
INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by ACMR which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate 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 our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Joint 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. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned All China Marketing Research Co., Ltd. (“**ACMR**”), an independent market research consulting firm, to conduct a market analysis of, and produce a report (the “**ACMR Report**”) on the following:

- macro-economy overview in China;
- market analysis of passenger vehicle industry in China; and
- competition pattern of passenger vehicle industry in Henan Province.

Established in 1992, ACMR mainly provides independent and objective services on data collection, industry research, market research and competition research. ACMR is the vice chairman member of the China Marketing Research Association, a member of the Society of Competitive Intelligence of China, and a member of the Association of European Society for Opinion and Marketing Research. ACMR has rich experience in industry research and has provided similar consulting services to various pre-listed companies.

The ACMR Report in May 2013 was produced by ACMR’s analysts with specific knowledge of the PRC automobile industry and the forecasts were based on ACMR’s analysis of historical data and trends. This information was obtained by ACMR from a variety of official industry sources, including relevant PRC government departments and established PRC industry organizations such as the National Bureau of Statistics, the China Association of Automobile Manufacturers and the China Automobile Dealers Association etc. ACMR has conducted interviews with market participants and industry experts in order to support, verify and cross check the consistency of the relevant data and estimates. In addition, ACMR has conducted a survey with 408 respondents on the consumer behavior of the PRC automobile industry.

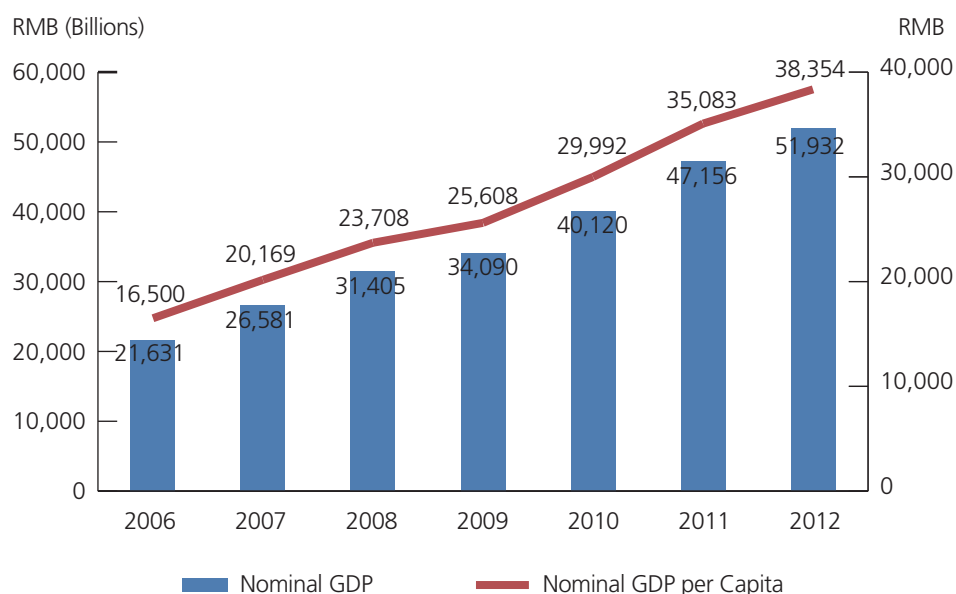
We paid a fee of RMB320,000 to ACMR for the ACMR Report. Except for this report, we did not commission any other customized research report in connection with the Listing or this prospectus.

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SUSTAINED GROWTH OF CHINESE ECONOMY

Economic growth in China

Over the past three decades, China's economy has grown significantly and sustainably due to the PRC Government's economic reforms and the opening-up of China's market. China has maintained strong economic growth in the past three decades and surpassed Japan as the world's second largest economy in terms of nominal GDP in the second quarter of 2010. The nominal GDP of China grew from approximately RMB21.6 trillion in 2006 to approximately RMB51.9 trillion in 2012, representing a CAGR of 15.7%. During the same period, nominal GDP per capita grew from RMB16,500 in 2006 to RMB38,354 in 2012, representing a CAGR of 15.1%. The following diagram illustrates the growth of nominal GDP and nominal GDP per capita in China from 2006 to 2012:



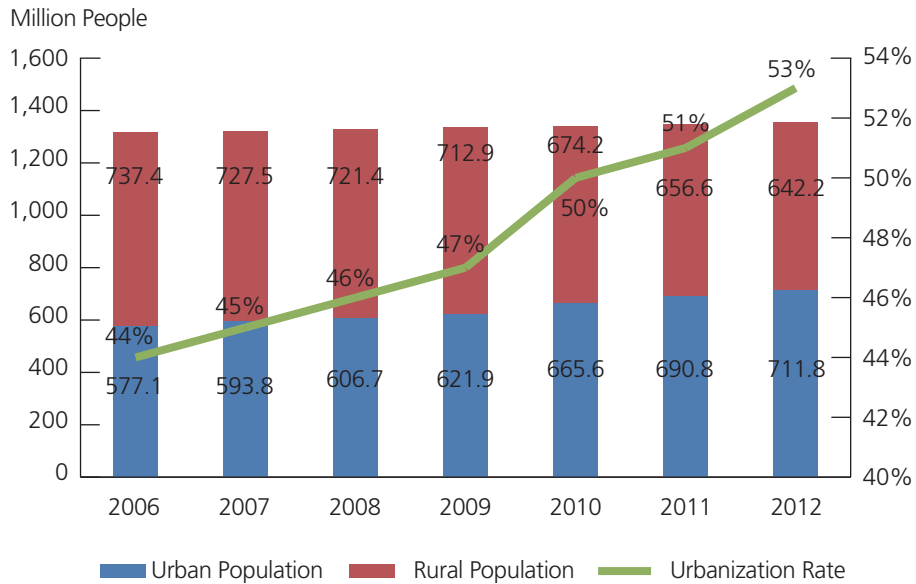
Source: National Bureau of Statistics of China

Increase in urbanization and annual per capita disposable income

The sustained economic growth resulted in the increase in both the level of urbanization and per capita disposable income in China.

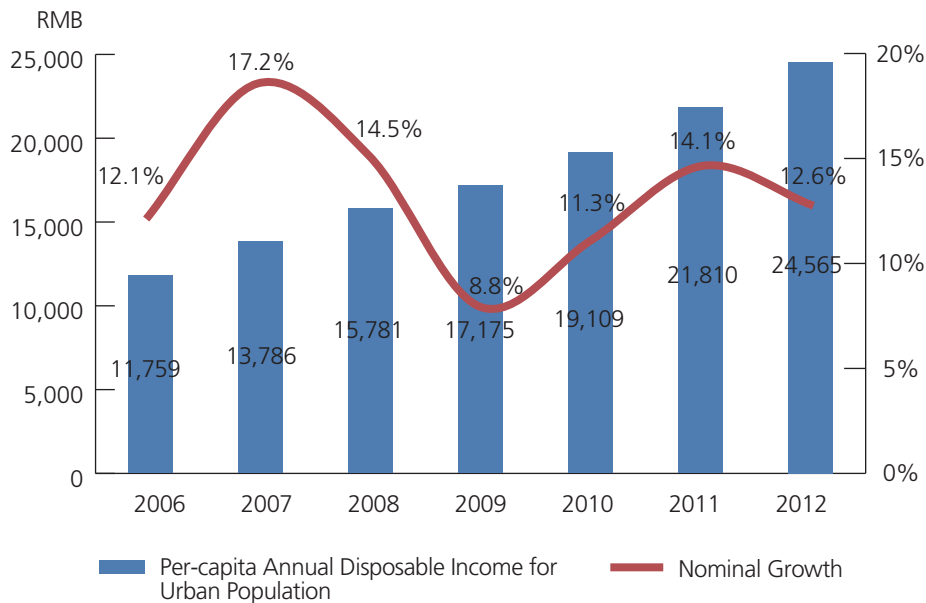
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The level of urbanization of a country is one of the general indications of the stage of its economic development. Urban population grew from 577 million in 2006 to 712 million in 2012, representing a CAGR of 3.6%. The percentage of urban population to the total population increased from approximately 44% in 2006 to approximately 53% in 2012. The diagram below illustrates the increase of the level of urbanization in China from 2006 to 2012:



Source: National Bureau of Statistics of China

The economic growth also resulted in the increase of the annual per capita disposal income in China, especially for urban population. From 2006 to 2012, the annual per capita disposal income for urban population in China grew from RMB11,759 to RMB24,565, representing a CAGR of 13.0%. The diagram below illustrates the increase of annual per capita disposal income for urban population in China from 2006 to 2012:



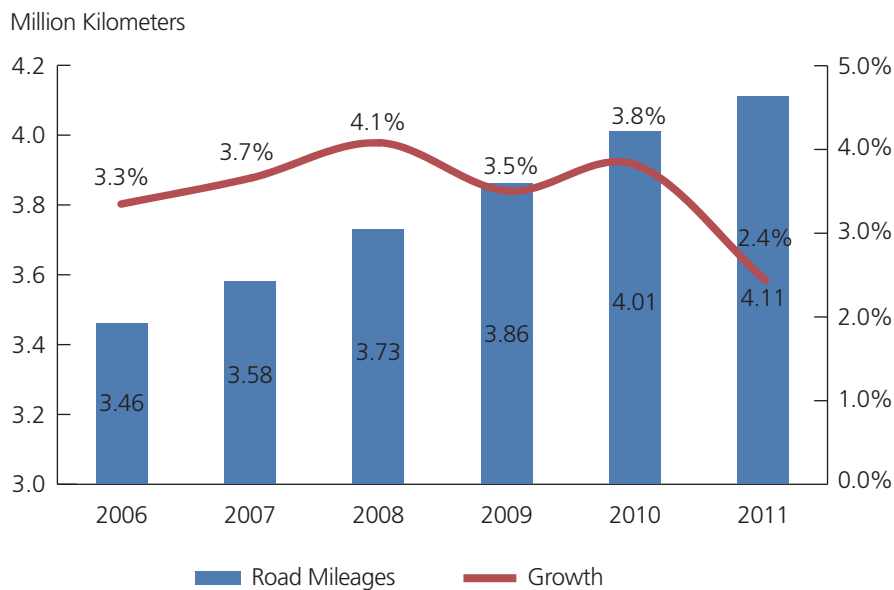
Source: National Bureau of Statistics of China

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The combination of the increasing level of urbanization and the increasing per capita disposal income resulted in the growth of China's middle and upper-middle classes, as well as the number of wealthy individuals. Such growth in turn engendered and sustained growth in demands for premium products, such as luxury and ultra-luxury passenger vehicles.

Increased investment in transportation network and other infrastructure

In recent years, the PRC government has been steadily increasing its investments in transportation network and other infrastructure as an important measure to sustain and further drive the economic growth, which resulted in significant growth in transportation network and improvement of infrastructure nationwide. From 2006 to 2011, the CAGR of investment in road construction, total road mileage and total highway mileage of China was 15.1%, 3.5% and 13.4%, according to the ACMR Report. The total highway mileage of China reached 85 thousand kilometers in 2011, the second longest in the world. The diagram below illustrates the road mileages in China from 2006 to 2011:



Source: *Statistics of Development in Road and Waterway Transportation Industries*

According to the ACMR Report, Henan Province has one of the highest road mileages among provinces in China.

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PASSENGER VEHICLE MARKET IN CHINA

Market segment

The segmentation of the passenger vehicle market in China is widely varied, with industry standards still in development. However, according to ACMR Report, passenger vehicle brands in China, based on, among other things, price range, functionality, customer sentiment and awareness of the brand, and market share, can be categorized into: (i) ultra luxury, (ii) luxury, (iii) middle range, and (iv) low end brands. According to market convention, the average price for an ultra-luxury brand passenger vehicle is typically RMB1 million or above; the average price for a luxury brand passenger vehicle is typically from RMB300,000 to RMB1 million. For middle- and low-end passenger vehicles, the average prices are from RMB80,000 to RMB300,000, and below RMB80,000, respectively. The following table sets forth the representative brands for the luxury and ultra-luxury segments:

<u>Ultra-luxury</u>	<u>Luxury</u>
Bentley	BMW
Bugatti	Audi
Ferrari	Mercedes Benz
Koenigsegg	MINI
Lamborghini	Volvo
Rolls-Royce	Lexus
Maserati	Infiniti
Maybach	Land Rover
Spyker	Cadillac
Wiesman	Jaguar
Aston Martin	Lincoln
Porsche	

Source: ACMR Report

Significant growth in recent years

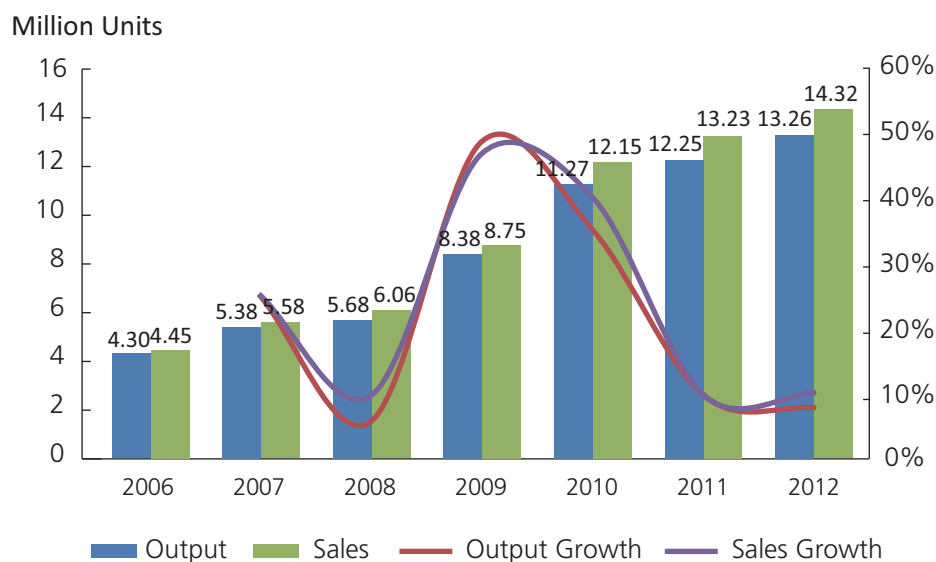
The passenger vehicle market in China has experienced exponential growth in recent years, driven by a number of factors, including:

- the sustained economic growth over the past three decades;
- the increase in urbanization and per capita disposal income;
- the emergence and growth of middle and upper-middle class and wealthy individuals; and
- the expansion of transportation network and improvement of infrastructure.

The significant growth of passenger vehicle market in China manifests in both production volume and sales of passenger vehicles. According to ACMR Report, the number of passenger vehicles produced in China increased from 4.3 million in 2006 to 13.3 million in 2012, representing

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a CAGR of 20.6%. During the same period, the number of passenger vehicles sold in China increased from 4.5 million to 14.3 million, representing a CAGR of 21.5%. The diagram below illustrates the growth of passenger vehicle production and sales in China from 2006 to 2012:



Source: ACMR Report

In 2009, the PRC government issued favorable policies to boost automobile consumption, including reductions in the purchase tax, direct subsidies to rural households and subsidies to automobile owners replacing old automobiles with new ones. Such policies resulted in significant growth in both production and sales volume of passenger vehicles in China in the year. In 2010, additional favorable policies were issued which resulted in further growth in the production and sales volume of passenger vehicles. However, the additional favorable policies had a lesser impact on the market than the first round of favorable policies in 2009. As a result, following the strong growth in 2009, the growth in 2010 was of a lesser magnitude compared with 2009. In 2011, certain favorable policies expired. As a result, both production and sales volumes of passenger vehicles in China experienced much slower growth compared with previous years.

Largest passenger vehicle market in the world

Due to its significant growth in the recent years, the passenger vehicle market in China has become the largest in the world in terms of sales volume in 2009, and it has remained the largest from 2010 to 2012. The size of China's passenger vehicle market is approximately twice that of the U.S., the second largest in the world in term of sales volume. The table below sets forth the sales volume of passenger vehicle of the top five countries in the world:

Country	Sales volume (in million)							
	2006	2007	2008	2009	2010	2011	2012	CAGR
China*	4.45	5.58	6.06	8.75	12.15	13.23	14.32	21.5%
America	7.78	7.6	6.81	5.46	5.64	6.19	7.24	-1.2%
Japan	4.64	4.4	4.23	3.92	4.21	3.53	4.57	-0.3%
Brazil	1.56	1.98	2.19	2.48	2.65	3.25	3.63	15.1%
Germany	3.46	3.15	3.09	3.81	2.92	3.17	3.08	-1.9%

* Excluding sales volume of mini-buses.

Source: ACMR Report

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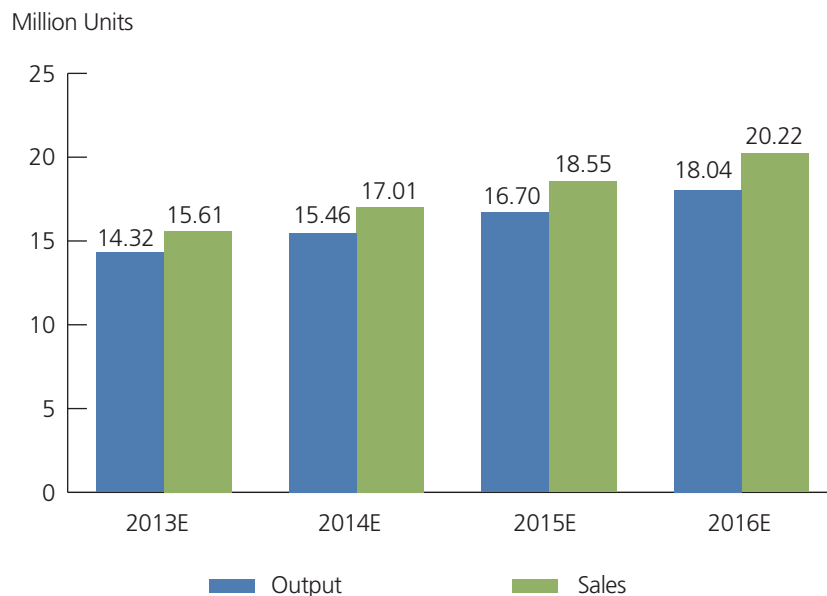
Great growth potential in foreseeable future

According to ACMR Report, there is a great growth potential of the passenger vehicle market in China in the foreseeable future. The penetration rate of passenger vehicles, which is defined as the number of passenger vehicles owned per 100 residents, was 6.2% in 2012 in China, below the global average of 10.8% and significantly lower than those of the developed countries, such as 57.8% in Australia, 61.6% in the U.S., 47.9% in Japan and 30.2% in South Korea.

The growth of the passenger vehicle market is affected by various factors, including:

- the macro-economic conditions in China;
- per capita disposal income;
- governmental policies with regard to passenger vehicles;
- price fluctuation; and
- further development of sales network.

By taking into these various factors, ACMR Report estimates that demand of passenger vehicle in China will continue to grow at an average rate of approximately 9% from 2013 to 2016. The diagram below illustrates the estimated growth of passenger vehicle production and sales in China from 2013 to 2016:



Source: ACMR Report

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The 4S dealership

The chart below sets forth the number of brands sold, number of 4S dealership stores in China, and the average number of dealership stores per brand in 2012:

	Number of brands sold	Number of outlets in China	Average number of outlets per brand
Ultra-luxury	13	197	15
Luxury	16	1,759	110

Dominant new passenger vehicle sales platform

The 4S dealership stores first emerged in mid 1990s and have become a dominant retail platform for passenger vehicles in China since the promulgation of the “Implementation Measures for the Administration of Automobile Brand Sales” (汽車品牌銷售管理實施辦法, the “**Measures**”) by MOFCOM in February 2005. The Measures stipulate, among other things, that all automobile dealers must obtain permission from an automobile manufacturer before retailing the brands of the automobile manufacturer, which in effect phased out most retail platforms other than 4S dealership stores. According to ACMR Report, all new passenger vehicles have been sold through 4S dealership stores since 2010. Due to intense competition, the average profit margin of sales of new passenger vehicle was 2~3% during the Track Record Period.

Rapid growth for after-sales services

Besides sales of new passenger vehicles, 4S dealership stores often also provide after-sales services such as maintenance and repair. According to ACMR Report, after-sales services tend to have the highest profit margin among various segments of automobile industry, and the current average profit margin for after-sales services in China is approximately 40~45%. After-sales services by 4S dealership stores have experienced significant growth in recent years, as a result of growing customer acceptance of 4S dealership services and the increasing number of passenger vehicles. The revenues of after-sales services by 4S dealership stores increased from RMB50 billion in 2006 to RMB295 billion in 2012, representing a CAGR of 30.4%, according to ACMR Report. Nevertheless, the revenues of after-sales services as percentages to total revenues for 4S dealership stores remained largely stable in recent years. The table below sets forth revenue breakdowns as percentages of 4S dealership stores in China from 2006 to 2012, as well as estimated revenue breakdowns from 2013 to 2016:

	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E
Sales of new passenger vehicles	91%	91%	89%	89%	89%	88%	86%	84%	81%	78%	74%
After-sales services	8%	7%	8%	9%	9%	10%	12%	14%	17%	20%	24%
Sales of pre-owned passenger vehicles	1%	2%	3%	2%	2%	2%	2%	2%	2%	2%	2%

Source: ACMR Report

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LUXURY AND ULTRA-LUXURY PASSENGER VEHICLE MARKET IN CHINA

Rapid growth of the luxury and ultra-luxury passenger vehicle market in China

According to the ACMR Report, the market for luxury products in China has experienced exponential growth in recent years as a result of the economic growth and accumulation of individual wealth. The market size of luxury products, which include luxury and ultra-luxury vehicles, private airplanes, private yachts and luxury accessories, in Mainland China grew from RMB328.7 billion in 2009 to RMB903.1 billion in 2012, representing a CAGR of 40.1%. Among luxury products, luxury and ultra-luxury passenger vehicles accounted for the largest segment, which represented about 82% of total luxury product sales in 2012. From 2006 to 2012, the luxury and ultra-luxury passenger vehicle segment had experienced particularly rapid growth. According to ACMR Report, the sales volume of luxury and ultra-luxury passenger vehicles in China grew from 152,200 in 2006 to 1.43 million in 2012, representing a CAGR of 45.3%, more than twice of the CAGR of the sales volume of passenger vehicles in total in China. During the same period, the percentage of the sales volumes of luxury and ultra-luxury passenger vehicles as to the total sales volumes of passenger vehicles in China increased from 3.4% in 2006 to 10.0% in 2012. The table below sets forth the sales volumes and CAGR of luxury and ultra-luxury passenger vehicles, and their percentages as to total sales volumes from 2006 to 2012:

	2006		2007		2008		2009		2010		2011		2012		CAGR
	Volume (thousand)	(%)	Volume (thousand)	(%)	Volume (thousand)	(%)	Volume (thousand)	(%)	Volume (thousand)	(%)	Volume (thousand)	(%)	Volume (thousand)	(%)	
Ultra-luxury	3.1	0.07	5.0	0.09	10.9	0.18	9.6	0.11	15.8	0.13	31.8	0.24	40.0	0.28	53.0%
Luxury	149.1	3.4	218.7	3.9	329.7	5.4	362.3	4.1	710.8	5.9	1,102.1	8.3	1,392.0	9.7	45.1%
Combined	152.2	3.4	223.7	4.0	340.6	5.6	371.9	4.3	726.6	6.0	1,133.9	8.6	1,432.0	10.0	45.3%
All passenger vehicles	4,450	100.0	5,580	100.0	6,060	100.0	8,750	100.0	12,150	100.0	13,230	100.0	14,320	100	21.5%

Source: ACMR Report

According to ACMR Report, the sales revenues of luxury and ultra-luxury passenger vehicles in China grew from RMB103.9 billion in 2006 to RMB741.8 billion in 2012, representing a CAGR of 38.8%, compared with the CAGR of 23.4% of the sale revenues of passenger vehicle in total in China. During the same period, the percentage of the sales revenues of luxury and ultra-luxury passenger vehicles as to the total sales revenues of passenger vehicles in China increased from 17.3% in 2006 to 35.0% in 2012. Due to their higher price ranges, luxury and ultra-luxury passenger vehicles accounted for higher revenue percentages as to total sales revenues of passenger vehicles in China, as compared to the percentages in terms of sales volumes. The table below sets forth the sales revenues in RMB and CAGR of luxury and ultra-luxury passenger vehicles, and their percentages as to total sales revenues from 2006 to 2012:

	2006		2007		2008		2009		2010		2011		2012		CAGR
	Revenue (billion)	(%)	Revenue (billion)	(%)	Revenue (billion)	(%)	Revenue (billion)	(%)	Revenue (billion)	(%)	Revenue (billion)	(%)	Revenue (billion)	(%)	
Ultra-luxury	4.3	0.7	7.0	0.9	11.1	1.4	11.0	1.0	20.8	1.3	40.1	2.1	53.0	2.5	52.2%
Luxury	99.6	16.6	142.2	18.5	183.0	22.7	217.4	20.0	400.9	24.6	586.3	30.6	688.8	32.5	38.0%
Combined	103.9	17.3	149.2	19.4	194.1	24.1	228.3	21.0	421.7	25.9	626.4	32.7	741.8	35.0	38.8%
All passenger vehicles	600.8	100.0	770.0	100.0	806.0	100.0	1,085.0	100.0	1,628.1	100.0	1,918.4	100.0	2,119.5	100	23.4%

Source: ACMR Report

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The territorial dispute in and around September 2012 between China and Japan, or the Diaoyu Island dispute, led to temporary boycott of passenger vehicles of Japanese brand in China. Meanwhile, with the decreasing sales volume of Japanese brands, market shares of automobile manufacturers from other countries expanded significantly, especially for German brands such as BMW. In 2011, Japanese brands in aggregate accounted for the largest share in the China market among foreign brands of passenger vehicles, which was 19.4% by sales volume. However, by the end of 2012, market share of Japanese brands in aggregate decreased rapidly to 16.4%. Conversely, market share of German brands in aggregate increased from 16.5% in 2011 to 18.4% by the end of 2012, overtaking the Japanese brands in aggregate to become the largest in the China passenger vehicles market. Germany brands in aggregate are expected to account for the largest market share in the next few years. Nevertheless, the Diaoyu Island dispute is not expected to have significant long-term impact on the passenger vehicle market in China. According to a recent report by the China Association of Automobile Manufacturers, sales volume of Japanese branded passenger vehicles have started to recover since November 2012 and increased by approximately 72% compared with the previous month. The aggregate monthly market share of Japanese branded passenger vehicles in China has also increased to 11.7% in November 2012 and 14.9% in December 2012 from 7.6% in October 2012. The adverse impacts of the Diaoyu Island dispute are expected to continue to decrease gradually.

In addition, as a result of the deepening of the European debt crisis, automobile market in Europe 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, such as the China market. The increasing supply of imported vehicles has resulted in price competition among dealers, especially for luxury brands. However, the decreasing prices of luxury passenger vehicles have stimulated the sales volume significantly. For instance, in 2012, sales volume of BMW brand in the China market experienced strong growth, to 303,200 cars, representing a 40% increase from the same period of 2011. Moreover, despite its rapid increases, imported passenger vehicles still account for a relatively small market share in term of total sales volume in China. For example, in 2012, China imported 1.08 million units of passenger vehicles, representing less than 8% of the total sales volume of the same year. As a result, the deteriorating passenger vehicle market in Europe and the channeling of unsold passenger vehicles are not expected to have a significant adverse impact on the passenger vehicle market in China.

Taking the above events into consideration, the ACMR Report estimates that the luxury and ultra-luxury passenger vehicle market in China will continue to grow rapidly from 2013 to 2016, and the sales volume could increase from 1.45 million in 2013 to 3.01 million in 2016, representing a CAGR of approximately 27.6%. In addition, ACMR further estimates that sales revenue from luxury and ultra-luxury passenger vehicles are expected to grow from RMB849 billion in 2013 to RMB1.5 trillion in 2016, representing a CAGR of 21.9%. Moreover, the ACMR Report estimated that the average retail price for luxury passenger vehicles in China to be RMB560,000, RMB547,000, RMB525,000 and RMB469,000 for 2013, 2014, 2015 and 2016, respectively; and the average retail price for ultra-luxury passenger vehicles to be RMB1.32 million, RMB1.36 million, RMB1.35 million and RMB1.29 million for 2013, 2014, 2015 and 2016, respectively.

The Group's leading position in the luxury and ultra-luxury passenger vehicle market in China

According to ACMR Report, the Group is a leading dealership group that deals exclusively in luxury and ultra-luxury passenger vehicles in China in terms of brand coverage and number of outlets. As of the Latest Practicable Date, the Group wholly or jointly owned outlets that covered 10 luxury and ultra-luxury brands, the most among dealership groups which deal exclusively in luxury and ultra-luxury passenger vehicles. In addition, as of the Latest Practicable Date, the Group operated 25 outlets, the second most among dealership groups which deal exclusively in luxury and ultra-luxury passenger vehicles in China.

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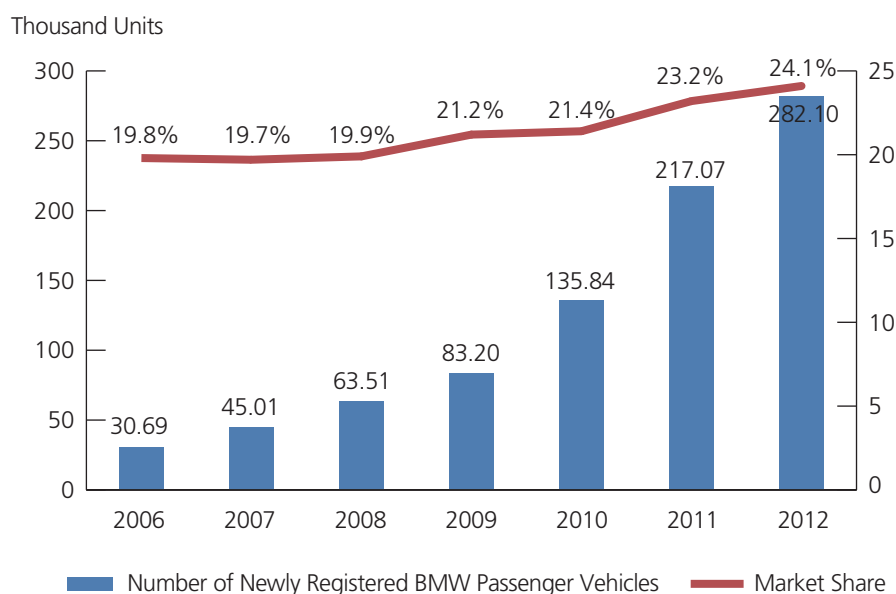
In terms of revenue, the Group is the second largest among dealership groups that specialize exclusively in the luxury and ultra-luxury brands in 2012. The major peers of the Group are Lei Shing Hong Limited and Sparkle Roll Group. Other dealerships specialized exclusively in luxury and ultra-luxury brands are small in scale and have less than five dealership stores. Lei Shing Hong Limited deals exclusively with Mercedes-Benz, and its revenue in 2012 was RMB40.46 billion. Sparkle Roll Group deals exclusively with ultra-luxury brands such as Bentley, Rolls-Royce and Lamborghini, and had a recognized revenue of RMB3.56 billion in 2012. In 2012, the Group's market share in the luxury and ultra-luxury passenger vehicle market was approximately 0.7% in terms of revenue.

In terms of passenger vehicle dealerships in general, the Group's major competitors include Lei Shing Hong Limited, China Yongda Automobiles Services Holdings Limited, China Zhengtong Auto Services Holding Limited, and Baoxin Auto Group Limited, whose market shares in terms of revenue in 2012 were 5.5%, 2.9%, 3.7%, and 2.3%, respectively. Except for Lei Shing Hong Limited, all such major competitors deal passenger vehicles of mid- and/or low-end brands in addition to luxury and ultra-luxury brands.

Selected luxury and ultra-luxury brands

BMW

According to ACMR Report, in the first half of 2012 China overtook the U.S. to become BMW's largest market in the world. In the Chinese luxury passenger vehicle market, BMW was the second largest brand in terms of sales volumes from 2006 to 2012. The diagram below illustrates the numbers of newly registered BMW passenger vehicles and the sales volumes of BMW passenger vehicles as percentages to the total sales volumes of luxury passenger vehicles in China from 2006 to 2012:



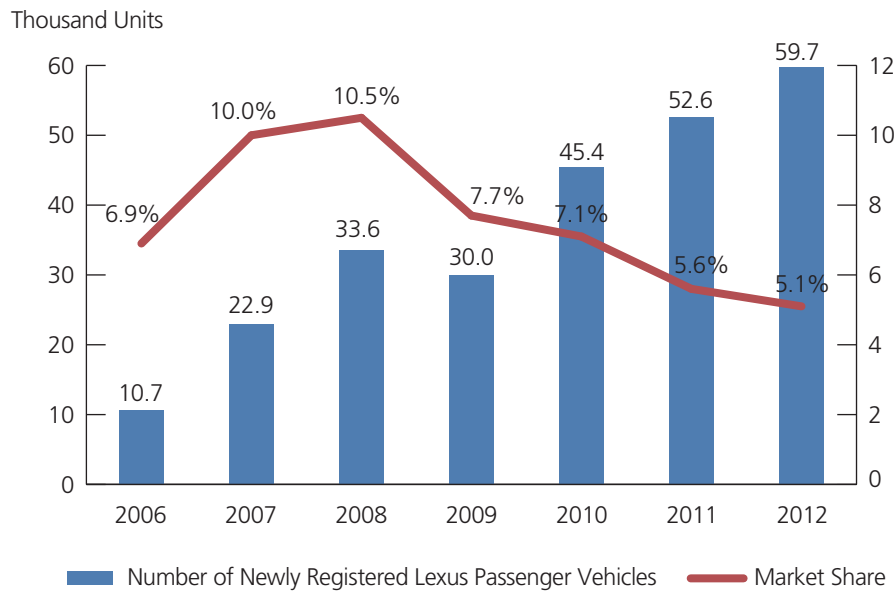
Source: ACMR Report

In addition, according to ACMR Report, the CAGR of numbers of registered BMW passenger vehicles in Henan Province from 2006 to 2012 was 54.3%, higher than the national average of 44.7%.

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Lexus

The number of newly registered Lexus passenger vehicles in China increased from approximately 10,700 in 2006 to 59,700 in 2012, representing a CAGR of 33.1%. Lexus' market share in China in 2012 was negatively impacted by the Diaoyu Island Dispute and decreased to 5.1%. The diagram below illustrates the numbers of newly registered Lexus passenger vehicles and the sales volumes of Lexus passenger vehicles as percentages to the total sales volumes of luxury passenger vehicles in China from 2006 to 2012:



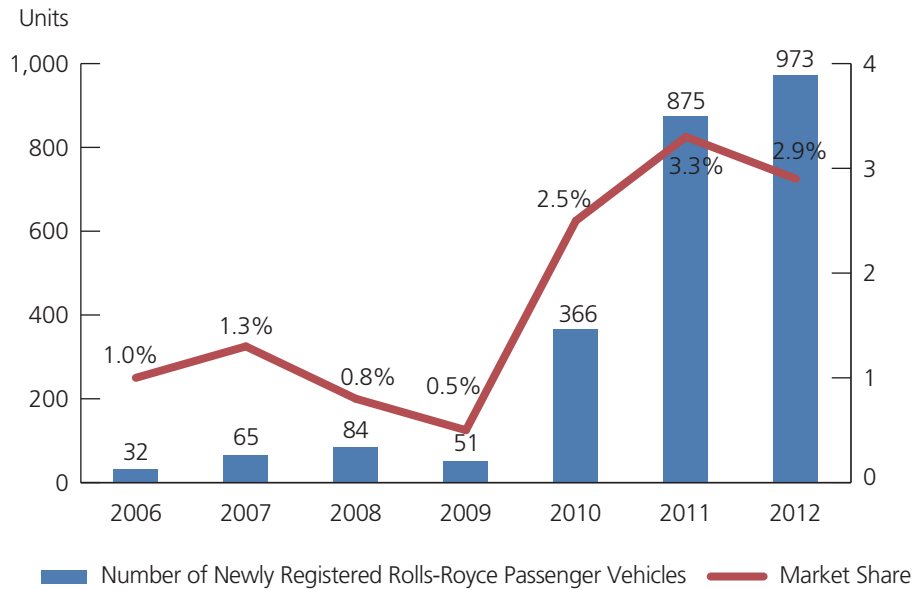
Source: ACMR Report

In addition, according to ACMR Report, the CAGR of numbers of registered Lexus passenger vehicles in Henan Province from 2006 to 2012 was 54.4%, higher than the national average of 33.1%.

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Rolls-Royce

According to ACMR Report, in 2011 China overtook the U.S. to become the largest Rolls-Royce market in the world. The diagram below illustrates the numbers of newly registered Rolls-Royce passenger vehicles and the sales volumes of Rolls-Royce passenger vehicles as percentages to the total sales volumes of ultra-luxury passenger vehicles in China from 2006 to 2012:



Source: ACMR Report

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LUXURY AND ULTRA-LUXURY PASSENGER VEHICLE MARKET IN THE CENTRAL CHINA REGION

Rapid growth of the luxury and ultra-luxury passenger vehicle market in the Central China Region

According to ACMR Report, the nominal GDP of the Central China Region grew from RMB2.77 trillion in 2006 to RMB7.42 trillion in 2012, representing a CAGR of 17.9%, higher than the national average of 15.7%. In addition, the PRC central government made the development of the “Central China Economic Region” one of the core missions in the Twelfth Five-Year Plan, which will further stimulate economic growth in the future.

As a result of rapid economic growth, the passenger vehicle market in general and the luxury and ultra-luxury passenger vehicle market in particular in the Central China Region had experienced significant development. The number of newly registered passenger vehicles in the Central China Region grew from approximately 410,000 in 2006 to 1.2 million in 2012, representing a CAGR of 19.3%, the second highest among the seven regions in China, according to ACMR Report. Similarly, the number of newly registered luxury and ultra-luxury passenger vehicles in the Central China Region grew from 7,342 in 2006 to 70,871 in 2012, representing a CAGR of 45.9%, the highest among the seven regions in China. The table below sets forth the numbers and CAGR of newly registered luxury and ultra-luxury passenger vehicles in the Central China Region, and the percentages as to the total numbers of luxury and ultra-luxury passenger vehicles in China from 2006 to 2012:

	2006		2007		2008		2009		2010		2011		2012		CAGR
	Volume	(%)	Volume	(%)	Volume	(%)	Volume	(%)	Volume	(%)	Volume	(%)	Volume	(%)	
Ultra-luxury	78	2.4	121	2.3	328	3.1	457	4.4	570	4.0	1,610	6.0	1,812	5.4	68.9%
Luxury	7,264	4.7	10,291	4.5	15,756	4.9	19,524	5.0	34,789	5.5	59,282	6.3	69,059	5.9	45.5%
Combined	7,342	4.6	10,412	4.5	16,084	4.9	19,981	5.0	35,359	5.4	60,892	6.3	70,871	5.9	45.9%

Source: ACMR Report

The Group's leading position in the luxury and ultra-luxury passenger vehicle market in the Central China Region

According to ACMR Report, the Group is the largest dealership group in luxury and ultra-luxury passenger vehicle market in the Central China Region in 2012, accounting for 9.7% of the total sales volume of luxury and ultra-luxury passenger vehicles in the region. Moreover, the Group was the largest dealership group in terms of sales volume for BMW and Lexus passenger vehicles in the Central China Region in 2012 according to ACMR Report. BMW and Lexus passenger vehicles sold by the Group in 2012 accounted for 38.1% and 29.8% of the total BMW and Lexus passenger vehicles sold in the Central China Region in 2012, respectively.

Major competitors of the Group in Central China Region include Hubei Hengxindelong Industrial Co., Ltd., Hunan Yongtong Auto Group, Hunan Huayang Century Auto Group, and Hunan Lantian Automobile Group, whose market shares in terms of sales volume in luxury and ultra-luxury passenger vehicle market in Central China region in 2012 were 5.2%, 3.8%, 2.1% and 1.7% respectively. In 2012, market share of the Group in luxury and ultra-luxury market in Central China Region was about 9.1% in terms of revenue. The market share of Hubei Hengxindelong Industrial Co., Ltd., Hunan Yongtong Auto Group, Hunan Huayang Century Auto Group, and Hunan Lantian Automobile Group was approximately 5.0%, 3.7%, 2.0% and 1.6%, respectively, in 2012.

INDUSTRY OVERVIEW

LUXURY AND ULTRA-LUXURY PASSENGER VEHICLE MARKET IN HENAN PROVINCE

Henan Province is the hub and the biggest province in the Central China Region in terms of population. According to the ACMR Report, the nominal GDP of Henan Province increased from RMB1.2 trillion in 2006 to RMB3.0 trillion in 2012, representing a CAGR of 15.8%. The nominal GDP per capita increased from RMB13,313 in 2006 to RMB31,753 in 2012, representing a CAGR of 15.6%. Disposable income of urban residents in Henan Province increased from RMB9,810 in 2006 to RMB20,442 in 2012, representing a CAGR of 13.0%. In 2010, the central government coined the term “Central China Economic Region” and made its development one of the primary strategies in the Twelfth Five-Year Plan. In September 2011, the State Council further substantiated this strategy by issuing The State Council’s Guidance on Supporting Henan Province to Accelerate the Development of the Central China Economic Region (國務院關於支持河南省加快建設中原經濟區的指導意見). The guidance designated the modernization of Henan Province as the “core mission” of the development of the Central China Economic Region and, among other things, mandated the strengthening of Zhengzhou’s position as the transportation and logistics hub of Central China.

The passenger vehicle market in Henan has experienced fast growth in recent years. The number of newly registered passenger vehicles in Henan Province increased from approximately 211,000 in 2006 to 542,000 in 2012, representing a CAGR of 17.1%. The number of newly registered luxury passenger vehicles in Henan Province increased from 2,965 in 2006 to 28,092 in 2012, representing a CAGR of 45.5%. The number of newly registered ultra-luxury passenger vehicles in Henan Province increased from 19 in 2006 to 671 in 2012, representing a CAGR of 81.1%. In 2012, market share of Henan Province in ultra-luxury and luxury passenger vehicles market in China was 2.4% in terms of sales volume, which has increased constantly from 1.9% in 2006. According to the ACMR Report, recent development of the Diaoyu Islands territorial dispute and the deepening of debt crisis in Europe are not expected to affect luxury and ultra-luxury passenger vehicle market in Henan Province in any way different that they affect the China market as a whole. For more details, see “– Luxury and Ultra-luxury Passenger Vehicle Market in China – Rapid growth of the luxury and ultra-luxury passenger vehicle market in China.”

The luxury and ultra-luxury passenger vehicle market in Henan Province has been dominated by the Group since its inception of business in 2005 in terms of number of outlets and sales volume, especially for brands such as BMW, Lexus and Rolls-Royce. Prior to 2011, the Group was the only dealership for BMW and Lexus in Henan Province. The Group was the only dealership for Rolls-Royces in Henan Province as of the Latest Practicable Date. As of the Latest Practicable Date, the Group operated 11 BMW outlets in Henan Province, accounting for 85% of the total number of BMW outlets in Henan Province. BMW passenger vehicles sold by the Group in Henan Province accounted for 100%, 91.9% and 85.6% of total numbers of BMW passenger vehicles in Henan Province in 2010, 2011 and 2012, respectively. Similarly, as of the Latest Practicable Date, the Group operated two Lexus outlets in Henan Province, accounting for 67% of the total number of Lexus outlets in Henan Province. Lexus passenger vehicles sold by the Group in Henan Province accounted for 100%, 80.9% and 70.3% of total numbers of Lexus passenger vehicles in Henan Province in 2010, 2011 and 2012, respectively. In addition, as of the Latest Practicable Date, the Group operated the only Rolls-Royce outlet in Henan Province.