dealership stores from our competitors, and we completed the acquisition of SCAS Group in December 2011. As of March 31, 2012, we had a total of 59 automobile dealership stores covering 12 provinces and municipalities across the country in both large and established automobile markets of the affluent regions of China such as Beijing, Tianjin, Shanghai and Guangdong, as well as the rapidly developing inland regions such as Hubei, Hunan, Shanxi, Jiangxi and Inner Mongolia.

Basis of presentation

We completed the acquisition of SCAS Group, a leading automobile dealership group in the PRC, on December 22, 2011. As such, the balance sheet of our Group as of December 31, 2011 has included the balance sheet financial infomation of SCAS Group as of the same date. Similarly, the results of operations of our Group for the year ended December 31, 2011 have consolidated the results of SCAS Group from December 22, 2011 to December 31, 2011. Therefore, the financial condition and results of operations of our Group as of and for the year ended December 31, 2011 are not directly comparable to those of our Group as of and for the years ended December 31, 2009 and 2010.

Factors affecting our results of operations

Demand for automobiles in the PRC

Each of our automobile dealership, automobile logistics services and lubricant oil trading businesses is dependent on demand for automobiles in the PRC. Our automobile dealership business retails premium and ultra premium and middle market branded automobiles and is directly affected by the demand for premium and ultra premium and middle market branded automobiles in the PRC. The primary customers of our logistics services and lubricant oil trading businesses are automobile manufacturers of middle market branded automobiles in the PRC. Demand for middle market branded automobiles affects the production levels of these automobile manufacturers, which in turn affects the demand by these customers for our logistics services and automobile lubricant oil.

According to ACMR, the total sales of ultra premium branded automobiles are forecast to increase from RMB40 billion in 2011 to RMB232 billion in 2016, representing a CAGR of 42.4%; and the total sales of premium branded automobiles are forecast to increase from RMB536 billion in 2011 to RMB1,411 billion in 2016, representing a CAGR of 21.3%; and the total sales of middle market branded automobiles are expected to increase from RMB1,122 billion in 2011 to RMB1,502 billion in 2016, representing a CAGR of 6.0%. Market demand for automobiles in China is driven by various factors including, among others, growth of individual wealth, continued urbanization of the Chinese population and improvement of China's highway networks and other infrastructure. The rapid growth of the PRC economy has led to accelerated urbanization and increased living standards and per capita disposable income, which have driven the increasing demand for automobiles in the PRC. Furthermore, as the size of the upper-middle class has increased in China, the consumption of premium brands, including automobiles, has also increased. A significant change in the factors driving market demand for automobiles in China could have a significant effect on our business and prospects.

Our dealership network

Our sales of new automobiles are directly affected by the number, location and performance of our dealership stores. In response to the increasing demand for premium branded automobiles, we completed various acquisitions, including the SCAS Acquisition in December 2011, and have rapidly expanded our automobile dealership business to 12 provinces and municipalities as at March 31, 2012. We are active in both large and established automobile markets of the affluent regions of China such as Beijing, Tianjin, Shanghai, Guangdong and Shandong, as well as the rapidly developing regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population such as Inner Mongolia, Jiangxi, Hunan and Hubei. As at March 31, 2012, we had 59 dealership stores in operation.

Our ability to maintain and expand our dealership network is dependent on our ability to secure dealership authorization agreements for desirable automobile brands in attractive locations on acceptable terms. We believe that our track record and established relationships with automobile manufacturers well position us to enter into dealership authorization agreements with automobile manufacturers, particularly for premium brands, so as for us to continue to expand our dealership network.

Product and service mix

Changes in product and service mix in connection with our sales of goods and provision of services may affect our profitability and gross profit margin. Our dealership business consists of sale of new automobiles and provision of the after-sale services. The sale of new automobiles generates a higher amount of turnover but a lower gross profit margin. The after-sale services (which consists of the sale of spare parts and provision of maintenance services) generates a relatively lower amount of turnover but a higher gross profit margin. Our logistics services and lubricant oil trading businesses generally generate a lower amount of turnover but have higher gross profit margin. Our Group's dealership business generated turnover of RMB4,650.9 million, RMB7,610.9 million and RMB14,000.1 million and had a gross profit margin of 7.5%, 8.4% and 9.3% for the years ended December 31, 2009, 2010 and 2011, respectively. In comparison, our Group's logistics services and lubricant oil trading businesses together generated turnover of RMB330.3 million, RMB423.3 million and RMB443.8 million and had a gross profit margin of 20.3%, 20.0% and 19.8% for the years ended December 31, 2009, 2010 and 2011, respectively. SCAS Group does not have logistics services and lubricant oil trading business and all of its turnover of RMB5,085.9 million, RMB8,373.2 million and RMB10,722.0 million for the years ended December 31, 2009, 2010 and 2011 was generated from its dealership business, which had a gross profit margin of 8.5%, 8.6% and 12.0%, respectively. After the SCAS Acquisition, we expect most of our turnover will be from our dealership business.

The gross profit margin from our sales of new automobiles varies in accordance with the distribution of our sales attributable to middle market branded automobiles and premium and ultra premium branded automobiles, with premium and ultra premium branded automobiles generating generally higher gross profit margin. For the years ended December 31, 2009, 2010 and 2011, gross profit margins of sales of premium and ultra premium branded automobiles in our Group was 4.9%, 6.7% and 6.8%, respectively, as compared to gross profit margins of sales of middle market branded automobiles of 4.4%, 2.5% and 5.0% respectively, for the same periods. For the years ended December 31, 2009, 2010 and 2011, gross profit margins of sales of premium and ultra premium branded automobiles by SCAS Group was 6.3%, 6.7% and 10.2%, respectively, as compared to gross profit margins of its sales of middle market branded automobiles of 2.2%, 2.7% and 3.0% for the same periods, respectively.

In addition, the gross profit margin of our business is also impacted by our after-sales services which generally have higher gross profit margin than sales of new automobiles. For the years ended December 31, 2009, 2010 and 2011, our Group's after-sales services had gross profit margins of 39.2%, 44.1% and 43.6%, respectively. For the years ended December 31, 2009, 2010 and 2011, gross profit margins of SCAS Group's after-sales services was 38.3%, 40.3% and 42.7%, respectively.

We expect to continue to increase our gross profit margin as we continue to open new premium and ultra premium brands dealership stores and expand our customer base, which we expect to shift our focus on the sales of higher-margin premium and ultra premium brands automobiles and provision of after-sales services. However, we expect the growth of our dealership business to exceed the growth of our logistics services and lubricant oil trading businesses. Our ability to maintain and increase our turnover and gross profit margin will depend in part on our ability to manage our product and service mix.

Incentive rebates from automobile manufacturers

Automobile manufacturers often include purchase volume or sales-based incentive rebates in our arrangements. These incentive rebates are generally determined with reference to the units of new automobiles we purchase or sell, and are adjusted based on our performance in relation to meeting certain targets set by the relevant automobile manufacturers, including customer satisfaction indexes and dealership retail standards. For the years ended December 31, 2009, 2010 and 2011, our Group recorded incentive rebates of approximately RMB242.6 million, RMB394.8 million and RMB798.6 million. For the years ended December 31, 2009, 2010 and 2011, SCAS Group recorded incentive rebates of approximately RMB164.2 million, RMB395.1 million and RMB583.4 million, respectively.

Rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but still held on the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. As a result, our results of operations and business are affected by the incentive rebates we obtain from automobile manufacturers.

Terms and conditions of our agreements with automobile manufacturers

Automobile manufacturers grant us the rights to operate our dealership stores and supply new automobiles and spare parts to us. Accordingly, our results of operations and financial condition are affected by the terms and conditions of our agreements with automobile manufacturers. For example, under our dealership authorization agreements with automobile manufacturers, automobile manufacturers may subject the operations of our dealership store to various restrictions including, among others, setting geographical limitations on our dealership store business, prohibiting us from retailing more than one brand of new automobiles in a particular dealership store, requiring us to provide designated services to customers, requiring us to follow annual sales plans set by the relevant automobile manufacturer, requiring us to meet the relevant manufacturers' design standards for our dealership stores and restricting our ability to provide loan guarantees or other forms of collateral, thus adversely impacting our ability to obtain financing for our business, and influencing the management of our dealership stores. Such restrictions and any future changes to them may affect our competitiveness with respect to our pricing policy, ability to meet customers' demands, product and service mix, management of our dealership stores and other aspects of our operation, as well as our financial condition.

Pricing

The final price of new automobiles sold in our dealership stores is affected by a number of factors such as the price sensitivity of customers and competition with other dealership stores in the same region who sell the same brands and models of automobiles as we do. In addition, automobile manufacturers may also recommend price guidelines under their agreements with us. In general, purchasers of premium and ultra premium branded automobiles are less price sensitive compared to purchasers of middle market branded automobiles.

The following table sets forth the average selling prices and number of automobiles sold by our Group by segment during the years ended December 31, 2009, 2010 and 2011.

	2009		2010		2011	
Year ended December 31,	**Sales volume**	**Average selling price (RMB)**	**Sales volume**	**Average selling price (RMB)**	**Sales volume**	**Average selling price (RMB)**
Premium and ultra premium brands	4,637	483,120	9,494	505,764	21,380	494,979
Middle market brand	16,961	119,700	17,647	125,104	18,734	126,511
Total/overall	**21,598**	**197,725**	**27,141**	**258,260**	**40,114**	**322,898**

The following table sets forth the average selling prices and number of automobiles sold by SCAS Group by segment during the years ended December 31, 2009, 2010 and 2011.

	2009		2010		2011	
Year ended December 31,	**Sales volume**	**Average selling price (RMB)**	**Sales volume**	**Average selling price (RMB)**	**Sales volume**	**Average selling price (RMB)**
Premium brands	8,450	497,261	13,526	524,243	15,851	570,901
Middle market brand	3,067	151,788	4,716	153,639	6,330	141,232
Total/overall	**11,517**	**405,261**	**18,242**	**428,433**	**22,181**	**448,283**

The increase in sales of premium and ultra premium branded automobiles of both our Group and SCAS Group during the years ended December 31, 2009, 2010 and 2011 were primarily attributable to the growth of the PRC premium and ultra premium automobile market, the opening and the ramping up of new dealership stores, and the increased productivity of existing dealership stores. According to ACMR, total sales of premium and ultra premium branded automobiles in China increased by 86.3% in 2010, and further increased by 44.0% in 2011. Without taking into account of the effect of the SCAS Acquisition, we opened one new premium brands dealership store in the year ended December 31, 2009, four premium brands dealership stores in the year ended December 31, 2010 and nine premium brands dealership stores in the year ended December 31, 2011, and we also acquired one premium brands dealership store in 2010 and three premium brands dealership stores in 2011. For the years ended December 31, 2009, 2010 and 2011, SCAS Group opened two, nil and two new premium brands dealership stores, respectively.

The growth in sales volumes of middle market branded automobiles of both our Group and SCAS Group during the year ended December 31, 2009, 2010 and 2011 were primarily attributable to the overall growth of the PRC middle market brands automobile market due to the increase in rich middle-class population that have demand for middle market branded automobiles as a result of the economic growth in China. According to ACMR, sales of middle market branded automobiles increased by 42.6% from the year ended December 31, 2009 to the year ended December 31, 2010, and increased further by 14.5% to the year ended December 31, 2011. Without taking into account of the effect of the SCAS Acquisition, we opened one new middle market brands dealership store during the year ended December 31, 2010. For the years ended December 31, 2009 and 2011, SCAS Group opened two and one new middle market brands dealership stores, respectively.

Our logistics services and lubricant oil trading businesses

Our logistics services and lubricant oil trading business accounted for 6.6%, 5.3% and 3.0% of our turnover and 16.3%, 11.6% and 6.3% of our gross profit for the years ended December 31, 2009, 2010 and 2011, respectively. The success of our logistics services business is affected by our geographic reach and capabilities. As at December 31, 2011, our logistics services business was capable of reaching all provinces in China, except Tibet and Qinghai, through four representative offices and our fleet of approximate 100 trucks. The success of our lubricant oil trading business is dependent on our ability to retain and develop our customer base to increase the volume of lubricant oil we sell and our ability to procure quality lubricant oil at a reasonable cost. Both our cost of purchasing lubricant oil and the price at which we re-sell are impacted by the market price for oil although our cost and the price we command are typically determined by reference to the market price of crude oil. Since we commenced operations of our lubricant oil trading business, we have ramped up sales to our primary customer, Dongfeng Nissan.

Taxation

During the years ended December 31, 2009, 2010 and 2011, some of our subsidiaries in the PRC enjoyed preferential tax treatments pursuant to applicable tax laws and regulations of the PRC and local policies. These subsidiaries were entitled to exemptions from and/or reductions of the state or local enterprise income tax for certain years as confirmed by the relevant tax authorities in the PRC. For the years ended December 31, 2009, 2010 and 2011, our effective tax rates were 24.4%, 23.2% and 25.0%, respectively.

According to the EIT Law which became effective on January 1, 2008, the statutory income tax rate of domestic companies was reduced from 33% to 25%. All of our PRC subsidiaries have been subject to the statutory income tax rate of 25% since 2008, except for Wuhan Shengze Jietong Logistics Co., Ltd. ("**Wuhan Jietong**"), Shenzhen Roadmate Technology Co., Ltd. ("**Shenzhen Roadmate**") and certain other subsidiaries registered in Shenzhen and Zhuhai. Wuhan Jietong was exempted from income tax for 2007 and 2008 and is subject to income tax at a rate of 12.5% for 2009 to 2011, and 25% thereafter. Shenzhen Roadmate was a qualified production-oriented foreign invested enterprises and was subject to income tax of 15% for the years ended 31 December 2009, 2010 and 2011 thereafter, 25% Certain other subsidiaries registered in Shenzhen and Zhuhai, which enjoy a five-year transitional period pursuant to the Guofa [2007] No.39 in connection with the implementation of the new EIT law, are subject to income tax rate of 20%, 22%, 24% for each of the years ended 31 December 2009, 2010, 2011 and 25% threreafter.

Sales of new automobiles, spare parts and automobile accessories and turnover generated from our provision of maintenance and repair services are generally subject to a 17% value-added tax (VAT), and our logistics services business is subject to business tax at a rate of 5%. Any modification of the foregoing tax treatments currently applicable to our subsidiaries and jointly controlled entity will affect our financial condition and results of operations. In addition, during the period when certain historical contractual arrangements concerning our control over a number of our PRC operating entities which are in the process of being terminated (the "**Contractual Arrangements**") were effective since November 17, 2010, the profit before tax generated by our automobile dealership business that we operate through our PRC subsidiaries under our Contractual Arrangements was subject to a business tax and other related levies at an aggregate rate of approximately 5.6% as Wuhan Jietong obtains the economic benefits of the operations of the PRC subsidiaries under our Contractual Arrangements through service fees under the Contractual Arrangements. This business tax, as with other business taxes incurred by our Group, has been deducted from our gross turnover prior to the determination of our profit before taxation for enterprise income tax purposes. As a result of changes in PRC regulations, we are in the process of terminating the Contractual Arrangements and as of the date of this document, we had only six PRC operating entities which are still subject to the Contractual Arrangements. After the full termination of the remaining six entities under the Contractual Arrangements, we will no longer be subject to the business taxes.

Critical accounting policies, estimates and judgments

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

Depreciation

Properties, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Our 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 our 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.

Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on our management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by our 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 combined statements of comprehensive income in future years. We did not record any impairment losses on trade and other receivables for the years ended December 31, 2009, 2010 and 2011.

Provision for inventories

Our management reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realizable value. Our management estimates the net realizable 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 our Group's net asset value.

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 judgment and assumptions. Any change in such judgment and assumptions would affect the fair value of assets acquired and liabilities assumed.

Historical financial information of our Group

We completed the acquisition of SCAS Group, a leading automobile dealership group in the PRC, on December 22, 2011. As such, the balance sheet of our Group as of December 31, 2011 has included the balance sheet financial infomation of SCAS Group as of the same date. Similarly, the results of operations of our Group for the year ended December 31, 2011 have consolidated the results of SCAS Group from December 22, 2011 to December 31, 2011. Therefore, the financial condition and results of operations of our Group as of and for the year ended December 31, 2011 are not directly comparable to those of our Group as of and for the years ended December 31, 2009 and 2010. The discussion below relates only to the historic financial information of our Group.

Description of selected income statement line items

The following summarizes components of certain items appearing in the consolidated financial statements and the notes thereto in this document, which we believe will be helpful in understanding the period-to-period discussion from our Group that follows below.

Turnover

We generate turnover from (i) our dealership business and (ii) our logistics services and lubricant oil trading business. For the years ended December 31, 2009, 2010 and 2011, we generated turnover of RMB4,981.2 million, RMB8,034.2 million and RMB14,443.9 million, of which 93.4%, 94.7% and 97.0% was attributable to our dealership business, and 6.6%, 5.3% and 3.0% was attributable to our logistics services and lubricant oil trading businesses.

In our dealership business, we generate turnover from (i) sales of new automobiles and (ii) provision of after-sales services (which consists of sales of spare parts and provision of maintenance services). Turnover generated in our dealership business does not include turnover from the provision of automobile agency services, which are instead included in our other turnover. Sales of automobiles are comprised of sales of new premium and ultra premium, and middle market branded automobiles. We attribute the increase in our turnover from sales of premium and ultra premium branded automobiles during the three-year period ended December 31, 2011 to the growth of the PRC automobile market, the opening and the ramping up of additional premium and ultra premium brands dealership stores and the increased productivity of our existing dealership stores, particularly as a result of our training and incentives for our sales personnel. We attribute the increase in turnover from sales of middle market branded automobiles to the growth of the overall demand in China for such automobiles. We attribute the increase during the three-year period ended December 31, 2011 in turnover from provision of after-sales services to the expansion of our customer base.

We expect to continue to grow our logistics services and lubricant oil trading business. However, as a result of the SCAS Acquisition, we expect our logistics services and lubricant oil trading businesses to account for a decreasing proportion of our turnover as SCAS Group is not engaged in logistics services or the lubricant oil trading business.

The following table sets forth a breakdown of our turnover for the periods indicated.

Year ended December 31, (RMB in thousands, except percentages)	2009 RMB	2009 % of turnover	2010 RMB	2010 % of turnover	2011 RMB	2011 % of turnover
Dealership business						
Sales of new automobiles						
Premium and ultra premium brands	2,240,229	45.0	4,801,723	59.8	10,582,659	73.3
Middle market brands	2,030,224	40.8	2,207,703	27.4	2,370,066	16.4
Total sales of new automobiles	**4,270,453**	**85.8**	**7,009,426**	**87.2**	**12,952,725**	**89.7**
After-sales services						
Sales of automobile spare parts	68,028	1.3	127,821	1.6	242,579	1.7
Provision of maintenance services	312,420	6.3	473,694	5.9	804,801	5.6
Total after-sales services	**380,448**	**7.6**	**601,515**	**7.5**	**1,047,380**	**7.3**
Total dealership business	**4,650,901**	**93.4**	**7,610,941**	**94.7**	**14,000,105**	**97.0**
Logistics services and lubricant oil trading	330,273	6.6	423,308	5.3	443,822	3.0
Total turnover	**4,981,174**	**100.0**	**8,034,249**	**100.0**	**14,443,927**	**100.0**

Cost of sales

Our cost of sales consists of costs of sales for our automobile dealership business and our logistics services and lubricant oil trading businesses.

Cost of sales for our automobile dealership business is comprised of (i) purchase costs of new premium and ultra premium and middle market branded automobiles from automobile manufacturers after deduction of incentive rebates received from automobile manufacturers and (ii) cost of sales for after-sales services, including the purchase costs of spare parts and accessories and provision of maintenance services. Cost of sales for our logistics services and lubricant oil trading businesses is comprised of cost of sales of logistics services and our purchase costs of automobile lubricant oil.

Any significant change in our cost of sales, in particular the cost of new automobiles or incentive rebates, will affect our results of operations and financial condition. Incentive rebates are accrued at each reporting date based on the actual purchasing amounts, corresponding rebate rates as agreed with automobile manufacturers and our management's estimate on relevant factors, including without limitation, meeting certain sales and service targets set by the relevant automobile manufacturers. Rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but still held on the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. There was no material discrepancy between accrued rebates and actual rebates we received from automobile manufacturers during the years ended December 31, 2009, 2010 and 2011. For the years ended December 31, 2009, 2010 and 2011, we recorded incentive rebates of approximately RMB242.6 million, RMB394.8 million and RMB798.6 million, respectively.

The following table sets forth a breakdown of our cost of sales for the years indicated.

Year ended December 31, (RMB in thousands, except percentages)	2009 RMB	2009 % of cost of sales	2010 RMB	2010 % of cost of sales	2011 RMB	2011 % of cost of sales
Dealership business						
Sales of new automobiles						
Premium and ultra premium brands	2,131,507	46.7	4,479,993	61.3	9,861,507	75.5
Middle market brands	1,940,849	42.5	2,152,976	29.5	2,250,509	17.2
Total cost of sales of new automobiles	**4,072,356**	**89.2**	**6,632,969**	**90.8**	**12,112,016**	**92.7**
After-sales services	231,183	5.0	336,130	4.6	590,305	4.5
Total cost of sales of dealership business	**4,303,539**	**94.2**	**6,969,099**	**95.4**	**12,702,321**	**97.2**
Logistics services and lubricant oil trading	263,094	5.8	338,834	4.6	355,971	2.8
Total cost of sales	**4,566,633**	**100.0**	**7,307,933**	**100.0**	**13,058,292**	**100.0**

Gross profit

We generated gross profits of RMB414.5 million, RMB726.3 million and RMB1,385.6 million, representing a gross profit margin of 8.3%, 9.0% and 9.6% for the years ended December 31, 2009, 2010 and 2011. The increase in gross profit margin during the same period was largely attributable to the increased gross profit margin in our automobile dealership business as well as an increase in turnover generated by our logistics services and lubricant oil trading businesses which generally have higher gross profit margins than our automobile dealership business.

Our automobile dealership business generated gross profits of RMB347.4 million, RMB641.8 million and RMB1,297.8 million, representing a gross profit margin of 7.5%, 8.4% and 9.3% for the years ended December 31, 2009, 2010 and 2011, respectively. The increase in gross profit margin in our automobile dealership business from 2009 to 2010 is largely attributable to the ramp-up and expansion of our premium and ultra premium brands dealership stores and corresponding increased sales of premium and ultra premium branded automobiles, which generate higher gross profit margin as compared to middle market branded automobiles. In addition, gross profit margin in our automobile dealership business also increased from 2009 to 2010 as a result of increased turnover from our after-sales services, which have a higher gross profit margin compared with sales of new automobiles.

Our logistics services and lubricant oil trading business generated gross profits of RMB67.2 million, RMB84.5 million and RMB87.9 million, representing a gross profit margin of 20.3%, 20.0% and 19.8% for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table sets forth a breakdown of our gross profits and gross profit margins for the years indicated.

Year ended December 31, (RMB in thousands, except percentages)	2009 RMB	2009 Gross profit margin (%)	2010 RMB	2010 Gross profit margin (%)	2011 RMB	2011 Gross profit margin (%)
Dealership business						
Sales of new automobiles						
Premium and ultra premium brands	108,722	4.9	321,730	6.7	721,152	6.8
Middle market brands	89,375	4.4	54,727	2.5	119,557	5.0
Total sales of new automobiles	**198,097**	**4.6**	**376,457**	**5.4**	**840,709**	**6.5**
After-sales services						
Sales of automobile spare parts	21,783	32.0	56,875	44.5	121,341	50.0
Provision of maintenance services	127,482	40.8	208,510	44.0	335,734	41.7
Total after-sales services	**149,265**	**39.2**	**265,385**	**44.1**	**457,075**	**43.6**
Total dealership business	**347,362**	**7.5**	**641,842**	**8.4**	**1,297,784**	**9.3**
Logistics services and lubricant oil trading	67,179	20.3	84,474	20.0	87,851	19.8
Total gross profit	**414,541**	**8.3**	**726,316**	**9.0**	**1,385,635**	**9.6**

Other revenue and other net income

Our other revenue includes commission income, which is primarily comprised of commissions and fees received for (i) brokering auto loans, which are generally determined based on a percentage of the principal loan amount we successfully broker, (ii) brokering insurance policies, which are generally determined based on a percentage of the insurance premiums and the type of insurance we successfully broker and (iii) registration services in our dealership business in connection with sales of new automobiles. Our other revenue also includes interest income from bank deposits and rental income from investment properties that we own during the years ended December 31, 2009, 2010 and 2011. Our other net income includes net gain on disposal of property, plant and equipment, which includes sales of automobiles used as display and test-drive models and net gain on disposal of investment properties that we owned during the years ended December 31, 2009, 2010 and 2011.

The following table sets forth a breakdown of our other revenue and other net income for the periods indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Other revenue			
Commission income	17,488	28,585	81,042
Interest income from bank deposits	5,137	8,874	24,520
Rental income	1,186	1,242	—
Others	131	604	1,336
Total	**23,942**	**39,305**	**106,898**
Other net income			
Net gain on disposal of other property, plant and equipment	6,411	6,590	9,750
Others	771	710	3,419
Total	**7,182**	**7,300**	**13,169**

Selling and distribution expenses

Our selling and distribution expenses include (i) staff cost, which consists of salary and wage expenses and social insurance and welfare cost of our sales personnel, (ii) marketing and advertising expenses, and (iii) depreciation and amortization primarily relating to our fixed assets located in our 45 dealership stores. The increase in selling and distribution expenses during the years ended December 31, 2009, 2010 and 2011 was primarily due to (i) an increase in salary and wage expenses of our sales personnel, as a result of the increase in the number of our sales personnel in connection with the opening of new dealership stores and an increase in bonuses paid to our sales personnel in connection with increased sales of new automobiles, (ii) depreciation and amortization due to increased total value of our fixed assets as a result of the opening of new dealership stores, and (iii) our increased expenditures on sales and marketing expenses, which was primarily due to increased advertising and marketing activities.

The following table sets forth a breakdown of our sales and distribution expenses for the years indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Selling and distribution expenses			
Staff cost	47,126	88,185	154,001
Marketing and advertising expenses	46,528	41,823	78,375
Depreciation and amortization	13,525	18,603	32,457
Other expenses	31,158	43,382	65,012
Total	138,337	191,993	329,845

Administrative expenses

Our administrative expenses include (i) staff cost, which consists of salary and wages expenses and welfare costs of our administrative personnel, (ii) depreciation and amortization primarily relating to our cost to obtain dealership authorization, fixed assets and land use rights and (iii) rental expenses for our office space. The increase in administrative expenses during the years ended December 31, 2009, 2010 and 2011 was primarily due to increases in salary and wage expenses of our administrative personnel primarily due to the expansion of our business and increases in depreciation and amortization in connection with the opening of new dealership stores.

The following table sets forth a breakdown of our administrative expenses for the years indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Administrative expenses			
Staff cost	15,494	39,965	104,841
Depreciation and amortization	21,592	29,697	47,172
Rental expenses	6,825	9,936	30,800
Other expenses	38,423	95,959	137,166
Total	82,334	175,557	319,979

Finance costs

Our finance costs primarily include interest on loans and borrowings wholly repayable within five years as well as other financial costs, which mainly are the interest expenses arising from discount of bills. For the years ended December 31, 2009, 2010 and 2011, our finance costs were RMB31.5 million, RMB56.1 million and RMB128.2 million, respectively. The increase in finance costs during the years ended December 31, 2009, 2010 and 2011 was primarily due to changes in market interest rates, amounts of bills payable used by us for purchases of new automobiles and amounts of bank borrowings. Our business requires sufficient financing for our increasing inventory level and prepayments for new automobiles that we purchase from automobile manufacturers. We expect the finance costs of the Group to increase as our inventory level and prepayments for new automobiles increase due to the expansion of our dealership network.

Share of profit of an associate or a jointly controlled entity

An associate is an entity in which we have significant influence, but do not have control or joint control, over its management, including participation in the financial and operating policy decisions. On June 6, 2009, we acquired 20% of the equity interest in Guangzhou Fengshen Logistics Co., Ltd. ("**Guangzhou Fengshen**"), a provider of automobile logistics services, from an Independent Third Party for consideration of RMB34.1 million. As a result, Guangzhou Fengshen became an associate of our Group. On June 29, 2010, we acquired an additional 30% of the equity interest in Guangzhou Fengshen from another Independent Third Party and thereafter, we have considered Guangzhou Fengshen to be a jointly controlled entity. Our share of profit of a jointly controlled entity increased from RMB10.4 million for the year ended December 31, 2010 to RMB21.1 million for the year ended December 31, 2011.

Tax

Under the current laws of the Cayman Islands and the British Virgin Islands, we are not subject to income tax or capital gains tax in the Cayman Islands and the British Virgin Islands. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the British Virgin Islands other than, potentially, in certain limited circumstances where there is a paying agent resident in the Cayman Islands; and the beneficial owner of the Notes is an individual tax resident in an EU member state; and the interest payment falls within the definition as set out in the relevant bilateral agreement with the EU member state and is not subject to any exclusions.

No provision for Hong Kong profit tax has been made as we had no assessable profits made in Hong Kong during the years ended December 31, 2009, 2010 and 2011.

Before January 1, 2008, enterprises incorporated in the PRC were normally subject to corporate income tax at a rate of 33%, of which 30% is attributable to national enterprise income tax and 3% attributable to local income tax.

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

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdictions of the foreign investors.

In addition, since November 17, 2010, when our Contractual Arrangements became effective, the profit before tax generated by our automobile dealership business that we operate through our PRC subsidiaries under our Contractual Arrangements has been subject to a business tax and other related levies at an aggregate rate of approximately 5.6% as Wuhan Jietong obtains the economic benefits of the operations of the PRC subsidiaries under our Contractual Arrangements through service fees under the Contractual Arrangements. This business tax, as with other business taxes incurred by our Group, will be deducted from our gross turnover prior to the determination of our profit before taxation for enterprise income tax purposes.

Results of operations of our Group

The following table sets forth a summary, for the periods indicated, of our combined results of operations. Each item has also been expressed as a percentage of our turnover. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	2009		2010		2011	
Year ended December 31, (RMB in thousands, except percentages)	**RMB**	**% of turnover**	**RMB**	**% of turnover**	**RMB**	**% of turnover**
Combined statements of comprehensive income						
Turnover	**4,981,174**	**100.0**	**8,034,249**	**100.0**	**14,443,927**	**100.0**
Cost of sales	(4,566,633)	(91.7)	(7,307,933)	(91.0)	(13,058,292)	(90.4)
Gross profit	**414,541**	**8.3**	**726,316**	**9.0**	**1,385,635**	**9.6**
Other revenue	23,942	0.5	39,305	0.5	106,898	0.7
Other net income	7,182	0.1	7,300	0.1	13,169	0.1
Selling and distribution expenses	(138,337)	(2.8)	(191,933)	(2.4)	(329,845)	(2.3)
Administrative expenses	(82,334)	(1.6)	(175,557)	(2.2)	(319,979)	(2.2)
Profit from operations	**224,994**	**4.5**	**405,371**	**5.0**	**855,878**	**5.9**
Finance costs	(31,465)	(0.6)	(56,146)	(0.7)	(128,173)	(0.9)
Share of profit of an associate or a jointly controlled entity	4,570	0.1	10,355	0.2	21,127	0.2
Gain on remeasurement of previously held equity interest in a jointly controlled entity	—	—	3,177	0.1	—	—
Gain on bargain purchase	—	—	27,266	0.3	—	—
Profit before taxation	**198,099**	**4.0**	**390,023**	**4.9**	**748,832**	**5.2**
Income tax	(48,277)	(1.0)	(90,571)	(1.2)	(187,016)	(1.3)
Profit attributable to						
Equity holders of the Company	145,854	2.9	276,004	3.4	524,045	3.6
Non-controlling interests	3,968	0.1	23,448	0.3	37,771	0.3
Profit for the year/period	**149,822**	**3.0**	**299,452**	**3.7**	**561,816**	**3.9**
Earnings per share						
Basic and diluted (RMB cent)	9.7		18.0		25.2	

Year ended December 31, 2011 compared to year ended December 31, 2010

Turnover. Our turnover increased by 79.8% from RMB8,034.2 million for the year ended December 31, 2010 to RMB14,443.9 million for the year ended December 31, 2011, primarily due to an increase in sales of new automobiles by 84.8% from RMB7,009.4 million for the year ended December 31, 2010 to RMB12,952.7 million for the year ended December 31, 2011, attributable to our Group's strategic focus on the premium and ultra premium branded automobile dealership business.

Turnover from sale of premium and ultra premium branded automobiles increased by 120.4% from RMB4,801.7 million for the year ended December 31, 2010 to RMB10,582.7 million for the year ended December 31, 2011. We attribute this increase primarily to our expanded dealership network, enhanced operating efficiency and our ability to timely capture market opportunities when they arise. Turnover from sale of middle market branded automobiles increased by 7.4% from RMB2,207.7 million for the year ended December 31, 2010 to RMB2,370.1 million for the year ended December 31, 2011, primarily due to the growth of demand for such automobile in the market. In addition, turnover from provision of after-sales services increased by 74.1% from RMB601.5 million for the year ended December 31, 2010 to RMB1,047.4 million for the year ended December 31, 2011. This increase was primarily in line with our increased sale of new automobiles during the same period, which expanded our customer base for after-sale services business. Turnover from our logistics service business and lubricant oil trading business was RMB443.8 million for the year ended December 31, 2011, which remained stable as compared to 2010.

Cost of sales. Our cost of sales increased by 78.7% from RMB7,307.9 million for the year ended December 31, 2010 to RMB13,058.3 million for the year ended December 31, 2011. This increase was primarily due to the increase in the cost of sales for new automobiles, which increased by 82.6% from RMB6,633.0 million for the year ended December 31, 2010 to RMB12,112.0 million for the year ended December 31, 2011, in line with our increased sales of new automobiles for the same period. Our cost of sales for premium and ultra premium branded automobiles increased by 120.1% from RMB4,480.0 million for the year ended December 31, 2010 to RMB9,861.5 million for the year ended December 31, 2011 and our cost of sales for middle market branded automobiles increased by 4.5% from RMB2,153.0 million to RMB2,250.5 million for the same period. The increase in our cost of sales was also due in part to the increase in cost of sales for after-sales services, which increased by 75.6% from RMB336.1 million for the year ended December 31, 2010 to RMB590.3 million for the year ended December 31, 2011, in line with the increase in our turnover generated from after-sales services business during the same period.

Gross Profit. Our gross profit increased by 90.8% from RMB726.3 million for the year ended December 31, 2010 to RMB1,385.6 million for the year ended December 31, 2011. Our gross profit generated from sales of premium and ultra premium branded automobiles increased by 124.2% from RMB321.7 million for the year ended December 31, 2010 to RMB721.2 million for the year ended December 31, 2011. Our gross profit generated from provision of after-sales services increased by 72.2% from RMB265.4 million for the year ended December 31, 2010 to RMB457.1 million for the year ended December 31, 2011. In addition, our gross profit generated from logistics and lubricant oil trading business slightly increased from RMB84.5 million for the year ended December 31, 2010 to RMB87.9 million for the year ended December 31, 2011.

Our gross profit margin increased from 9.0% for the year ended December 31, 2010 to 9.6% for the year ended December 31, 2011. This increase was primarily due to an increase in the proportion of the sales of premium and ultra premium branded automobiles, which in general had higher gross profit margin.

Other revenue and other net income. Our other revenue and other net income increased by 157.7% from RMB46.6 million for the year ended December 31, 2010 to RMB120.1 million for the year ended December 31, 2011, primarily due to the increase in our commission income received from financial institutions and insurance companies as we brokered more loans and insurance policies in connection with our increased sales of new automobiles. In addition, interest income from bank deposits also increased as the balance of our pledged bank deposits increased.

Selling and distribution expenses. Our selling and distribution expenses increased by 71.8% from RMB192.0 million for the year ended December 31, 2010 to RMB329.8 million for the year ended December 31, 2011. This increase was primarily due to the expansion of our sales network by acquisitions and establishment of new stores in 2011 resulting in a corresponding increase in wages and salaries of sales staff, as well as rental and general expenses of dealership stores.

Administrative expenses. Our administrative expenses increased by 82.2% from RMB175.6 million for the year ended December 31, 2010 to RMB320.0 million for the year ended December 31, 2011. This increase was primarily due to the increase in staff remuneration, salary expenses as well as staff benefits and depreciation cost for our newly added or acquired 4S dealership stores, and the increase in rental expenses due to our newly added 4S dealership stores.

Profit from operations. As a result of the foregoing, our profit from operations increased by 111.1% from RMB405.4 million for the year ended December 31, 2010 to RMB855.9 million for the year ended December 31, 2011.

Finance costs. Our finance costs increased by 128.5% from RMB56.1 million for the year ended December 31, 2010 to RMB128.2 million for the year ended December 31, 2011. This increase was primarily due to an increase in interest expenses arising from increased bills payable used by us for increased purchases of new automobiles, and an increase in interest expenses on loans and borrowings, primarily reflecting our increased bank borrowings to satisfy working capital needs resulting from expanded operations.

Income tax expenses. Our income tax expenses increased by 106.4% from RMB90.6 million for the year ended December 31, 2010 to RMB187.0 million for the year ended December 31, 2011, primarily as a result of the increase in our profit during the same period. Our effective tax rate increased from 23.2% for the year ended December 31, 2010 to 25.0% for the year ended December 31, 2011, primarily because for the year ended December 31, 2010, there was RMB27.3 million non-taxable income from gain on bargain purchase arising from the acquisition of equity interests in a jointly controlled entity.

Profit for the year. As a result of the cumulative effect of the above factors, our profit increased by 87.6% from RMB299.5 million for the year ended December 31, 2010 to RMB561.8 million for the year ended December 31, 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Turnover. Our turnover increased by 61.3% from RMB4,981.2 million for the year ended December 31, 2009 to RMB8,034.2 million for the year ended December 31, 2010, primarily due to an increase in sales of new automobiles by 64.1% from RMB4,270.5 million for the year ended December 31, 2009 to RMB7,009.4 million for the year ended December 31, 2010.

Turnover from sale of premium and ultra premium branded automobiles increased by 114.3% from RMB2,240.2 million for the year ended December 31, 2009 to RMB4,801.7 million for the year ended December 31, 2010. This increase was primarily due to our timely adjustment of sales strategies, increases in sales contribution from higher-priced models of premium and ultra premium branded automobiles launched by automobile manufacturers and expansion of dealership network through opening seven new dealership stores in 2010. Turnover from the sale of middle market brand automobiles increased by 8.7% from RMB2,030.3 million for the year ended December 31, 2009 to RMB2,207.7 million for the year ended December 31, 2010. This increase was primarily attributable to the overall growth of the automobile market in China.

In addition, turnover from provision of after-sales services increased by 58.1% from RMB380.4 million for the year ended December 31, 2009 to RMB601.5 million for the year ended December 31, 2010. The major customers of after-sales services were the customers who purchased new automobiles from our dealership stores. As such, our increased sales volume of new automobiles resulted in the expansion of customer base for the after-sales services during the same period. In addition, our growth of sales volume of premium and ultra premium branded automobiles increased the percentage of high-end customers among the customer base of after-sales services. We also adjusted the sales strategies of automobile accessories to provide wider selection or higher-priced product offerings. Turnover from our logistics services business and lubricant oil trading business increased by 28.2% from RMB330.3 million for the year ended December 31, 2009 to RMB423.3 million for the year ended December 31, 2010, primarily due to the overall growth of the automobile market in China.

Cost of sales. Our cost of sales increased by 60.0% from RMB4,566.6 million for the year ended December 31, 2009 to RMB7,307.9 million for the year ended December 31, 2010. This increase was mainly due to the increase in the cost of sales for new automobiles. As a result of the increase in our sales of new automobiles, our cost of sales for new automobiles increased by 62.9% from RMB4,072.4 million for the year ended December 31, 2009 to RMB6,633.0 million for the year ended December 31, 2010. The cost of sales for premium branded automobiles increased by 110.2% from RMB2,131.5 million for the year ended December 31, 2009 to RMB4,480.0 million for the year ended December 31, 2010 and the cost of sales for middle market branded automobiles increased by 10.9% from RMB1,940.8 million to RMB2,153.0 million for the same period. The increase in our cost of sales was also due in part to the increase in cost of sales for after-sales services from RMB231.2 million for the year ended December 31, 2009 to RMB336.1 million for the year ended December 31, 2010, representing an increase of 45.4%. This increase was in line with the growth in our revenue generated from provision of after-sales services. In addition, the cost of sales for logistics services business and lubricant oil trading business increased by 28.8% from RMB263.1 million for the year ended December 31, 2009 to RMB338.8 million for the year ended December 31, 2010. This increase was in line with our growth in revenue generated from the logistics services business and lubricant oil trading business.

Gross profit. Our gross profit increased by 75.2% from RMB414.5 million for the year December 31, 2009 to RMB726.3 million for the year ended December 31, 2010, primarily due to the optimization of our business. Our gross profit generated from dealership business increased by 84.7% from RMB347.4 million for the year ended December 31, 2009 to RMB641.8 million for the year ended December 31, 2010, primarily as a result of the increase in gross profit generated from our sales of new automobiles. During the same period, our gross profit generated from sales of premium and ultra premium branded automobiles increased from RMB108.7 million to RMB321.7 million and our gross profit generated from sales of middle market branded automobiles decreased from RMB89.4 million to RMB54.7 million. Moreover, our gross profit generated from provision of after-sales services increased from RMB149.3 million for the year ended December 31, 2009 to RMB265.4 million for the year ended December 31, 2010 and our gross profit from logistics services business and lubricant oil trading business increased from RMB67.2 million to RMB84.5 million during the same period.

Our gross profit margin increased from 8.3% for the year ended December 31, 2009 to 9.0% for the year ended December 31, 2010, primarily due to the increase in our sales of premium and ultra premium branded automobiles and our adjustment of sales strategies, as well as our increased sales of higher gross profit margin and higher-priced models of premium branded automobiles.

Other revenue and other net income. Our other revenue and other net income increased by 49.8% from RMB31.1 million for the year ended December 31, 2009 to RMB46.6 million for the year ended December 31, 2010, primarily due to the increase in our commission income received from financial institutions and insurance companies as we originated more loans and insurance policies in connection with our increased sales of new automobiles. In addition, interest income from bank deposits also increased in line with our increased balance of pledged bank deposits.

Selling and distribution expenses. Our selling and distribution expenses increased by 38.8% from RMB138.3 million for the year ended December 31, 2009 to RMB192.0 million for the year ended December 31, 2010. This increase was primarily due to our increased marketing expenses, increased salaries and wages due to recruitment of new sales staff for the establishment of seven new dealership stores in 2010 and increased rental and general expenses relating to our dealership stores.

Administrative expenses. Our administrative expenses increased by 113.4% from RMB82.3 million for the year ended December 31, 2009 to RMB175.6 million for the year ended December 31, 2010. This increase was primarily due to our increased salaries and wages and staff benefits as a result of our recruitment of new staff for the establishment of seven new dealership stores in 2010 and the increase in the cost of office.

Profit from operations. As a result of the foregoing, our profit from operations increased by 80.2% from RMB225.0 million for the year ended December 31, 2009 to RMB405.4 million for the year ended December 31, 2010.

Finance costs. Our finance costs increased by 78.1% from RMB31.5 million for the year ended December 31, 2009 to RMB56.1 million for the year ended December 31, 2010. This increase was primarily due to an increase in interest expenses arising from increased bills payable used by us for increased purchases of new automobiles, and an increase in interest expenses on loans and borrowings, primarily reflecting our increased bank borrowings to satisfy working capital needs resulting from expanded operations.

Income tax expenses. Our income tax expenses increased by 87.6% from RMB48.3 million for the year ended December 31, 2009 to RMB90.6 million or the year ended December 31, 2010, primarily as a result of our increased profit. Our effective tax rate decreased from 24.4% for the year ended December 31, 2009 to 23.2% for the year ended December 31, 2010 primarily because for the year ended December 31, 2010, there was a RMB27.3 million non-taxable income from gain on bargain purchase arising from the acquisition of equity interests in a jointly controlled entity.

Profit for the year. As a result of the cumulative effect of the above factors, our profit for the year increased by 99.9% from RMB149.8 million for the year ended December 31, 2009 to RMB299.5 million for the year ended December 31, 2010.

Liquidity and capital resources of our Group

Cash flow

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay our loans, borrowings and other indebtedness, to fund our working capital and normal recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. We finance our liquidity requirements through a combination of cash flows generated from our operating activities, bank loans and other financings.

The following table presents selected cash flow data from our combined cash flow statements for the years indicated.

Year ended December 31, (RMB in thousands)	**2009**	**2010**	**2011**
Net cash generated from/(used in) operating activities	273,194	(123,607)	(60,098)
Net cash used in investing activities	(149,445)	(172,861)	(6,411,066)
Net cash (used in)/generated from financing activities	(1,708)	3,550,600	4,129,601
Net increase/(decrease) in cash and cash equivalents	122,041	3,254,132	(2,341,563)
Cash and cash equivalents at end of the year	176,898	3,432,060	1,096,771

Cash generated from/used in operating activities

For the year ended December 31, 2011, our net cash used in operating activities was RMB60.1 million, consisting primarily of operating profit before taxation of RMB748.8 million and the following changes in working capital: (i) an increase of inventory of RMB583.9 million, which was primarily due to our increased purchases of new automobiles in line with our expectation of strong demand for premium branded automobiles and (ii) an increase of RMB717.6 million in trade and other receivables, which was primarily due to increased prepayments for purchase of new automobiles, which was partially offset by (i) an increase in trade and other payables of RMB354.7 million, which was primarily due to increased bills payable and receipts in advance in line with our expansion of 4S dealership network and opening of new dealership stores (ii) a decrease of RMB71.8 million in pledged bank deposits.

For the year ended December 31, 2010, our net cash used in operating activities was RMB123.6 million, consisting primarily of an increase in inventories of RMB404.3 million, which was primarily due to our increased purchases of new automobiles in line with our expansion of sales network and establishment of new 4S dealership stores in 2010, an increase in trade and other receivables of RMB290.1 million, which was primarily due to increased prepayments for purchases of automobiles, and an increase in pledged bank deposits of RMB12.2 million, which was in line with our increased bills payable, the effects of which were partially offset by our profit before taxation of RMB390.0 million and an increase in trade and other payables of RMB224.1 million, which was primarily due to increased bills payable and receipts in advance in line with our increased purchases of new automobiles as a result of our expansion of sales network and establishment of new 4S dealership stores in 2010.

For the year ended December 31, 2009, our net cash generated from operating activities was RMB273.2 million, consisting primarily of an increase in trade and other payables of RMB848.7 million, which was primarily due to increased bills payable and receipts in advance as we expanded our business and increased purchases of new automobiles, and profit before taxation of RMB198.1 million, the effects of which were partially offset by an increase in pledged bank deposits of RMB660.0 million, and an increase in trade and other receivables of RMB174.1 million, which was primarily due to increased prepayments for purchase of automobiles as we expanded our business.

Cash used in investing activities

For the year ended December 31, 2011, our net cash used in investing activities was RMB6,411.1 million, consisting primarily of (i) net cash of RMB6,005.5 million used in acquisitions of dealership stores, including the SCAS Acquisition, (ii) payment of RMB414.0 million for purchase of property, plant and equipment, and (iii) payment of RMB44.7 million for purchase of land use rights, partially offset by proceeds of RMB40.4 million from disposal of certain property, plant and equipment.

For the year ended December 31, 2010, our net cash used in investing activities was RMB172.9 million, consisting primarily of payment for purchase of fixed assets of RMB198.3 million in connection with our expansion of dealership network, payment of RMB41.0 million in connection with our acquisition of equity interests in Guangzhou Fengshen and payment of RMB17.9 million in connection with our purchase of certain land use rights, the effects of which were partially offset by repayment of advances to related parties of RMB52.2 million and proceeds from disposal of other property, plant and equipment of RMB21.0 million in connection with sales of automobiles used as display and test-drive automobiles.

For the year ended December 31, 2009, our net cash used in investing activities was RMB149.4 million, consisting primarily of payment for purchase of fixed assets of RMB96.0 million in connection with our expansion of dealership network, advances to related parties of RMB52.7 million, and payment of

RMB34.1 million in connection with our acquisition of equity interests in Guangzhou Fengshen, the effects of which were partially offset by repayment of advances to related parties of RMB26.7 million and proceeds from disposal of other property, plant and equipment of RMB25.9 million in connection with sales of automobiles used as display and test-drive automobiles.

Cash generated from/used in financing activities

For the year ended December 31, 2011, our net cash generated from financing activities was RMB4,129.6 million, consisting primarily of (i) proceeds of RMB4,235.7 million from loans and borrowing and (ii) net proceeds of RMB1,684.1 million from the issuance of ordinary shares, which was partially offset by (i) repayment of RMB1,592.5 million of loans and borrowings, and (ii) dividends payment of RMB16.0 million and interest payment of RMB128.2 million.

For the year ended December 31, 2010, our net cash generated from financing activities was RMB3,550.6 million, consisting primarily of net proceeds of RMB3,015.7 million we received from our initial public offering of Shares on the Hong Kong Stock Exchange, bank loans and borrowings of RMB1,823.2 million, capital injection from our equity holder of RMB154.5 million and advances from related parties of RMB59.5 million, the effects of which were partially offset by repayment of bank loans and borrowings of RMB1,367.3 million, interest payment of RMB56.1 million, repayment of advances from related parties of RMB53.9 million and distribution to our equity holder of RMB25.0 million.

For the year ended December 31, 2009, our net cash used in financing activities was RMB1.7 million, consisting primarily of repayment of loans and borrowings of RMB1,457.5 million, repayment of advances from related parties of RMB14.2 million and interest payment of RMB31.5 million, the effects of which were partially offset by proceeds from loans and other borrowings of RMB1,468.4 million, capital injection from our equity holder of RMB17.5 million and advances from related parties of RMB13.1 million.

Inventory analysis

During the years ended December 31, 2009, 2010 and 2011, our inventories included vehicles, which primarily consisted of new automobiles, including automobiles kept in our dealership stores and warehouses as well as automobiles in transit of which the titles and risks had been transferred to us. Our inventories also included automobile spare parts. Generally, each of our dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventory. In addition, we also monitor the inventories within our dealership network and, subject to the consent of automobile manufacturers, may also transfer automobiles from one dealership store to another to rebalance inventory levels.

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

As at December 31, (RMB in thousands)	2009	2010	2011
Motor vehicles	249,482	675,918	3,039,142
Automobile spare parts	43,002	69,609	199,173
Others	2,828	3,206	5,708
Total	**295,312**	**748,733**	**3,244,023**

Our inventories increased by 153.5% from RMB295.3 million as at December 31, 2009 to RMB748.7 million as at December 31, 2010 and further increased by 333.3% from RMB748.7 million as at December 31, 2010 to RMB3,244.0 million as at December 31, 2011. These increases are primarily due to (1) an increase in inventory of new automobiles resulting from purchases of additional premium branded automobiles in 2010 and 2011 in anticipation of the strong market demand, as well as the build-up of inventory in 2011 due to earlier Chinese New Year holidays, (2) an increase in inventories of automobile spare parts due to the growth of our after-sales services during the same periods, (3) the inclusion of the inventories of SACS Group as well as inventories from other dealership stores we acquired, and (4) inventories purchased for new dealership stores we opened in 2011.

Certain of our inventories with carrying amounts of RMB178.5 million, RMB458.6 million and RMB1,490.0 million as at December 31, 2009, 2010 and 2011, respectively, were pledged as security for bills payable and secured borrowings from banks and other financial institutions.

The following table sets forth our average inventory turnover days for the years indicated.

Year ended December 31,	**2009**	**2010**	**2011**
Average inventory turnover days[(1)]	24	26	56

Note:

(1) The average inventory turnover day for a year is the average of opening and closing inventory balances divided by the cost of sales for that year and multiplied by 365 days.

Our average inventory turnover days increased from 26 days for the year ended December 31, 2010 to 56 days for the year ended December 31, 2011, primarily due to the inclusion of the inventories of SCAS Group into our inventories as a result of the completion of the SCAS Acquisition on December 22, 2011. Excluding the financial impact of inclusion of SCAS Group's financial condition into our Group's financial condition, we estimate that the average inventory turnover days of our Group would be 36 days. The increase from 26 days to 36 days was primarily due to (i) the increased purchases of new automobiles, especially premium branded automobiles, in response to the strong market demand and (ii) the opening of new dealership stores, which generally experience longer inventory turnover days as they need to have the initial inventory build-up to ramp up their operations but sales at new dealership stores generally are slower. Our average inventory turnover days remained relatively stable in 2009 as compared to 2010.

Pledged bank deposits

Our pledged bank deposits consist of bank deposits that have been pledged as security for bank loans and bills payable and will be released upon the repayment or settlement of relevant bank loans and bills payables. Our pledged bank deposits increased from RMB894.9 million as at December 31, 2009 to RMB960.9 million as at December 31, 2010 and further to RMB1,168.9 million as at December 31, 2011, primarily to secure our increased bills payables.

The following table sets forth our pledged bank deposits as at the dates indicated.

As at December 31, (RMB in thousands)	**2009**	**2010**	**2011**
Pledged bank deposits	894,853	960,928	1,168,909

Capital expenditures

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. For the years ended December 31, 2009, 2010 and 2011, our total capital expenditures were RMB120.5 million, RMB234.4 million and RMB440.9 million, respectively.

The following table sets forth our expenditures on property, plant and equipment and land use rights for the years indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Capital expenditure			
Property, plant and equipment	95,998	204,449	396,146
Land use right	24,495	29,965	44,729
Total	**120,493**	**234,414**	**440,875**

Capital commitments

Our capital commitments are unpaid amounts of executed agreements for the acquisition of property, plant and equipment in connection with our dealership business. As at December 31, 2009, 2010 and 2011, our total capital commitments outstanding were RMB3.4 million, RMB12.5 million and RMB48.7 million, respectively. We plan to meet our capital commitment by using cash generated from our operating activities or proceeds from loans or other borrowings.

Contractual obligations

Our contractual obligations primarily consist of our future minimum lease payments under non-cancellable operating leases. Our operating leases typically run for an initial period of one to 20 years, with an option to renew the leases at such time, subject to renegotiation of the terms of the lease.

The following table sets forth our total future minimum lease payments under non-cancelable operating leases as at each date indicated.

As at December 31, (RMB in thousands)	2009	2010	2011
Within one year	10,415	34,697	117,542
After one year but within five years	35,733	78,659	303,709
After five years	79,457	83,763	258,905
Total	**125,605**	**197,119**	**680,156**

Indebtedness

Loans and borrowings

Our loans and borrowings as at December 31, 2009, 2010 and 2011 were RMB348.5 million, RMB721.3 million and RMB4,220.4 million, respectively. As of December 31, 2011, we did not have any long-term borrowings and all of our bank loans and other borrowings are less than one year. As of December 31, 2011, the interest rates on the aggregate outstanding amount of our short-term loans and borrowings ranged from 4.9% to 10.0% per annum.

The following table sets forth the carrying amount of our loans and borrowings as at the dates indicated.

As at December 31, (RMB in thousands)	2009	2010	2011
Unsecured loans			
Unsecured bank loans	124,200	418,400	1,955,652
Unsecured loans from controlling shareholder(1)	38,596	—	—
Total unsecured loans	**162,796**	**418,400**	**1,955,652**
Secured loans and borrowings			
Secured bank loans	139,550	270,277	1,208,541
Secured borrowings from other financial institutions(2)	46,171	32,615	56,177
Other secured borrowing	—	—	1,000,000
Total secured loans and borrowings	**185,721**	**302,892**	**2,264,718**
Total	**348,517**	**721,292**	**4,220,370**

Notes:

(1) Mr. Wang Muqing and Rising Wave entered into an agreement confirming that such unsecured loans were provided by Mr. Wang Muqing to Rising Wave. As advised by our PRC legal advisors, the parties' entry into such agreement did not violate any applicable PRC laws and regulations.

(2) Borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers, which are financial institutions approved by the China Banking Regulatory Commission.

Our secured loans and borrowings as of December 31, 2009 and 2010 were either (i) pledged by our inventories, bank deposits, trade receivables and certain items of our property, plant and equipment and land use rights, or (ii) pledged by equity interests of certain of our subsidiaries, or (iii) guarantees issued by related parties, or (iv) certain items of property, plant and equipment and land use rights of our related parties. We do not provide any guarantee to any company outside our group. As of December 31, 2011, our secured loans and borrowings were pledged by our inventories, bank deposits and certain items of our property, plant and equipment and land use rights.

Please see the section entitled "Description of other material indebtedness" for further information.

Contingent liabilities

As at December 31, 2011, we did not have any material contingent liabilities or guarantees.

Off-balance sheet commitments and arrangements

As at December 31, 2011, we had not entered into any off-balance sheet transactions.

Historical financial information of SCAS Group

We have included historic financial information and analysis thereof relating to SCAS Group in this document to facilitate an understanding of the historic results of operations and financial condition of SCAS Group, given that the SCAS Acquisition in December 2011 had caused our Group to expand significantly. This section should be read together with the consolidated audited financial statements set forth elsewhere in this document.

Description of selected income statement line items

The following summarizes components of certain items appearing in the consolidated financial statements and the notes thereto for SCAS Group included elsewhere in this document, which we believe will be helpful in understanding the period-to-period discussion for SCAS Group that follows below.

Turnover

SCAS Group generates all of its turnover from its dealership business, consisting of sales of new automobiles and provision of after-sales services (including sales of automobile spare parts as well as provision of maintenance services). The increase of SCAS Group's turnover from its sales of motor vehicles for the period indicated in the table below was attributable to the growth of the PRC automobile market in general. The increase of the turnover from the provision of after-sales services was attributable to the expansion of the automobiles SCAS Group sold to its customers.

The following table sets forth a breakdown of SCAS Group's turnover for the years indicated:

	2009		2010		2011	
Year ended December 31, (RMB in thousands)	**RMB**	**% of turnover**	**RMB**	**% of turnover**	**RMB**	**% of turnover**
Sales of new automobiles						
Premium and ultra premium brands ..	4,201,858	82.6	7,090,909	84.7	9,049,359	84.4
Middle market brands........................	465,534	9.2	724,562	8.6	894,001	8.3
Total sales of new automobiles	**4,667,392**	**91.8**	**7,815,471**	**93.3**	**9,943,360**	**92.7**
After-sale services						
Sales of automobile spare parts.........	58,879	1.1	65,256	0.8	62,354	0.6
Provision of maintenance services	359,601	7.1	492,488	5.9	716,285	6.7
Total after-sales services	**418,480**	**8.2**	**557,744**	**6.7**	**778,639**	**7.3**
Total dealership business	**5,085,872**	**100.0**	**8,373,215**	**100.0**	**10,721,999**	**100.0**

Cost of sales

SCAS Group's cost of sales consists of (i) purchase costs of new automobiles, (ii) purchase costs for automobile spare parts and (iii) cost of sales for provision of maintenance services. The increase in SCAS Group's cost of sales was attributable primarily to the increase in the number of new automobiles SCAS Group sold.

For the years ended December 31, 2009, 2010 and 2011, SCAS Group recorded incentive rebates of approximately RMB164.2 million, RMB395.1 million and RMB583.4 million.

The following table sets forth a breakdown of SCAS Group's cost of sales for the years indicated:

Year ended December 31, (RMB in thousands except percentages)	2009 RMB	2009 % of cost of sales	2010 RMB	2010 % of cost of sales	2011 RMB	2011 % of cost of sales
Sales of new automobiles						
Premium and ultra premium brands	3,937,179	84.7	6,617,997	86.4	8,124,885	86.1
Middle market brands	455,517	9.8	705,270	9.2	866,856	9.2
Total cost of sales of new automobiles	4,392,696	94.5	7,323,267	95.6	8,991,741	95.3
After-sale services						
Automobile spare parts sold	37,758	0.8	46,002	0.6	43,729	0.4
Maintenance services provided	220,598	4.7	286,799	3.8	402,198	4.3
Total cost of sales of after-sale services	258,356	5.5	332,801	4.4	445,927	4.7
Total cost of sales	4,651,052	100.0	7,656,068	100.0	9,437,668	100.0

Gross profit

SCAS Group generated gross profits of RMB434.8 million for the year ended December 31, 2009, RMB 717.1 million for the year ended December 31, 2010 and RMB 1,284.3 million for the year ended December 31, 2011, representing a gross margin of 8.5%, 8.6% and 12.0%, respectively. The increase in SCAS Group's gross profit margin in 2011 was largely attributable to the increase in SCAS Group's sales of premium branded automobiles such as Land Rover.

The following table sets forth a breakdown of SCAS's gross profits and gross profit margins for the years indicated:

Year ended December 31, (RMB in thousands, except percentages)	2009 Gross Profits	2009 Gross profit margin (%)	2010 Gross Profits	2010 Gross profit margin (%)	2011 Gross Profits	2011 Gross profit margin (%)
Dealership business						
Sales of new automobiles						
Premium and ultra premium brands	264,679	6.3	472,912	6.7	924,474	10.2
Middle market brands	10,017	2.2	19,292	2.7	27,145	3.0
Total sales of new automobiles	**274,696**	**5.9**	**492,204**	**6.3**	**951,619**	**9.6**
After-sales services						
Sales for automobile spare parts	21,121	35.9	19,254	29.5	18,625	29.9
Provision of maintenance services	139,003	38.7	205,689	41.8	314,087	43.9
Total after-sales services	**160,124**	**38.3**	**224,943**	**40.3**	**332,712**	**42.7**
Total gross profit	**434,820**	**8.5**	**717,147**	**8.6**	**1,284,331**	**12.0**

Other revenue and other net income

SCAS Group's other revenue includes interest income from bank deposits and commission income. SCAS Group's commission income is primarily comprised of commissions it received for brokering automobile purchase loans and automobile insurance policies and fees it received for the registration services in its dealership business in connection with sales of new automobiles. The overall increase of commission income for the years ended December 31, 2009, 2010 and 2011 was primarily due to the increase of SCAS Group's new automobile sales.

SCAS Group's other net income includes net gain on disposal of certain property, plant and equipment (which primarily consist of the automobiles used by its dealership stores for test drives), as well as net loss or gain on disposal of certain financial assets (which primarily consists of its portfolio of stock investment) and certain other net income.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Other revenue:			
Commission income	15,522	23,650	33,727
Interest income from bank deposits	19,306	14,551	8,507
Total	34,828	38,201	42,234
Other net income:			
Net gain on disposal of property, plant and equipment	4,549	10,230	5,920
Net gain/(loss) on disposal of available-for-sale financial assets	6,977	7,127	(3,570)
Others	1,039	9,532	1,057
Total	12,565	26,889	3,407

Selling and distribution expenses

SCAS Group's selling and distribution expenses include (i) staff cost, which consists of salary, wage expenses, social insurance and welfare cost of its sales personnel, (ii) marketing and advertising expenses, (iii) depreciation and amortization primarily relating to fixed assets in its 45 dealership stores, and (iv) other expenses such as rental expenses primarily for the sales space, including show rooms, within its rented dealership stores.

Other than the depreciation and amortization expenses, which were relatively stable, the increase of SCAS Group's other selling and distribution expenses for the three-year period primarily due to the increase in the scale of its business operation, as reflected in its increased sale volume and total turnover. As the scale of its business operation increased, SCAS Group employed more sales personnel and increased its advertising and marketing activities.

The following table sets forth a breakdown of SCAS Group's selling and distribution expenses for the years indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Selling and distribution expenses			
Staff cost	45,702	74,007	116,409
Marketing and advertising expenses	46,944	68,045	93,206
Depreciation and amortization	19,622	23,930	20,598
Other expenses	37,945	45,779	72,289
Total	150,213	211,761	302,502

Administrative expenses

SCAS Group's administrative expenses include (i) staff cost, which consists of salary, wages expenses, social insurance and welfare costs of its administrative personnel, (ii) deprecation and amortization primarily relating to fixed assets in our 45 dealership stores, and (iii) other expenses such as rental expenses for the office space within rented dealership stores and utilities expenses, stationery and office expenses and traveling and entertainment expenses.

Other than the depreciation and amortization expenses, which were relatively stable, the increase of SCAS Group's other administrative expenses for the three-year period was primarily due to the increase in the scale of its business operation, as reflected in its increased sales volume and total turnover. As the scale of its business operation increased, SCAS Group employed more administrative personnel and incurred more administrative expenses in connection with the opening of new dealership stores.

The following table sets forth a breakdown of SCAS Group's administrative expenses for the years indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Administrative expenses			
Staff cost	21,123	31,636	76,150
Depreciation and amortization	14,626	12,717	13,868
Rental expenses	17,840	19,114	26,583
Other expenses	44,083	63,515	91,048
Total	97,672	126,982	207,649

Finance costs

SCAS Group's finance costs primarily consist of interests on loans and borrowings wholly repayable within one year. For the year ended December 31, 2009, SCAS Group did not incur any finance costs. For the years ended December 31, 2010 and 2011, it incurred finance costs of RMB 3.8 million and RMB63.4 million, respectively. The increase was primarily due to SCAS Group's increased amount of financing for its increased inventory level as a result of the expansion of its dealership network and increased automobile sales.

Tax

Under the rules and regulations of the British Virgin Islands, SCAS Group is not subject to any income tax of the British Virgin Islands. In addition, no provision for Hong Kong profit tax was made for the subsidiary of SCAS Group located in Hong Kong as it did not have assessable profits subject to Hong Kong profits tax during the relevant period.

In accordance with the relevant PRC corporate income tax laws and its implementation rules, certain subsidiaries in the PRC are entitled to tax concessions and tax relief whereby the profits of these subsidiaries are taxed at preferential income tax rates.

SCAS Group no longer enjoys any preferential tax treatment starting January 1, 2012 except for Shenzhen Roadmate.

According to the PRC corporate income tax laws and its implementation rules, dividends receivable by a non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or other arrangements. Under the Sino-Hong Kong Double Tax Arrangements 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.

SCAS Group's PRC subsidiaries are directly and indirectly held by Wealth Fame Holdings Limited, which is a Hong Kong tax resident. Since SCAS Group can control the quantity and timing of any distribution of profits of the PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

Results of operations of SCAS Group

The following table sets forth a summary, for the periods indicated, of SCAS Group's consolidated results of operations. Each item has also been expressed as a percentage of turnover. SCAS Group's historical results presented below are not necessarily indicative of the results that may be expected for any future period. The information in the table only includes results of operations of SCAS Group up to the date of its acquisition by us in December 2011.

	2009		2010		2011	
Year ended December 31, (RMB in thousands, except percentages)	**RMB**	**% of turnover**	**RMB**	**% of turnover**	**RMB**	**% of turnover**
Turnover	5,085,872	100.0	8,373,215	100.0	10,721,999	100.0
Cost of sales	(4,651,052)	(91.5)	(7,656,068)	(91.4)	(9,437,668)	(88.0)
Gross profit	434,820	8.5	717,147	8.6	1,284,331	12.0
Other revenue	34,828	0.7	38,201	0.5	42,234	0.3
Other net income	12,565	0.3	26,889	0.2	3,407	0.0
Selling and distribution expenses	(150,213)	(3,0)	(211,761)	(2.5)	(302,502)	(2.8)
Administrative expenses	(97,672)	(1.9)	(126,982)	(1.5)	(207,649)	(1.9)
Profit from operations	234,328	4.6	443,494	5.3	819,821	7.6
Finance costs	—	—	(3,800)	—	(63,386)	(0.5)
Profit before taxation	234,328	4.6	439,694	5.3	756,435	7.1
Income tax	(65,402)	(1.3)	(110,215)	(1.4)	(186,266)	(1.8)
Profit for the year	168,926	3.3	329,479	3.9	570,169	5.3
Profit and total comprehensive income for the year	168,926	3.3	329,479	3.9	570,169	5.3
Profit and total comprehensive income attributable to:						
Equity holder of Top Globe Limited	150,999	3.0	297,631	3.6	524,746	4.9
Non-controlling interests	17,927	0.3	31,848	0.3	45,423	0.4
Profit and total comprehensive income for the year	168,926	3.3	329,479	3.9	570,169	5.3

Year ended December 31, 2011 compared to year ended December 31, 2010

Turnover. SCAS Group's turnover increased by 28.1% from RMB8,373.2 million for the year ended December 31, 2010 to RMB 10,722.0 million for the year ended December 31, 2011, primarily due to an increase in sales of new automobiles by 27.2% from RMB7,815.5 million for the year ended December 31, 2010 to RMB9,943.4 million for the year ended December 31, 2011, and an increase in turnover generated from maintenance services by 45.4% from RMB492.5 million for the year ended December 31, 2010 to RMB716.3 million for the year ended December 31, 2011, which was partially offset by the slight decrease in the turnover from sales of automobile spare parts from RMB65.2 million for the year ended December 31, 2010 to RMB62.4 million for the year ended December 31, 2011. The increase in the turnover from sales of new automobiles was primarily attributable to the increase in demand in the PRC automobile market in general, and in particular the premium branded automobiles such as Land Rover. The increase in turnover from maintenance services was primarily due to an expanded retail customer base.

Turnover from sales of premium branded automobiles increased by 27.6% from RMB7,090.9 million for the year ended December 31, 2010 to RMB9,049.3 million for the year ended December 31, 2011. Turnover from sales of middle market branded automobiles increased by 23.4% from RMB724.6 million for the year ended December 31, 2010 to RMB894.0 million for the year ended December 31, 2011.

Cost of sales. SCAS Group's costs of sales increased by 23.3% from RMB7,656.1 million for the year ended December 31, 2010 to RMB9,437.7 million for the year ended December 31, 2011. The increase in cost of sales was mainly due to an increase in cost of sales for sales of new automobiles, which was roughly in line with SCAS Group's increased sales of new automobiles for the same period and to a lesser extent the increase in cost of sales for maintenance services provided. The cost of sales for premium branded automobiles increased by 22.8% from RMB6,618.0 million for the year ended December 31, 2010 to RMB8,124.9 million for the year ended December 31, 2011. The cost of sales for middle market branded automobiles increased by 22.9% from RMB705.3 million for the year ended December 31, 2010 to RMB866.9 million for the year ended December 31, 2011.

Gross profit. SCAS Group's gross profit increased by 79.1% from RMB717.1 million for the year ended December 31, 2010 to RMB1,284.3 million for the year ended December 31, 2011. Such increase was mainly due to the increase in SCAS Group's automobile sales reflecting higher demand for automobiles in China in general, and increased after-sales services provided, which was in line with the increased sales of new automobiles. SCAS Group's gross profit margin increased from 8.6% for the year ended December 31, 2010 to 12.0% for the year ended December 31, 2011. This increase was primarily due to the growth of demand for certain premium branded automobiles with higher gross profit margins, such as Land Rover.

Other revenue and other net income. SCAS Group's other revenue and other net income decreased by 30.0% from RMB65.1 million for the year ended December 31, 2010 to RMB45.6 million for the year ended December 31, 2011, primarily due to (i) the increase of its commission income from RMB23.7 million for the year ended December 31, 2010 to RMB33.7 million for the year ended December 31, 2011, (ii) the decrease of its interest income from bank deposits from RMB14.6 million for the year ended December 31, 2010 to RMB8.5 million for the year ended December 31,2011, (iii) the decrease of its gains primarily from the disposal of its test drive automobiles from RMB10.2 million for the year ended December 31, 2010 to RMB5.9 million for the year ended December 31, 2011, (iv) the loss of RMB3.6 million from its disposal of its stock investments for the year ended December 31, 2011, as compared to the gains on disposal of its stock investments of RMB 7.1 million for the year ended December 31, 2010, and (v) the decrease of its other types of gains from RMB9.5 million for the year ended December 31, 2010 to RMB1.1 million for the year ended December 31, 2011.

Selling and distribution expenses. SCAS Group's selling and distribution expenses increased by 42.8% from RMB211.8 million for the year ended December 31, 2010 to RMB302.5 million for the year ended December 31, 2011. Such increase was mainly due to the increase of its scale of operation and sales volumes, which resulted in the hiring of more sales personnel and an increase in advertising activities.

Administrative expenses. SCAS Group's administrative expenses increased by 63.5% from RMB127.0 million for the year ended December 31, 2010 to RMB207.6 million for the year ended December 31, 2011 . Such increase was primarily due to the increase of its scale of operation and sales volumes, which resulted in the hiring of more administrative personnel and an increase in administrative expenses.

Profit from operations. As a result of the foregoing, SCAS Group's profit from operations increased by 84.8% from RMB443.5 million for the year ended December 31, 2010 to RMB819.8 million for the year ended December 31, 2011.

Finance costs. SCAS Group's finance costs increased by 1,568.4% from RMB3.8 million for the year ended December 31, 2010 to RMB 63.4 million for the year ended December 31, 2011. This increase was primarily due to an increase in interest expenses on loans and borrowings, primarily reflecting its increased bank borrowings to satisfy working capital needs resulting from expanded operations.

Income tax expenses. SCAS Group's income tax expenses increased by 69.1% from RMB110.2 million for the year ended December 31, 2010 to RMB186.3 million for the year ended December 31, 2011, primarily as a result of its increased profit. SCAS Group's effective tax rate decreased from 25.1% for the year ended December 31, 2010 to 24.6% for the year ended December 31, 2011, primarily because it paid RMB11.0 million withholding tax on dividends to its overseas ultimate holding company.

Profit for the year. As a result of the cumulative effect of the above factors, SCAS Group's profit for the year increased by 73.1% from RMB 329.5 million for the year ended December 31, 2010 to RMB570.2 million for the year ended December 31, 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Turnover. SCAS Group's turnover increased by 64.6% from RMB5,085.9 million for the year ended December 31, 2009 to RMB8,373.2 million for the year ended December 31, 2010, primarily due to an increase in sales of new automobiles by 67.4% from RMB4,667.4 million for the year ended December 31, 2009 to RMB7,815.5 million for the year ended December 31, 2010, an increase in sales of automobile spare parts by 10.7% from RMB58.9 million for the year ended December 31, 2009 to RMB65.2 million for the year ended December 31, 2010, and an increase in turnover generated from maintenance services by 37.0% from RMB359.6 million for the year ended December 31, 2009 to RMB492.5 million for the year ended December 31, 2010.

Turnover from sales of premium branded automobiles increased by 68.8% from RMB4,201.9 million for the year ended December 31, 2009 to RMB7,090.9 million for the year ended December 31, 2010. Turnover from sales of middle market branded automobiles increased by 55.7% from RMB465.5 million for the year ended December 31, 2009 to RMB724.6 million for the year ended December 31, 2010. The increase in sales of automobile spare parts was primarily due to the increased pool of automobiles sold by us. The increase in turnover generated from sales of automobiles and maintenance services was primarily due to the increase of demand for in the PRC automobile market in general. In 2010, SCAS completed the transformation from primarily an automobile wholesaler to an operator of dealership stores, which also contributed to the increase of its sale volume and turnover.

Cost of sales. SCAS Group's costs of sales increased by 64.6% from RMB4,651.1 million for the year ended December 31, 2009 to RMB7,656.1 million for the year ended December 31, 2010. The increase in cost of sales was mainly due to an increase in the costs incurred in relation to the sales of new automobiles by 66.7% from RMB4,392.7 million for the year ended December 31, 2009 to RMB7,323.3 million for the year ended December 31, 2010, in line with SCAS Group's increased sales of new automobiles for the same period. The cost of sales for premium branded automobiles increased by 68.1% from RMB3,937.2 million for the year ended December 31, 2009 to RMB6,618.0 million for the year ended December 31, 2010, primarily in line with the increase of its sales volume. The cost of sales for middle market branded automobiles increased by 54.8% from RMB455.5 million for the year ended December 31, 2009 to RMB705.3 million for the year ended December 31, 2010, primarily in line with the increase of its sales volume.

The increase in the cost of sales was also due in part to an increase in cost of sales for automobile spare parts by 21.7% from RMB37.8 million for the year ended December 31, 2009 to RMB46.0 million for the year ended December 31, 2010 and an increase in costs of sales incurred from SCAS Group's provision of maintenance services by 30.0% from RMB220.6 million for the year ended December 31, 2009 to RMB286.8 million for the year ended December 31, 2010. These increases were roughly in line with the growth in sales for automobile parts and maintenance services.

Gross profit. SCAS Group's gross profit increased by 64.9% from RMB434.8 million for the year ended December 31, 2009 to RMB717.1 million for the year ended December 31, 2010. Such increase was mainly due to the increase in SCAS Group's automobile sales reflecting higher demand for automobiles in China, and increased after-sales services provided, which was in line with the increased sales of new automobiles. SCAS Group's gross profit margin increased slightly from 8.5% for the year ended December 31, 2009 to 8.6% for the year ended December 31, 2010.

Other revenue and other net income. SCAS Group's other revenue and other net income increased by 37.3% from RMB47.4 million for the year ended December 31, 2009 to RMB65.1 million for the year ended December 31, 2010, primarily due to (i) the increase of its commission income from RMB15.5 million for the year ended December 31, 2009 to RMB23.7 million for the year ended December 31, 2010, (ii) the decrease of its interest income from bank deposits from RMB19.3 million for the year ended December 31, 2009 to RMB14.6 million for the year ended December 31, 2010, (iii) the increase of its gains primarily from the disposal of its test drive automobiles from RMB4.5 million for the year ended December 31, 2009 to RMB10.2 million for the year ended December 31, 2010, and (iv) the increase of its other types of gains from RMB1.0 million for the year ended December 31, 2009 to RMB9.5 million for the year ended December 31, 2010.

Selling and distribution expenses. SCAS Group's selling and distribution expenses increased by 41.0% from RMB150.2 million for the year ended December 31, 2009 to RMB211.8 million for the year ended December 31, 2010. Such increase was mainly due to an increase in staff cost for selling and distribution by 61.9% from RMB45.7 million for the year ended December 31, 2009 to RMB74.0 million for the year ended December 31, 2010, reflecting primarily (i) the increase of salaries and wages expenses due to recruitment of additional sales staff and (ii) the increase of advertising activities as the scale of its business operation expanded.

Administrative expenses. SCAS Group's administrative expenses increased by 30.0% from RMB97.7 million for the year ended December 31, 2009 to RMB127.0 million for the year ended December 31, 2010. Such increase was primarily due to an increase in staff cost for administration by 49.8% from RMB21.1 million for the year ended December 31, 2009 to RMB31.6 million for the year ended December 31, 2010, reflecting primarily the increase the increase of salaries and wages expenses for additional administrative staff as the scale of its business operation expanded.

Profit from operations. As a result of the foregoing, SCAS Group's profit from operations increased by 89.3% from RMB234.3 million for the year ended December 31, 2009 to RMB443.5 million for the year ended December 31, 2010.

Finance costs. SCAS Group incurred finance cost of RMB3.8 million for the year ended December 31, 2010 whereas it did not record any finance cost for the year ended December 31, 2009. The increase in finance costs was primarily due to the use of bank borrowings to meet working capital needs from expanded operations as a result of the change in its business model from wholesaler to dealership operator.

Income tax expenses. SCAS Group's income tax increased by 68.5% from RMB65.4 million for the year ended December 31, 2009 to RMB110.2 million for the year ended December 31, 2010, primarily as a result of the increase in profit from operations during the same period. SCAS Group's effective tax rate decreased from 27.9% for the year ended December 31, 2009 to 25.1% for the year ended December 31, 2010, primarily due to the RMB15.9 million withholding tax paid in the year ended December 31, 2009 on dividends to its overseas ultimate holding company which was partially offset by RMB7.4 million tax effect at tax concessions derived from certain preferential tax treatment for the same year.

Profit for the year. As a result of the cumulative effect of the above factors, SCAS Group's profit increased by 95.1% from RMB168.9 million for the year ended December 31, 2009 to RMB329.5 million for the year ended December 31, 2010.

Liquidity and capital resources of SCAS Group

Cash flow

SCAS Group's primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, and to repay its loans, borrowings and other indebtedness, to fund its working capital and normal recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. It finances its liquidity requirements through a combination of cash flows generated from its operating activities, bank loans and other financings.

The following table presents selected cash flow data from SCAS Group's combined cash flow statements for the periods indicated.

Year ended December 31, (RMB in thousands)	2009	2010	2011
Net cash (used in)/generated from operating activities	(178,346)	(142,800)	303,398
Net cash generated from/(used in) investing activities	101,180	(559,431)	449,958
Net cash (used in)/generated from financing activities	(88,201)	612,783	(775,145)
Net decrease in cash and cash equivalents	(165,367)	(89,448)	(21,789)
Cash and cash equivalents at end of the period	276,936	187,488	165,699

Cash generated from/used in operating activities

For the year ended December 31, 2011, SCAS Group's net cash generated from operating activities was RMB303.4 million, consisting primarily of profit before taxation of RMB756.4 million and the following changes in working capital: (i) an increase in inventories of RMB591.4 million, which was primarily due to its increased purchases of new automobiles in line with its expansion of sales volume, (ii) an increase in trade and other receivables of RMB154.6 million, which was primarily due to the increase of its turnover, (iii) an increase in trade and other payables of RMB567.5 million, which was primarily due to its increased purchases of new automobiles as a result of its expansion of sales network and establishment of new 4S dealership stores in 2011, and (iv) an increase in pledged bank deposits of RMB229.1 million.

For the year ended December 31, 2010, SCAS Group's net cash used in operating activities was RMB142.8 million, consisting primarily of profit before taxation of RMB439.7 million and the following changes in working capital: (i) an increase in inventories of RMB304.6 million, which was primarily due to its increased purchases of new automobiles in line with its expansion of sales volume, (ii) an increase in trade and other receivables of RMB395.6 million, which was primarily due to the increase of its turnover, (iii) an increase in trade and other payables of RMB165.1 million, which was primarily due to its increased purchases of new automobiles as a result of its expansion of sales network and establishment of new 4S dealership stores in 2010.

For the year ended December 31, 2009, SCAS Group's net cash used in operating activities was RMB178.3 million, consisting primarily of operating profit before taxation of RMB234.3 million and the following changes in working capital: (i) an increase of inventory of RMB406.4 million, which was primarily due to its increased purchases of new automobiles in line with its business expansion, (ii) an increase of RMB218.3 million in trade and other receivables, which was primarily due to its increase of its turnover, (iii) an increase in trade and other payables of RMB225.6 million, which was primarily due to its increase of its turnover.

Cash generated from/used in investing activities

For the year end December 31, 2011, SCAS Group's net cash generated from investing activities was RMB450.0 million, consisting primarily of (i) payment for purchase of fixed assets of RMB163.5 million in connection with its expansion of dealership network, partially offset by proceeds received from the disposal of certain fixed assets of RMB43.7 million, (ii) repayment of advances to related parties of RMB243.8 million, (iii) advances to related parties of RMB88.5 million, and (iv) decrease in time deposits of RMB409.4 million.

For the year end December 31, 2010, SCAS Group's net cash used in investing activities was RMB559.4 million, consisting primarily of (i) payment for purchase of fixed assets of RMB80.9 million in connection with its expansion of dealership network, partially offset by proceeds received from the disposal of certain fixed assets of RMB38.0 million, (ii) advances to related parties of RMB151.5 million, (iii) increase in time deposits of RMB409.4 million and (iv) proceeds of RMB30.0 million from the sales of financial assets, partially offset by the payment of RMB22.9 million to acquire certain financial assets and repayment of advances to related parties of RMB22.8 million.

For the year ended December 31, 2009, SCAS Group's net cash generated from investing activities was RMB101.2 million, consisting primarily of (i) payment for purchase of property, plant and equipment of RMB18.5 million, (ii) proceeds from the disposal of certain property, plant and equipment of RMB9.6 million, (iii) proceeds from the sales of its certain stock investments of RMB12.4 million, partially offset by the payment of RMB5.5 million for the acquisition cost of its certain stock investments, and (iv) repayments of RMB110.0 million of advances to related parties, partially offset by the advances of RMB26.2 million to related parties.

Cash generated from/used in financing activities

For the year ended December 31, 2011, SCAS Group's net cash used in financing activities was RMB775.1 million, consisting primarily of (i) proceeds from bank loans and borrowings of RMB 855.9 million, partially offset by repayment of RMB470.0 million of loans and borrowings, (ii) repayments of advances of RMB 725.4 million from related parties, partially offset by advance of RMB81.6 million from related parties, (iii) contribution by its equity holders and non-controlling interests of RMB177.1 million an (iv) interest paid of RMB63.4 million and dividends paid of RMB591.2 million.

For the year ended December 31, 2010, SCAS Group's net cash generated from financing activities was RMB612.8 million, consisting primarily of (i) proceeds from bank loans and borrowings of RMB 470 million, (ii) repayments of advances of RMB119.2 million from related parties, (iii) advance of RMB322.6 million from related parties, (iv) distribution by its equity holders and non-controlling interests of RMB12.0 million an (v) interest paid of RMB3.8 million and dividends paid of RMB41.5 million.

For the year ended December 31, 2009, SCAS Group's net cash used in financing activities was RMB88.2 million, consisting primarily of (i) advance of RMB361.2 million from related parties, partially offset by repayment of RMB80.3 million from related parties, (ii) dividend payments of RMB312.1 million and distribution of RMB11.7 million by equity holders of Top Globe Limited and non-controlling interests, (iii) capital reduction of RMB45.4 million arising from its reorganization.

Indebtedness of SCAS Group

As at December 31, 2009, 2010 and 2011, SCAS Group had loans and borrowings of nil, RMB470.0 million and RMB855.9 million, respectively. All of SCAS Group's bank loans and borrowings were unsecured and short-term.

The following table sets forth SCAS Group's bank loans and borrowings as of December 31, 2009, 2010 and 2011:

As of December 31, (RMB in thousands)	**2009**	**2010**	**2011**
Short-term borrowings			
Unsecured bank loans	—	—	855,905
Unsecured loans from related parties	—	470,000	—
Total	—	470,000	855,905

Please see the section entitled "Description of other material indebtedness" for further information.

Inventory analysis of SCAS Group

During the years ended December 31, 2009, 2010 and 2011, SCAS Group's inventories included vehicles, which primarily consisted of new automobiles, including automobiles kept in its dealership stores and warehouses as well as automobiles in transit of which the titles and risks had been transferred to it. Its inventories also included automobile spare parts. Generally, each of its dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventory.

The following table sets forth a summary of SCAS Group's total inventories as at each date indicated.

As at December 31, (RMB in thousands)	**2009**	**2010**	**2011**
Motor vehicles	632,673	913,789	1,503,816
Automobile spare parts	41,813	65,311	66,675
Total	**674,486**	**979,100**	**1,570,491**

SCAS Group's inventories increased by 45.2% from RMB674.5 million as at December 31, 2009 to RMB979.1 million as at December 31, 2010 and further increased by 60.4% from RMB979.1 million as at December 31, 2010 to RMB1,570.5 million as at December 31, 2011. These increases are primarily due to an increase in its inventory of new automobiles resulting from SCAS Group's strategic purchases of additional automobiles in 2010 and 2011 in anticipation of strong market demand, especially the build-up of inventory in December 2011 due to earlier Chinese New Year holidays, and increase in its inventories of automobile spare parts due to the growth of our after-sales services during the same periods as it expanded its customer base.

The following table sets forth SCAS Group's average inventory turnover days for the periods indicated.

Year ended December 31,	**2009**	**2010**	**2011**
Average inventory turnover days[(1)]	37	39	49

Note:

(1) The average inventory turnover day for a year is the average of opening and closing inventory balances divided by the cost of sales for that year and multiplied by 365 days.

SCAS Group's average inventory turnover days increased from 37 days for the year ended December 31, 2009 to 39 days for the year ended December 31, 2010. Such days further increased to 49 days for the year ended December 31, 2011, primarily because (i) SCAS Group increased its inventories by increasing purchases of new automobiles in 2011, in response to the strong market demand and (ii) in 2011, SCAS Group sourced the automobiles of Land Rover and Jaguar directly from the manufacturers, while the automobiles of these two brands were all sourced from an automobile wholesalers before July 2010, which slowed down its inventory turnover.

During the years ended December 31, 2009, 2010 and 2011, SCAS Group did not make any provisions for inventory.

Pledged bank deposits of SCAS Group

SCAS Group's pledged bank deposits consist of bank deposits that have been pledged as security for bills payable and will be released upon the settlement of relevant bills payable. SCAS Group did not have pledged bank deposits in 2009 and 2010. Its pledged bank deposits amounted to RMB229.1 million as of December 31, 2011.

Capital expenditures of SCAS Group

SCAS Group's capital expenditures comprised expenditures on property, plant and equipment. For the years ended December 31, 2009, 2010 and 2011, its total capital expenditures were RMB20.5 million, RMB78.9 million and RMB159.5 million, respectively.

SCAS Group did not have any capital expenditures on land use rights for the same period.

Capital commitments

SCAS Group's capital commitments are unpaid amounts of executed agreements for the acquisition of property, plant and equipment in connection with its dealership business. As at December 31, 2009, 2010 and 2011, its total capital commitments outstanding were RMB1.6 million, RMB4.6 million and RMB2.9 million, respectively. SCAS Group plans to meet its capital commitments with the funds generated from its operating activities and proceeds from loans or other borrowings.

Capital commitments of SCAS Group as of the indicated dates were set forth as follows:

As of December 31, (RMB in thousands)	2009	2010	2011
Contracted for	1,566	4,627	2,884
Authorized but not contracted for	—	—	—
	1,566	4,627	2,884

Contractual obligations

SCAS Group's contractual obligations consist of lease commitments under non-cancellable operating leases. At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases of SCAS Group are payable as follows:

As of December 31, (RMB in thousands)	2009	2010	2011
Within 1 year	44,103	54,973	70,891
After 1 year but within 5 years	161,438	204,261	212,125
After 5 years	66,972	145,795	144,158
	272,513	405,029	427,174

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

Contingent liabilities

As of December 31, 2011, SCAS Group did not have any material contingent liabilities.

Off-balance sheet arrangements

As of December 31, 2011, SCAS Group had not entered into any off-balance sheet transactions.

Market risk disclosure of our Group

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

Interest rate risks

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

Foreign exchange risks

We conduct our business primarily in Renminbi. In July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi was permitted to fluctuate within a band against a basket of certain foreign currencies. As a result, the Renminbi appreciated more than 20% against the U.S. dollar over the three years following such policy. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates to achieve the policy goals. For almost two years after July 2008, the Renminbi traded within a very narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase Renminbi exchange rate flexibility. However, it remains unclear how this flexibility might be implemented. A depreciation of the Renminbi would adversely affect the value of any dividends we receive from our PRC subsidiaries and result in an increase in the price of goods with imported content as our suppliers may adjust the price to pass any additional costs caused by Renminbi depreciation on to us. We currently do not engage in hedging activities designed or intended to manage such currency risk.

Liquidity risks

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

Description of other material indebtedness

The following summary of the principal terms of the instruments governing our material indebtedness does not purport to be a complete description of all of the terms of these instruments and may not contain all of the information that may be important to prospective investors. Investors should read the notes to our consolidated financial statements for additional information about our indebtedness.

As of December 31, 2011, our total bank loans and other borrowings amounted to RMB4,220.4 million (US$670.5 million). As of December 31, 2011, we had two outstanding offshore loans, which were incurred in connection with our acquisition of SCAS Group in December 2011. We plan to repay one of these loans at the closing of this proposed offering and the other loan shortly after closing of this offering, in each case using the proceeds of this proposed offering. All of our borrowings were denominated in Renminbi except for the secured bank loan of HK$1,218 million. We set forth below a summary of the material terms and conditions of these loans.

Offshore loan agreements

HK$1.2 billion loan from Bank of Communications.

On December 19, 2011, Rising Wave Development Limited ("**Rising Wave**"), one of our wholly-owned subsidiaries, entered into a loan agreement with Bank of Communications' Hong Kong Branch, for a term loan facility of HK$1.3 billion to fund our SCAS Acquisition. The loan is guaranteed by our Company pursuant to which we have guaranteed all liabilities of Rising Wave under the loan. In addition, we have pledged certain of our fixed assets to Bank of Communication's Hubei Provincial Branch in relation to a letter of guarantee issued by such branch. Rising Wave has also granted a first fixed charge on the deposits in its specified bank account to the lender to secure the due performance of its obligations under the facility. As of December 31, 2011, the amount outstanding under this banking facility was HK$1.218 billion (US$156.8 million) and the interest rate was 4.0% per annum over HIBOR or 1.2% per annum over the lender's cost of funds determined by the lender, whichever is higher, adjusted every three months. The banking facility will mature on the earlier of (i) August 11, 2012 and (ii) ten calendar days before the expiry date of the corresponding letter of guarantee issued by Bank of Communications' Hubei Provincial Branch.

We are required, among other things, to obtain the prior written consent from the lender of any substantial change of our assets or shareholding. We are allowed to pre-pay the loan in whole or in part upon written notice to the lender but we are required to pay all breaking funding costs incurred by the lender if prepayment is not made on the interest payment date. We plan to repay this loan at the closing of this proposed offering using the proceeds of this proposed offering.

RMB1.0 billion loan from Easy Honour Limited.

On December 28, 2011, our Company entered into a term loan agreement with Easy Honour Limited, a company incorporated in Hong Kong and controlled by an Independent Third Party, for a term loan of RMB1.0 billion to pay a portion of the purchase price of our SCAS Acquisition. The loan is secured by (i) a fixed share charge granted by our Company with respect to all of its shares in Top Globe Limited (the target company in the SCAS Acquisition, which became a wholly-owned subsidiary of our Company after the SCAS Acquisition), (ii) a fixed share charge granted by Top Globe in relation to all of its shares in Wealth Fame Holdings Limited, a wholly-owned subsidiary of Top Globe Limited, and (iii) charge granted by

Wealth Fame in all of its assets, including land, properties, plants and machinery, investments, intellectual property and other contracts. The term of the loan is one year expiring on December 29, 2012 and the interest rate of this loan was 10% per annum. As of December 31, 2011, the outstanding principal amount under this loan was RMB1.0 billion.

We are obliged to first apply any dividends we received from our subsidiaries to the repayment of this loan. We are also subject to various restrictive covenants under this loan, including appointment of a director designated by the lender to the board of directors of Top Globe and Wealth Fame (each of which has two directors), negative pledge, restriction on assets disposition, restriction on merger and consolidations, limitation on borrowings and other customary covenants. We have the right to pre-pay this loan upon written notice and we plan to repay this loan shortly after the closing of this proposed offering by using the proceeds of this proposed offering. We have also agreed to procure the release of the security under this loan after closing of this offering.

PRC loan agreements

Our PRC subsidiaries have entered into loan agreements with a number of financial institutions approved by the China Banking Regulatory Commission. These loans are typically used to satisfy our working capital requirements and are repayable within one year.

Interest

Our PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lenders.

Interest payments are payable either monthly or quarterly. As of December 31, 2011, the interest rates with respect to our PRC loans ranged from 4.88% to 9.00% per annum.

Covenants

Under our PRC loans, the borrowers and certain guarantors have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- making an application for bankruptcy, liquidation or dissolution proceedings;
- reducing their registered capital;
- prepaying the loans;
- selling or disposing of assets;
- transferring equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties.

Instead of prior written consent for the above actions under certain of our PRC loans, our other PRC loans require the borrowers and/or guarantors to provide written notices to the relevant lenders before or after taking the above actions.

Dividend restrictions

Certain of our PRC credit facilities provided by China Minsheng Banking and Industrial and Commercial Bank of China, contained restrictions on the payment of dividends by the relevant borrowers and guarantors prior to the full repayment of the principal, interests and other amounts payable under these facilities. As of the date of this document, we have received confirmations from China Minsheng Banking Corp. Ltd. and Industrial and Commercial Bank of China Limited that had specifically waived such restrictions.

Guarantee and security

Some of our PRC loans are secured by mortgages over certain properties, equipment and machinery of the relevant borrowers.