In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on automobile manufacturers for authorizations to operate our existing dealership outlets. If one or more of these authorizations are terminated or not renewed, our business, results of operations and prospects could be adversely affected

Substantially all of our revenues during the Track Record Period were generated from the operations of our dealership outlets, and we rely on automobile manufacturers for authorizations to operate our existing dealership outlets and to open new outlets. We also rely on such automobile manufacturers for the supply of new passenger vehicles and spare parts.

Our rights to operate our dealership outlets and the supply of new passenger vehicles and spare parts are governed primarily by our dealership authorization agreements with automobile manufacturers. Our dealership authorization agreements are non-exclusive, and generally have terms of one to three years with the option of renewal at the discretion of the automobile manufacturers. The automobile manufacturers also have the right to terminate our dealership authorization agreements with written notice for specified reasons, including breach of agreements or failure to perform contractual obligations, unapproved business relationships with other automobile manufacturers, and unapproved changes to our ownership or management structure that would affect our ability to meet contractual obligations. We have obtained all consents/approvals regarding our Group's investment, reorganization and Listing from all the relevant automobile manufacturers as required by relevant dealership authorization agreements except for Yuanda Lexus. As of the Latest Practicable Date, Yuanda Lexus was still undergoing the application process with the automobile manufacturer for the consent/approval required by the dealership authorization agreement. We cannot assure you that we will be able to renew our dealership authorization agreements on a timely basis, on commercially acceptable terms, or at all. Moreover, automobile manufacturers may decide to limit the number of new dealership outlets they allow us to open in the future for reasons unrelated to us, such as a change in their business strategies. If any of the foregoing events occur, our results of operations, financial condition and growth prospects may be materially and adversely affected.

Our business operations are subject to restrictions imposed by, and significant influence from, automobile manufacturers under our dealership authorization agreements

Pursuant to our dealership authorization agreements for individual outlets, an automobile manufacturer may impose various conditions or restrictions on our operations of the respective outlet. Such restrictions include, among other things:

- geographical limitation on where an outlet can conduct its sales;
- limitation on brand and model of passenger vehicles an outlet can display or sell;
- payment conditions on new passenger vehicles or spare parts supplied to an outlet by the automobile manufacturer;
- allocation of risks associated with the delivery of passenger vehicles by the automobile manufacturer;

- limitation and specification on types of after-sales services and other services an outlet can provide to customers;

- pricing guidelines for particular passenger vehicle, spare parts and other services an outlet provide to its customers; and

- other conditions and internal policy the automobile manufacturer might require an outlet to comply with.

Many of such limitations have adverse effect on our revenue generating ability and violation of such limitations may result in the termination of such dealership authorization agreement or the deterioration of our business relationship with the automobile manufacturers.

In addition, automobile manufacturers have the power to exert influence on the operations and management of our outlets for their brands pursuant to other agreements or in ways not specifically provided in any agreements. For example, manufacturers may:

- set various requirement and qualifications for our store-level managers, and demand us to replace store-level managers who do not qualify;

- express preference in the construction and decoration of a particular outlet, especially an outlet that is heavily invested by us or located in a primary location; and

- request certain outlets to participate in the manufacturers' promotional events designed to increase consumer demand, which may include offering sales discounts and/or extended warranties on certain models of their passenger vehicles.

Such influences or requests might not always align with our business interests. As we depend on the cooperation and support of automobile manufacturers in various aspects of our operations, we will often opt to comply with such influences or requests even though we may not be contractually obligated to do so, in order to maintain solid long-term strategic relationships with automobile manufacturers.

We face uncertainties as a result of our recent rapid expansion

We have been implementing a strategy of rapid expansion since the beginning of 2012, as we increased the number of outlets we operated from 9 as of December 31, 2011 to 22 as of December 31, 2012 and 25 as of the Latest Practicable Date. Our rapid expansion brings uncertainties to our operation, including:

Operating outside Henan Province. Before we opened our 4S store in Beijing by the end of 2011, all of the outlets we operated were in Henan Province. Our ability to leverage our successful operational experience in Henan Province is limited by the differences existing between regional markets.

Intensive competition in tier-one cities. In order to increase our market recognition and complete our network deployment in China, and also as part of our plan to further develop our ultra-luxury passenger vehicle market and after-sales services, we recently expanded into tier-one cities such as Beijing, Shanghai and Guangzhou where the regional passenger vehicle markets are well-established and competition among dealerships is particularly intensive. For more details, see "Our Business – Our Strategies – Continue to expand our sales network and brand coverage for luxury brands in central and western China and for ultra-luxury brands in affluent cities" and "Our Business – Our Strategies – Further diversify our revenue sources." We expect our gross profit margins for sales of new passenger vehicles in these regional markets to be less compared with that in Henan Province. We plan to solidify our competitiveness in these regional markets by leveraging the eminence and premier locations of our outlets, and focusing on after-sales services which generally provide higher gross profit margin than the sales of new passenger vehicles. We cannot assure you that we would be successful in implementing such strategy, or such strategy will generate desired results.

Majority of outlets without prior operating history. As of the Latest Practicable Date, we operated 25 outlets in China, among which 13 commenced operations in 2012 and three commenced operation in 2013. Results of operations of such newly opened outlets are difficult to project. In addition, we have authorizations, preliminary approvals and letters of intent to establish 20 new outlets, the majority of which are expected to commence operation in 2013. A significant portion of such newly opened outlets and outlets to be opened could perform worse than our expectation.

Sales of new passenger vehicles of new brands. Prior to 2012, all our revenues from sales of new passenger vehicles were generated from three luxury brands, namely, BMW, Lexus and MINI, and we had no track record of selling ultra-luxury brands until 2012. Revenues generated from sales of these three luxury brands in 2012 accounted for 95.0% of the total revenues generated from sales of new passenger vehicles. We started to sell passenger vehicles of six new brands, namely, Rolls-Royce, Aston Martin, Land Rover, Jaguar, Ferrari and Maserati in 2012, the majority of such new brands are ultra-luxury brands. We had no experience in selling passenger vehicles of such new brands prior to 2012 and in 2012 revenues generated from sales of such new brands accounted for only 5.0% of the total revenues generated from sales of new passenger vehicles. Customers who purchase ultra-luxury brand passenger vehicles typically have a higher expectation on customer service quality, and sales volume of ultra-luxury brand passenger vehicles on a per outlet basis is generally lower compared with luxury brands. As a result, our operating experience in sales of new passenger vehicles of luxury brands cannot be streamlined without adaptation in our operation of outlets for ultra-luxury brands.

Any or all of these uncertainties could have material adverse impacts on our results of operations, financial conditions and prospect.

We may not be able to successfully implement and sustain our growth strategies

We have grown rapidly since our inception in 2005, principally through our strategy of network expansion by organic growth. As of the Latest Practicable Date, we have obtained a total of 45 authorizations, preliminary approvals or letters of intent to operate or establish new outlets for nine brands since the inception of our business. In particular, 39 of our authorizations, preliminary approvals or letters of intent were obtained since the beginning of 2011. As of the Latest Practicable Date, we were constructing 14 new outlets in nine cities.

There are significant risks involved in our growth strategy, including circumstances unforeseeable or beyond our control that may render us, among other things, unable to:

- manage our significant growth in number of outlets and brands, as well as geographical coverage;
- secure adequate financing on acceptable commercial terms for the construction of our new outlets and purchase of new passenger vehicles from automobile manufacturers;
- obtain necessary licenses, permits and approvals for the operations of our new outlets; and
- hire, train and retain sufficient staff to keep pace with our expansion.

In particular, in our efforts to open new outlets in selected locations, there can be no assurance that we will be able to identify and secure suitable locations for such new outlets, or that we will be able to enter into new dealership authorization agreements with manufacturers on a timely basis or at all for such new outlets. The new outlets may result in additional indebtedness, costs and contingent liabilities and may fail to generate sufficient revenues for us to recover such debt, costs or liabilities. In addition to the opening of new outlets, we may also acquire existing dealerships from independent third parties. There can be no assurance that we will be able to identify and secure suitable acquisition opportunities, or that we will be able to improve the performance of such acquired dealerships in a commercially viable manner or on a timely basis.

Moreover, we may pursue opportunities of strategic acquisitions in the future. We may not be able to successfully identify suitable targets, obtain necessary financing or complete the complex acquisition procedures. Moreover, even if we successfully consummate an acquisition, there can be no assurance that we will be able to successfully integrate the acquired business into our existing operation.

If any of the above occurs, we may suffer loss of revenues and profits or delay in growth, which may materially adversely affect our results of operations and financial condition.

We generate a significant portion of our revenues from sales of new passenger vehicles of a few luxury and ultra-luxury brands

Our revenues generated from sales of the top three brands of passenger vehicles accounted for 89.7%, 90.8% and 89.8% of our total revenues for the years ended December 31, 2010, 2011 and 2012, respectively. In particular, revenues of sales of new BMW passenger vehicles represented 65.7%, 71.9% and 76.7% of our total revenue for the years ended December 31, 2010, 2011 and 2012, respectively. In particular, due to BMW passenger vehicles' significant revenue contribution to our Group, gross profit margin for 2012 decreased compared to that of 2011 partially as a result of the increase in the supply of BMW passenger vehicles in the market, the reduction in retail prices and the introduction of lower-end models by BMW. As of the Latest Practicable Date, we operated 14 BMW outlets, out of 25 total outlets we operated. In addition, as of the Latest Practicable Date, we had received BMW's authorizations, preliminary approvals or letters of intent to establish 10 new BMW outlets. Moreover, a majority of our outlets for ultra-luxury brands were still in the construction phase as of the Latest Practicable Date. We did not generate any revenue from sales of ultra-luxury passenger vehicles in the years ended December 31, 2010 and 2011. Revenues from sales of ultra-luxury passenger vehicles in 2012 were generated from four brands, namely, Rolls-Royce, Aston Martin, Ferrari and Maserati, which only accounted for an aggregate of 4.3% of our total revenues for the same period. There is no assurance that we will be able to continue to maintain our current relationship with our top manufacturers, and with BMW China in particular. If any of our top automobile manufacturers decide to terminate authorizations to us or decline to renew authorizations to us upon expiration, or if our relationships with BMW China or any other automobile manufacturers deteriorate for any reason, such as breach of contracts or failure to meet sales quota for any given periods, our results of operations, financial condition and growth prospects might be materially adversely affected.

Our operations are geographically concentrated in Henan Province

As of the Latest Practicable Date, we operated 25 outlets nationwide, among which 17 were located in Henan Province. Before November 2011 when we opened a BMW 4S store in Beijing, we operated seven outlets, all of which were located in Henan Province. We expect our operations in Henan Province to account for significant portion of our overall operations in the near future. As a result of the geographical concentration of our network in this area, any material negative event or development that affects Henan Province's economy in general and the passenger vehicle market in particular, such as any severe economic downturn, natural disaster or outbreak of pandemics, may materially and adversely affect on our results of operations, financial condition and growth prospects.

We may not be able to sustain our historical growth rate or financial performance in the future

We have experienced significant growth during the Track Record Period. Our revenues increased from RMB1.80 billion for the year ended December 31, 2010 to RMB5.66 billion for the year ended December 31, 2012, representing a CAGR of 77.3% during the period. We cannot assure you that we will achieve similar growth rates in future periods. Our historical growth rates and results of operations may not be an indication of our future performance. In particular, during the Track Record Period we granted to the Controlling Shareholders certain loans which bore interest at a rate of 15% per annum in support of the development and capital needs of the Controlling Shareholders' other businesses. Our profit was RMB112.7 million, RMB220.5 million and RMB350.7 million for the years ended December 31, 2010, 2011 and 2012, respectively. In comparison, our profit excluding such interest incomes from the Controlling Shareholders and the related tax impact would be RMB102.6 million, RMB180.3 million and RMB239.9 million for the years ended December 31, 2010, 2011 and 2012, respectively. For more details, see "Financial Information – Net Current Assets and Liabilities – Related party transactions". We do not plan to grant similar loans to any related party going forward and as a result would not generate any similar interest income.

Moreover, we have expanded quickly since the beginning of 2012. The number of outlets we operated increased from nine as of December 31, 2011 to 25 as of the Latest Practicable Date. As many of such newly opened outlets have no prior operating history or revenue contribution to our business, we cannot assure you we can operate such new outlets to generate profit margins comparable to our historical levels. If we are unable to maintain adequate growth, our results of operations and financial conditions may be materially and adversely affected. In addition, we cannot assure you that the passenger vehicle market in China in general or the sales of luxury and ultra-luxury passenger vehicles in particular, will sustain similar growth rates. See the section headed "Industry Overview" in this prospectus for the forecasted growth for luxury and ultra-luxury passenger vehicles sales in China, and for our categorization of luxury and ultra-luxury passenger vehicles.

Changes in our revenue sources or composition may adversely affect our gross profit margin

During the Track Record Period, we generated our revenues from the sales of new passenger vehicles and the after-sales services. After-sales services generally had a higher gross profit margin compared with that of sales of new passenger vehicles. Revenues from sales of new passenger vehicles accounted for 89.7%, 90.8% and 92.7% of our total revenues for the years ended December 31, 2010, 2011 and 2012, respectively, with gross profit margin of 9.8%, 11.4% and 9.2% for the same periods. In comparison, revenues from after-sales services accounted for 10.3%, 9.2% and 7.3% of our total revenues for the years ended December 31, 2010, 2011 and 2012, respectively, with gross profit margin of 39.6%, 37.6% and 44.0% for the same periods. Any change of suppliers for spare parts might adversely affect our gross profit margin of after-sales services. In addition, although it is one of our strategy to increase revenue contribution from our after-sales services, we may not be able to increase or maintain the level of revenues generated from after-sales services as a percentage of the total revenues, which will in turn have an adverse effect on our overall gross profit margin.

We may not be able to obtain necessary financing on commercially reasonable terms, or at all

Our business is capital intensive. We need funds to purchase new passenger vehicles, spare parts and other accessory products from manufacturers. In addition, construction of new outlets requires significant capital and we usually need to obtain financing from commercial banks to fund such construction. Our capital expenditure was RMB67.5 million, RMB201.0 million and RMB893.3 million for the years ended December 31, 2010, 2011 and 2012, respectively. As of December 31, 2010, 2011 and 2012, we had bank loans and other borrowings in the amount of RMB395.4 million, RMB859.5 million and RMB2.07 billion, respectively. Our interest expenses in connection with our bank loans and other borrowings were RMB20.0 million, RMB61.9 million and RMB116.4 million for the years ended December 31, 2010, 2011 and 2012, respectively. Our ability to obtain financing from commercial banks on commercially reasonable terms depends on our historical performances and financial condition, as well as a number of factors that are beyond our control, such as macro-economic conditions, availability of capital liquidity, the interest rate environment and relevant government rules and regulations. If we are unable to obtain necessary financing at commercially reasonable terms or at all, our expansion and/or operations may be disrupted which will in turn adversely affect our results of operations and financial condition.

If we are unable to obtain financing from commercial banks, we may need to issue additional equity or debt securities or obtain credit facilities through public offerings or private placements in the future to meet our requirements for capital. The sale of additional equity securities or securities convertible to our equity securities would dilute our Shareholders' interests. The additional debt would also result in increased debt servicing obligations and may also result in covenants restricting our shareholding structure, business and/or operations.

Our business operation and financial performance could be materially and adversely affected by our indebtedness

During the Track Record Period, we relied on bank loans, borrowings and other financing methods to support a substantial part of our capital expenditure, and we expect to continue to do so in the future. For the years ended December 31, 2010, 2011 and 2012, we had total debt (including bank loans and other borrowings, trade and bills payable and other payables and accruals) of approximately RMB945.3 million, RMB1,856.9 million and RMB3,512.8 million, respectively. Our gearing ratio (being net debt (total debt minus cash and cash equivalents) divided by the total equity attributable to owners of the parent plus net debt) for the same period was 68.9%, 66.3% and 84.3%, respectively. For more details, see section headed "Financial Information – Market Risk Disclosure – Capital Management" in this prospectus.

Our high gearing ratio could adversely affect our business development and financial performance through, including but not limited to, the following means:

- increase our vulnerability to adverse overall industry environment or increasing interest rate;
- restrict our flexibility to manage our cash flow, because a substantial percentage of our cash will have to be allocated to the repayment of indebtedness;
- increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential damage liability from automobile defects/recalls or expenses for upgrading technologies or equipments required for our after sales service; and
- decrease our sales volume or our expansion speed, since our marketing and sales budget will be limited as a result of the repayment of our indebtedness.

We were in a net current liabilities position as of December 31, 2012 and we cannot assure you that we will not experience net current liabilities position in the future

We had net current liabilities of RMB315.8 million as of December 31, 2012 as compared to net current asset of RMB498.2 million as of December 31, 2011, primarily due to (i) an increase of RMB918.2 million in bank loans and other borrowings to satisfy our increasing capital needs as we expand our business and (ii) a decrease of RMB313.7 million in amounts due from related parties. In the year ended December 31, 2012, the Controlling Shareholders settled part of the outstanding loans due to us by their dividend entitlement in the amount of RMB559 million. According to our unaudited financial results, we had net current liability of RMB456.9 million as of March 31, 2013 as compared to net current liability of RMB315.8 million as of December 31, 2012. The increase in net current liability was a result of an increase of RMB737.6 million in current liability, partially offset by an increase of RMB596.4 million in current assets. The increase in current liability as of March 31, 2013 was primarily attributable to (i) an increase of RMB311.8 million in bank loans and other borrowings which was in turn primarily due to (a) an increase of RMB131.8 million in our bank loans to satisfy our increasing working capital needs as we expand our business and (b) certain bank loans in the aggregate amount of RMB180.0 million recognised as non-current liability as of December 31, 2012 being recognised as current liability as of March 31, 2012 as their due dates were within 12 month; and (ii) an increase of RMB350.1 million in trade and bill payables in connection with the procurement of inventories for our newly opened outlets in the three months ended March 31, 2013. The increase in current assets as of March 31, 2013 was primarily attributable to an increase of RMB266.5 million in inventories for our newly opened outlets. We do not plan to grant loans to any related parties going forward, however, we cannot assure you that we will not have net current liabilities in the future. If we fail to generate current assets to the extent that the aggregate amount of our current assets on any given day exceeds the aggregate current liabilities on the same day, we will continue to record net current liabilities. If we have significant net current liabilities for an extended period of time, our working capital for purposes of our operations may be subject to constraints, which may have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that we will continue to receive rebates from the automobile manufacturers

Our purchase arrangements with the automobile manufacturers often include volume-based rebates, which are decided with reference to the units of new passenger vehicle purchased, and are adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices, and dealership presentation standards. For the years ended December 31, 2010, 2011 and 2012, we recorded rebates received or receivable of approximately RMB92.2 million, RMB124.6 million and RMB317.7 million, respectively. If some or all of the manufacturers cease to offer such rebates in the future, or alter the conditions by which such rebates are granted, our results of operations and financial condition may be adversely affected.

Our results of operations and financial condition depend on our ability to effectively manage our inventory

Our ability to effectively manage our inventory for new passenger vehicles and spare parts is important to our business. We will not be able to meet demands from customers on a timely manner if our inventory is understock, which may in turn adversely affect our revenue and reputation. Conversely, we may incur additional financing and labor cost due to an overstock inventory. Our average inventory turnover days were 29 days, 34 days and 38 days for the years ended December 31, 2010, 2011 and 2012, respectively. If our average inventory turnover days increase significantly, our results of operations and financial condition may be adversely affected.

Product defects and passenger vehicle recalls may adversely affect our results of operations and financial condition

Automobile manufacturers may make recalls of certain model of their passenger vehicles due to product defects and other problems from time to time. During the Track Record Period, we have assisted our manufacturers to effectuate recalls of their passenger vehicles. See "Our Business – Our services – Passenger vehicle recalls" in this prospectus. We are generally not liable for costs associated with such recalls and are typically reimbursed by manufacturers for any costs we incurred in facilitating such recalls. Nevertheless, consumer confidence in the safety or quality of the recalled model or the brand in generally may be significantly impaired by such recalls which could result in cancellation of orders we receive and reduction in our sales. Any future automobile recall by our automobile manufacturer partners may have a negative impact on our sales, which may in turn adversely affect our results of operations and financial condition.

Any reduction by automobile manufacturers of their advertising, marketing and promotional activities could adversely affect our sales of new passenger vehicles

Our sales of certain models of passenger vehicles are strongly influenced by the advertising, promotional and marketing activities of the respective automobile manufacturers designed to foster consumer demand for such models, especially new models. We often assist automobile manufacturers in their advertising and promotional initiatives. In addition, for models that have been released for a certain period of time, automobile manufacturers sometimes offer discounts, complimentary products and services and/or extended warranties, often through our outlets. Nevertheless, we have no control over the content, timing and coverage of such advertising, promotional and market activities of a certain automobile manufacturers. In addition, the particular models or makes of passenger vehicles that an automobile manufacturer decides to promote might not be aligned with our needs from the inventory management perspective. As a result, changes in any of the promotional and marketing activities by automobile manufacturers may adversely affect the sales of automobiles at our dealership stores and adversely affect the results of our operations, financial position and growth prospects.

We rely on automobile manufacturers as our major suppliers

During the Track Record Period, our operation and revenues were heavily relied on automobile manufacturers as our major suppliers, and we expect our reliance on those major suppliers to be continued going forward. For the years ended December 31, 2010, 2011 and 2012, purchases from our top five suppliers accounted for approximately 99.7%, 99.8% and 97.9% of our total purchases, respectively. Among the top five suppliers, BMW and Lexus were the two largest automobile brands in our portfolio based on purchase amount, which in combination accounted for 97.5%, 97.8% and 96.3% of our total purchase amount for the years ended December 31, 2010, 2011 and 2012, respectively. Specifically, purchases from BMW for the years ended December 31, 2010, 2011 and 2012 accounted for approximately 72.7%, 80.9% and 87.0% of our total purchases for the same periods, respectively, and purchase amount from Lexus accounted for approximately 24.8%, 16.9% and 9.3% of the total purchase amounts for the same periods, respectively. As a result, our business operation and financial performance would be adversely and materially affected if BMW or Lexus terminates or refuses to extend/renew the dealership agreements with us, or if BMW or Lexus experiences difficulties in producing or transporting passenger vehicles and spare parts.

We depend on third parties for supplies of spare parts and accessories

In addition to procuring spare parts and other accessories from automobile manufacturers, we also depend on independent local third-party suppliers for certain spare parts and accessories we sell. The success of our after-sales business is dependent on these suppliers' abilities to anticipate changes in consumer tastes, preferences and requirements and deliver to us in sufficient quantities and on a timely basis the desirable, high-quality and price competitive mix of accessories. Our suppliers' products may fail to meet our customers' expectations due to changes of consumer preferences. We may be unable to maintain a sufficient stock. Our suppliers may increase their prices due to increasing demand for their products from other dealership stores. In addition, historically we were able to procure certain spare parts and accessories from certain independent local third-party suppliers at favorable prices, in part due to our bargaining powers in relation to such third-party suppliers, which are usually smaller in scale and operate locally. As a result, we have been able to generate higher profit margins from the sales of these spare parts and accessories. If we cannot or opt not to procure spare parts and accessories from such third-party suppliers, our profit margin for after-sales services might be adversely affected. Moreover, the spare parts supplied by our suppliers may fail to function properly and as a result, our customers may make claims against us, in which case we may be required to make repairment or pay damages. In the event of any of the above, our margins of these products may be affected, which in turn could adversely affect our results of operations and financial condition.

If we engage distributors to source customers for a brand in areas where there is no existing dealership outlet, it might be deemed not to be in compliance with the relevant requirement under the relevant dealership authorization agreement

During the Track Record Period, from time to time, we engaged certain distributors in Henan Province to source customers for BMW passenger vehicles in areas where there are no existing BMW dealership outlet. In March 2013, BMW China issued a letter to us which contained a warning with regard to such historical practices. We have implemented various internal control procedures to ensure that such practices are pre-approved by the relevant automobile manufacturers and will be effectively and immediately terminated if requested by the automobile manufacturers in the future. For more details, see "Our Business – Our Services – Sales of new passenger vehicles – Engagement of distributors". If our internal control procedures are not effective in ensuring pre-approvals are obtained from the relevant automobile manufacturers before we engage any distributors, or if we fail to effectively and immediately terminate such practices when requested, we might be deemed not be in compliance with the relevant dealership authorization agreements. As a result, the relevant automobile manufacturers might levy penalties or claim damages against us or terminate the relevant dealership authorization agreements, which will have an adverse impact on our results of operations, financial condition and growth prospects.

We depend on key individuals of our senior management and skilled employees to effectively conduct our business

The success of our business is to a significant extent attributable to the leadership of our senior management, in particular our founder and chairman, Mr. Feng and our chief executive officer, Mr. Yu Feng. If for any reason the services of any of these individuals were to become unavailable, and we were unable to find any suitable replacement on a timely basis, our business operations and growth prospects may be adversely affected.

In addition, the smooth daily operations of our outlets depend on our large number of skilled store-level managers, sales representatives and automotive engineers and technicians. Our ability to attract, train and retain our employment force is critical to the continued success of our business. Due to the strong growth in the PRC economy and the PRC automobile industry, competition for skilled personnel is increasingly intense, and we cannot assure you we can always attract and retain key personnel or highly skilled employees that we need. Our results of operations, financial condition and growth prospects may be materially and adversely affected if we suffer a shortage of personnel and necessary talents for our operations and growth.

Our insurance coverage may be inadequate to cover our potential losses

We carry insurance that covers loss, theft and damage to our inventories in most of our outlets. We do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, neither do we maintain any insurance coverage for business interruption due to the limited coverage of any business interruption insurance in the PRC. To the extent claims are brought against us or we suffer damages or losses of our inventories or properties which are not covered in full or in part by our insurance, our results of operations and financial condition may be adversely affected.

We may not be able to use certain properties leased by us because of defects affecting our leasehold interests

We have leased certain properties in China to operate our outlets. As of December 31, 2012, we leased a total of 24 properties with an aggregate gross floor area, or GFA, of approximately 15,255 square meters for the building portion and an aggregate site area of approximately 114,261 square meters for the land portion, among which:

- for three properties with an aggregate GFA of approximately 3,189 square meters, accounting for 20.9% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 20,487 square meters, accounting for 17.9% of the aggregate site area of our leased land, the landlords had not obtained the relevant title certificates. One of these properties is located in Zhengzhou, Henan Province. The other two are located in Anyang, Henan Province and Wuhan, Hubei Province.

- in one property with an aggregate site area of approximately 8,671 square meters, which accounts for 7.6% of the aggregate site area of our leased land, we operated one 4S dealership store as of the Latest Practicable Date, the property was not in compliance with its designated usage. The property is located in Nanyang, Henan Province.

- eight properties with an aggregate GFA of approximately 1,177 square meters, which accounts for 7.7% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 67,457 square meters, which accounts for 59% of the aggregate site area of our leased land, are built in collectively-owned land and are not permitted to be leased to others for non-agricultural or commercial purposes under applicable PRC laws, rules and regulations. One of these properties are located in Guangzhou, Guangdong Province, one is located in Beijing and another six are located in Henan Province.

Our leasehold interests in 12 of these leased properties are subject to certain defects. For the years ended December 31, 2010, 2011 and 2012, revenue generated from our operations on these 12 leased properties with defects was RMB284.4 million, RMB1.14 billion and RMB3.08 billion respectively, which accounted for 15.8%, 37.6% and 54.5% of our total revenue, respectively. For more information, see section headed "Our Business – Properties".

Any dispute or claim in relation to the rights to lease and use the properties occupied by us, including any litigation involving allegations of illegal or unauthorized use of these properties, may require us to relocate our business operations. If any of our leases were terminated as a result of any challenge by third parties or any failure of our lessors to renew the leases or obtain their legal title or the requisite government approval or consent to lease the relevant properties, we may need to seek alternative premises and incur additional costs for relocation. Based on currently available information, the estimated total costs and expenses for relocating our businesses located on properties with defective titles are approximately RMB174 million. Any such relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws or regulations to require additional approvals, licenses or permits, or impose stricter requirements to obtain or maintain the title certificates required for the properties occupied by us.

There can be no assurance that we will be able to enter into definitive dealership authorization agreements for outlets approved to be constructed by automobile manufacturers

According to common market practice, automobile manufacturers typically approve commencement of construction of new outlets in the form of authorization, preliminary approval or letter of intent and only enter into definitive dealership authorization agreement for such outlets upon completion of construction. For more details, see "Our Business – Sales Network – New outlets establishment." We are advised by our PRC legal adviser that such authorizations, preliminary approvals and letters of intent to construction are not legally binding on either party. During the Track Record Period and up to the Latest Practicable Date, we had not experience any difficulty in entering into dealership authorization agreements with automobile manufacturers for our newly constructed outlets. As of the Latest Practicable Date, we had received authorizations, preliminary approvals and letters of intent to commence the construction of 20 new outlets, among which 14 were under construction and six were under preparation of construction. For more details, see "Our Business – Sales Network – New outlets establishment." There is no assurance that we will be able to enter into definitive dealership authorization agreements for such 20 new outlets approved to be constructed. If an automobile manufacturer refuses to enter into the dealership authorization agreement with us upon the completion of the construction of a new outlets, our results of operations, financial conditions and prospect can be materially and adversely affected.

Our business may be adversely affected by political and macro-economic events

Our business focuses on selling imported and domestically manufactured luxury and ultra-luxury passenger vehicles, including a Japanese luxury brand, Lexus. Lexus is the second largest brand we dealt in terms of purchase amount during the Track Record Period, which accounted for 23.2%, 16.7% and 9.7% of our total revenues for the years ended December 31, 2010, 2011 and 2012, respectively. The territorial dispute between China and Japan in September 2012 led to boycotts of Japanese goods, including passenger vehicles, and a decrease in sales volume of Japanese vehicles. As a result, In October 2012 German brands overtook Japanese brands to account for the largest market share in China in terms of sale volume. Our sales volume of Lexus passenger vehicles was 67, 58, 75 and 79 for September, October, November and December 2012, respectively, and the average sales volume in the three months ended March 31, 2013 was 63 per month, as compared with 78 and 92 in July and August 2012, respectively, and the average of 115 per month in the six months ended June 30, 2012. Our sales of pre-owned passenger vehicles were not affected by such development as we had no trade-in for Lexus passenger vehicles during the Track Record Period and up to the Latest Practicable Date. Neither did we incur any liabilities in connection with any vehicles damaged during any protests relating to the Diaoyu Islands dispute in China. Nevertheless, the continuation of the territorial dispute could continue to adversely affect our Lexus sales volume.

In addition, as a result of the continuing European debt crisis, the automobile market in Europe has showed signs of deterioration. Major automobile manufacturers, including BMW Group and Volkswagen Group started to channel their unsold inventories to other auto markets with stronger purchasing power. The China market has received some of these inventories, but only for selected models that are not produced in China. Such measures have put downward pressure on retail prices of passenger vehicles in China, but at the same time resulted in an increase in sales volume. The long term effects of such measures remain unclear, but if downward pressure on retail prices continues for a sustained period of time, our results of operation, financial condition and prospect may be adversely affected.

Moreover, it was recently reported by certain media sources that a 20% luxury tax might be levied by the relevant government authorities on the purchase of a passenger vehicle with a retail price over RMB1.7 million. The earliest possible effective date of such tax was reported to be June 1, 2013. Such purchase tax, if effectuated, might adversely affect our expansion plans in the ultra-luxury passenger vehicle market and sales of new ultra-luxury passenger vehicles.

RISKS RELATING TO OUR INDUSTRY

We operate in an increasingly competitive passenger vehicle dealership market

Passenger vehicle dealership market in China is competitive, and intensified by the fact that manufacturers typically grant non-exclusive dealership rights in the same geographic region. As a result, in many of our regional markets we compete with dealerships that offer competing brands of passenger vehicles as well as dealerships that sell the same brands and models as we do. In addition, we compete with independent repair shops and auto parts retail centers in after-sales services and spare part sales. Our competitive strength depends on a number of factors, including our ability to:

- maintain solid relationship with automobile manufacturers;
- anticipate and cater to customer purchase sentiments and boost sales of new passenger vehicles;
- provide high quality after-sales services to customers;
- manage inventories of new passenger vehicles and spare parts to keep them at optimum levels; and
- train and retain employees and attract new talents.

We cannot assure we will maintain a high level of competitiveness in all these areas. We expect the number of luxury and ultra-luxury dealerships in China to continue to grow in the foreseeable future. We also compete with independent repair shops and auto parts retail centers in after-sales services. Increased competition could lead to decrease of our market shares and profits, and adversely affect our growth prospects.

Strict or stricter fuel economy standards and emission standards, high fuel prices and increased taxes on passenger vehicle consumption may restrict the supply of and/or reduce the demand for new passenger vehicles in China

The implementation and enforcement of strict or stricter fuel economy standards and emission standards for passenger vehicles are likely to raise costs of manufacturing, distribution and research and development for manufacturers. Consequently, manufacturers may raise their pricing guidelines for their passenger vehicles, and consumer demand for new passenger vehicles may decline.

The PRC government currently subsidizes the retail petrol price but may adjust the price due to factors such as change in global crude oil price. The PRC government has adjusted the retail petrol price several times in recent years. The fluctuation of petrol prices have led to noticeable changes in the level of demand for fuel in China and disparities in the cost and availability of petrol between different parts of China and made the petrol price in China less predictable. If the demand for fuel increases in China, fuel shortages or price increases may occur. Consumers may avoid increased or unpredictable costs or shortages and utilize alternative means of transport such as bicycles, public buses and subways, or purchase more fuel-efficient automobiles. These standards tend to have a greater impact on more expensive, luxury and ultra-luxury brand automobiles, which tend to be less fuel efficient.

There can be no assurance that the PRC government will not implement stricter fuel economy standards or emission standards, further increase fuel prices or automobile consumption tax rates, impose additional restrictions or taxes, or reduce or abort automobile consumption tax cuts on the Chinese automobile industry. We may face a decline in sales as a result of the above, and our results of operations, financial condition and growth prospects may be adversely affected.

Government policies on passenger vehicle purchases and ownership may materially affect our results of operations

Government policies on passenger vehicle purchase and ownership may materially affect our business, as it might significantly affect demand and customer behavior.

The PRC government adopted the current automobile consumption tax on April 1, 2006. The increase of applicable tax rates on automobiles with large cylinder capacities took effect on September 1, 2008 pursuant to the "Notice on Adjusting the Policy of the Consumption Tax on Passenger Vehicles" (關於調整乘用車消費稅政策的通知) as released by the PRC Ministry of Finance and the State Administration of Taxation. Certain of the automobiles we sell have large cylinder capacities and are subject to relatively higher automobile consumption tax rates. Any future implementation on higher automobile consumption tax rates for automobiles with larger engine displacement capacity may cause our sales to decline and adversely affect our revenues.

Anti-traffic congestion measures and ordinances of certain Chinese cities may restrict local demand for automobiles

Passenger vehicle sales may be affected by quotas or other measures imposed by local governments to control the number of passenger vehicles as anti-traffic congestion measures in the cities where our networks are located. Changes in local economic conditions, the competitive environment and governmental policies could materially and adversely affect our business, financial condition, results of operations and growth prospects. For example, with a goal to curb traffic jams and pollution, Shanghai has been restricting the issuance of new license plates since 1994. Individuals and companies have to bid in an auction, which is generally held by the municipal government once a month, for a license plate in order to register a new vehicle and the total number of licence plates to be issued is notified to public each month immediately before the auction. Approximately 8,500 license plates were issued by auction per month in 2011. Similarly, effective on December 23, 2010, the Beijing municipal government issued a number of measures to limit the number of new license plates it issues each year, with a view to curbing traffic congestion in Beijing. The quota was 240,000 per year or 20,000 per month in 2011 and 2012 and is currently expected to remain the same in 2013. As a result, overall new passenger vehicle sales in the Beijing market have since decreased significantly. These and any future government policies to control the number of passenger vehicles in the markets where we operate may restrict the ability of potential customers to purchase passenger vehicles and hence reduce customer demand for passenger vehicles. For more details, see "Regulations – Regulations relating to the PRC Automobile Industry – Anti-Traffic Congestion Measures". As of the Latest Practicable Date, there is no similar local rules or regulations to limit annual sales of new passenger vehicles in Henan Province. Any similar or other adverse events in areas in which we operate, and in particular in Henan Province, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Any failure to comply with applicable laws, rules and regulations governing the automobile dealership industry may adversely affect our business

We operate in a highly regulated industry. We are required to maintain various approvals, licenses and permits for our operations that are specific to the automobile dealership industry. There can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licenses or permits, or to impose stricter requirements to obtain or maintain the approvals, licenses or permits required for our business operations. Any loss of or failure to obtain or renew our approvals, licenses, or permits could disrupt our operations and any fines or other penalties imposed by the PRC government could materially and adversely affect our results of operations, financial position and reputation. Please see the section headed "Regulations" in this prospectus for more details.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The business operation and future growth of our Group rely on the GDP and consumption growth in the Chinese market and may be adversely affected by changes in the economic, political and social conditions, globally and in China

All of our revenue during the Track Record Period was derived from our operations in China. We anticipate that China will remain our primary market in the foreseeable future. One of our strategies is to expand our operations in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic development in China. Should there be any adverse change in the GDP and/or consumer spending growth in China, our results of operations, financial condition and growth prospects may be materially and adversely affected.

In the past twenty years, China has been one of the world's fastest growing economies measured in terms of GDP. However, historically, the PRC government has taken measures to attempt to slow economic growth to a more manageable level, especially with respect to the rate of growth in industrial production, bank credit, fixed investment and monetary supply. Furthermore, a slowdown in the economies of the United States, the European Union and certain Asian countries may significantly and adversely affect economic growth in China.

Since early 2008, concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the markets in the future. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged recession on a global basis. These events have led the Chinese economy to experience a slowdown. We cannot predict the extent to which the changing global economic conditions will affect GDP and consumer spending in China. In addition, consumer spending can be affected by factors such as changes or developments in economic and financial condition, and social and political stability in China, and other factors which are beyond our control. Any changes in any of these conditions, or any changes in PRC laws, rules and regulations or other policies in reaction to the changing economic conditions could materially and adversely affect our Group.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

Our business and operations are primarily conducted in the PRC and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licenses or permits, or to impose stricter requirements or conditions for the approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations, subject us to fines or penalties imposed by the PRC government. There can also be no assurance that the PRC Government will not amend or revise existing laws, rules or regulations, or promulgate new laws, rules or regulations, which have a material adverse effect on our business, operations, growth or prospects.

There are significant uncertainties under the EIT Law relating to our PRC enterprise income tax liabilities

Under the EIT Law, the profits of a foreign invested enterprise generated from January 1, 2008 and onwards, which are distributed to its immediate holding company outside the PRC, are subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate will be lowered to 5% if a Hong Kong resident enterprise owns over 25% of the PRC company. However, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (關於印發非居民享受稅收協定待遇管理辦法(試行)的通知), which became effective on October 1, 2009, the 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under relevant taxation treaties. However, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that the PRC tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our PRC subsidiaries, nor that the PRC tax authorities will not levy a higher withholding tax rate on such dividends in the future.

Under the EIT Law, we may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise", meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementation rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. As no official interpretation or application of this new "resident enterprise" classification is currently available, the status and tax treatment of an enterprise registered outside the PRC in accordance with foreign laws and with a PRC individual as a controlling shareholder are unclear.

If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that any income sourced by us from outside the PRC such as interest on offering proceeds would be subject to PRC enterprise income tax at a rate of 25%. By comparison, there is no taxation on such income in the Cayman Islands. In addition, if the Company is treated as PRC "resident enterprise" under PRC law, it may be required to withhold PRC income tax on capital gains realized from sales of our Shares and dividends paid to non-PRC residents with respect to Offer Shares under the EIT Law as such income may be regarded as income from "sources within the PRC". In such case, our foreign corporate Shareholders may be subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty.

PRC regulation regarding loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

In utilizing the proceeds from this offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or additional capital contributions to our PRC subsidiaries. Any loans or additional capital contributions to our subsidiaries in the PRC are subject to PRC regulations and approvals. For example, loans by us to our PRC subsidiaries cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local branch.

We may also determine to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM or its local counterpart. Because our operating entities are domestic PRC enterprises, we are not likely to finance their activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as licensing and other regulatory issues. We cannot assure you that we can obtain the required government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to obtain such registrations or approvals, our ability to use the proceeds from this offering and to fund our operations in China would be negatively affected, which would adversely and materially affect our liquidity and our ability to expand our business.

Our ability to pay dividends and utilize cash resources in our subsidiaries is dependent upon our subsidiaries' earnings and distributions

We are a holding company incorporated in the Cayman Islands, and our business and operations are primarily conducted through our PRC subsidiaries. We rely on dividends and other distributions paid by our PRC subsidiaries for our future cash needs which cannot be provided by equity issuances or borrowings outside of the PRC, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial condition, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. If one or more of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us.

As entities established in the PRC, our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund of 10% of its after-tax profit based on PRC GAAP, up to a maximum of 50% of the registered capital of such PRC subsidiary. Our PRC subsidiaries, as foreign invested enterprises, may also be required to set aside individual funds for staff welfare, bonuses and development, at the discretion of such PRC subsidiaries and as stipulated in their articles of association. These reserves or funds are not distributable as dividends. Contributions to such reserves or funds are made from each of our PRC subsidiaries' net profit after taxation. In addition, if one or more of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends.

If our PRC subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we will not be able to pay dividends, service our debt or pay our expenses.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under the PRC laws

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Round-Trip Investment in the PRC by Domestic Residents (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular**") promulgated by SAFE on October 21, 2005, which became effective on November 1, 2005, requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update SAFE's records within 30 days of any major changes in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations, from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it remains unclear how the SAFE Circular and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC government authorities. We have been advised by Mr. Feng that he has completed and updated his registration with SAFE. Any failure by our PRC Shareholder to make the registrations or amendments with SAFE may result in the prohibition of distributions, share transfers, or liquidations of our PRC subsidiaries, and may affect our ownership structure, acquisition strategy, business operations, and ability to make dividend payments to our Shareholders.

Government control over currency conversion may affect the value of our Shares and limit our ability to utilize our cash effectively

Substantially all of our revenue is denominated in Renminbi. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flow from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

Fluctuation in the exchange rates of RMB may have a material adverse effect on your investment

The exchange rates of RMB against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in the PRC's political and economic conditions. To the extent that we need to convert Hong Kong dollars we received from our initial public offering into RMB for our operations, appreciation of RMB against the Hong Kong dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against RMB would have a negative effect on the Hong Kong dollar amount available to us. Any appreciation in the Euro, Japanese yen or other foreign currencies against RMB may cause automobile manufacturers to raise their prices, which would increase our purchase costs for automobiles and spare parts, which could in turn increase our automobile retail prices and adversely affect our sales and profits.

It may be difficult to effectuate service of process upon, or to enforce against, us or our Directors or members of our senior management who reside in the PRC, in connection with judgments obtained in non-PRC courts

Substantially all of the assets of the Company are located in the PRC. In addition, most of our Directors and senior management reside within the PRC, and the assets of our Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and senior management, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of courts in some jurisdictions is uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and an active trading market may not develop, which could have a material adverse effect on our Share price and your ability to sell your Shares

Before the Global Offering, there was no public market for our Shares. The initial offer price range of our Shares, and the Offer Price, will be the result of negotiations between the Joint Bookrunners (on behalf of the Underwriters) and us. In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your Shares at a price that is attractive to you, or at all.

The price and trading volume of our Shares may be volatile which could result in substantial losses for investors purchasing our Shares in the Global Offering

The price and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- changes in our pricing policy as a result of the presence of competitors;
- loss of significant customers or material defaults by our customers;
- changes in securities analysts' estimates of our financial performance;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- additions or departures of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation; and
- general economic and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

We may not be able to distribute dividends to our Shareholders

Our ability to pay dividends or make other distributions to our Shareholders is subject to the future financial performance and cash flow position of our Group. We may not be able to distribute dividends to our Shareholders as a result of the abovementioned factors.

We may not be able to record profits and have sufficient funds above our funding requirements, other obligations and business plans to declare dividends to our Shareholders.

Future sales or a major divestment of Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources

This prospectus, particularly the section headed "Industry Overview" in this prospectus, contains information and statistics, including but not limited to information and statistics relating to China and the passenger vehicle dealership industry and markets. Such information and statistics have been derived from various official government and other publications and from a third party report commissioned by us. The sources of such information are conventional sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Global Coordinators, the Bookrunners, the Lead Managers, the Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this prospectus, including those with respect to China, the economy and the passenger vehicle dealership industry in China, may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the economy and the passenger vehicle dealership industry in China contained in this prospectus.

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience immediate dilution in the pro forma net tangible asset value of HK$2.10 to HK$2.77 per Share based on the Offer Price range of HK$6.08 to HK$8.88 per Offer Share, respectively. This calculation is based on the assumption that 1,075,126,000 Shares will be in issue and outstanding immediately following the completion of the Pre-Listing Reorganization and the Global Offering but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares issued or to be issued under the RSU Scheme. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

The Offer Price may not be indicative of prices that will prevail in the trading market

The Offer Price will be the result of negotiations between the Joint Bookrunners (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after the Listing. Due to a gap between pricing and trading of the Offer Shares and because our Offer Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of the Offer Shares may be lower than the Offer Price.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus

There has been coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.