

CHINA MEIDONG AUTO HOLDINGS LIMITED
中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268



GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

China MeiDong Auto Holdings Limited

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GLOBAL OFFERING

Number of Shares offered under the Global Offering	: 250,000,000 Shares (subject to the Over-allotment Option)
Number of International Offer Shares	: 225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 25,000,000 Shares (subject to adjustment)
Offer Price	: HK\$1.8 per Offer Share (payable in full on application, plus a brokerage of 1.0%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%)
Nominal value	: HK\$0.10 per Share
Stock code	: 1268

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, with the documents specified in the section headed "Appendix VI — Documents delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Investors applying for Hong Kong Public Offer Shares must pay, on application, the Offer Price of HK\$1.8 for each Offer Share together with a brokerage of 1.0%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Public Offer Shares should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Public Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered, sold, pledged, transferred or delivered within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or, in a transaction not subject to, the registration requirements under the U.S. Securities Act. The Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S.

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Wednesday, 27 November 2013
Application lists open ⁽³⁾	11:45 a.m. on Wednesday, 27 November 2013
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, 27 November 2013
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfers(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 27 November 2013
Application lists Hong Kong Public Offer close	12:00 noon on Wednesday, 27 November 2013
Announcement of the indication of levels of interest in the International Offer, the level of applications in respect of the Hong Kong Public Offer and the basis of allotment of the Hong Kong Public Offer Shares under the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at www.meidongauto.com and on the website of the Stock Exchange at www.hkexnews.hk on	Wednesday, 4 December 2013
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Public Offer Shares", including our Company's website at www.meidongauto.com and the website of the Stock Exchange at www.hkexnews.hk from	Wednesday, 4 December 2013
Results of allocations in the Hong Kong Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function	Wednesday, 4 December 2013
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before ⁽⁵⁾	Wednesday, 4 December 2013

EXPECTED TIMETABLE⁽¹⁾

Despatch of HK eIPO White Form e-Auto Refund Payment instructions/refund
cheques in respect of wholly or partially unsuccessful applications
pursuant to the Hong Kong Public Offer on or before⁽⁶⁾ Wednesday, 4 December 2013

Dealings in Shares on the main board of the Stock Exchange
expected to commence at 9:00 a.m. on Thursday, 5 December 2013

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 27 November 2013, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for Hong Kong Public Offer Shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Wednesday, 27 November 2013, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Public Offer Shares — Applying by giving electronic application instructions to HKSCC” in this prospectus.
- (5) Applicants who apply on **WHITE** Application Form or through **HK eIPO White Form** for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by their Application Forms may collect their Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 4 December 2013 or any other date notified by us in the newspapers as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants’ own risk. Further information is set out in “How to Apply for Hong Kong Public Offer Shares”.
- (6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong

EXPECTED TIMETABLE⁽¹⁾

Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

Share certificates will only become valid certificates of title provided that the Hong Kong Public Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed “Structure of the Global Offering” in this prospectus. Details relating to how to apply for Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by China MeiDong Auto Holdings Limited solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

Overview

We are the fifth largest privately-owned automobile dealership group headquartered in Guangdong province in terms of turnover in 2012, according to the ACMR Report. In terms of the entire PRC market, we are the 78th largest automobile dealership group in the PRC, in terms of turnover in 2012, with a market share of approximately 0.1% in the PRC, according to the ACMR Report. As at the Latest Practicable Date, we operated 13 dealerships, and we together with our joint venture partner operated a 14th dealership through our Joint Venture. These dealerships were located across ten cities in five provincial level regions in China. Six of these dealerships were in Guangdong province. Of these six dealerships, five are located in the city of Dongguan, which is also where our corporate headquarters are located. As at the Latest Practicable Date, our 4S dealerships in operation covered a balanced portfolio of mid- to high-end and luxury brands, namely BMW, Lexus, Toyota and Hyundai. As at 30 June 2013, we had obtained preliminary authorisations (including preliminary notices, non-binding approvals or letters of intent) to establish seven additional dealerships, including two Porsche, three BMW, one Lexus and one Toyota dealership, all of which we expect to open by the end of the first quarter of 2015. Building on our experience from our Dongguan base, we have been able to support our expansion into other locations, particularly within the southeastern Chinese provinces of Guangdong, Fujian and Hunan. Approximately 81.9%, 84.7% and 84.2% of our turnover for the years ended 31 December 2010, 2011 and 2012, respectively, and 84.4% of our turnover for the six months ended 30 June 2013, was derived from dealerships located in this region. We focus on three main aspects to improve our dealership-level operations: achieving fast inventory turnover, increasing gross profit margin per vehicle sale and growing after-sales services. See “Business — Our Competitive Strengths” on page 121 of this prospectus. We rely on capable retail managers to implement our strategy at the dealership-level. Through training and human resources management, we have formed a data-driven management culture that emphasizes the use of our customized information technology systems to make decisions and take actions to maximize dealership store level business performance and to facilitate efficient central oversight of our dealerships. Our training programs help us to replicate this data-driven management culture across our existing dealerships and our new dealerships, as well as share best practices across our Group.

Our Products and Services

We offer our customers a comprehensive array of automobile-related products and services, including the sale of new passenger vehicles, provision of after-sales repair and maintenance services, sale of spare parts and accessories and provision of other value-added services, such as the acquisition and sales of used passenger vehicles and the distribution of extended product warranties and automobile insurance. We believe that our broad range of products and services allow us to engage long-term relationships with our customers to generate a variety of profit streams from our customers. We aim to become a one-stop provider for automobile products and services of our customers.

SUMMARY

Our turnover

We derive our turnover from the sale of passenger vehicles, which also include the sale of bundled accessories, and provision of after-sales services. The following table sets forth a breakdown of our turnover by category and by brand during the Track Record Period:

	Year ended 31 December									Six months ended 30 June					
	2010			2011			2012			2012			2013		
	Turnover		%	Turnover		%	Turnover		%	Turnover		%	Turnover		%
	Sales volume	Amount		Sales volume	Amount		Sales volume	Amount		Sales Volume	Amount		Volume	Amount	
units	RMB'000	%	units	RMB'000	%	units	RMB'000	%	units	RMB'000	%	units	RMB'000	%	
	(Unaudited)														
Sales of passenger vehicles															
Luxury brands															
BMW	29	16,609	0.7	467	248,324	8.8	942	421,944	14.4	387	186,134	12.6	533	219,059	14.5
Lexus	857	425,785	18.7	988	493,311	17.5	1,200	532,056	18.0	630	288,855	19.6	579	239,495	15.8
Subtotal	886	442,394	19.4	1,455	741,635	26.3	2,142	954,000	32.4	1,017	474,989	32.2	1,112	458,554	30.3
Mid- to high-end brands															
Toyota ⁽¹⁾	8,475	1,534,603	67.3	9,863	1,702,025	60.3	9,304	1,501,153	50.9	4,670	789,843	53.5	5,291	759,987	50.1
Hyundai	1,736	171,986	7.6	1,627	176,815	6.2	2,124	207,264	7.0	779	78,912	5.3	1,119	131,516	8.7
Subtotal	10,211	1,706,589	74.9	11,490	1,878,840	66.5	11,428	1,708,417	57.9	5,449	868,755	58.8	6,410	891,503	58.8
Total (Sales of passenger vehicles)	11,097	2,148,983	94.3	12,945	2,620,475	92.8	13,570	2,662,417	90.3	6,466	1,343,744	91.0	7,522	1,350,057	89.1
After-sales services	N/A	130,614	5.7	N/A	203,583	7.2	N/A	287,080	9.7	N/A	132,729	9.0	N/A	164,469	10.9
Total	N/A	2,279,597	100.0	N/A	2,824,058	100.0	N/A	2,949,497	100.0	N/A	1,476,473	100.0	N/A	1,514,526	100.0

Note:

(1) Unless otherwise specified, references to “Toyota” include vehicles supplied to us by FAW Toyota, GAC Toyota and Toyota China.

The following table sets forth a breakdown of our turnover by types of sales and services during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Turnover	% of total turnover	Turnover	% of total turnover	Turnover	% of total turnover	Turnover	% of total turnover	Turnover	% of total turnover
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Sales of passenger vehicles										
Passenger vehicles (excluding bundled accessories)	2,089,132	91.7	2,544,220	90.1	2,572,323	87.2	1,302,811	88.2	1,290,757	85.2
Bundled accessories	59,851	2.6	76,255	2.7	90,094	3.1	40,933	2.8	59,300	3.9
Subtotal	2,148,983	94.3	2,620,475	92.8	2,662,417	90.3	1,343,744	91.0	1,350,057	89.1
After-sales services	130,614	5.7	203,583	7.2	287,080	9.7	132,729	9.0	164,469	10.9
Total turnover	2,279,597	100.0	2,824,058	100.0	2,949,497	100.0	1,476,473	100.0	1,514,526	100.0

In addition to the turnover set forth above, we generated other revenue and net income primarily consisting of commission income from the distribution of automobile insurance products, which is determined based on the amounts of automobile insurance products we distributed through our dealerships and the commission rates agreed with the relevant insurance companies, as well as interest income on bank deposits and net gain on disposal of property, plant and equipment.

SUMMARY

Our gross profits

The following table sets forth a breakdown of our gross profits and gross profit margins by category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Sales of passenger vehicles										
Mid- to high-end brands	75,085	4.4	93,135	5.0	48,449	2.8	28,366	3.3	24,252	2.7
Luxury brands	31,078	7.0	47,967	6.5	36,934	3.9	24,011	5.1	15,609	3.4
Subtotal	106,163	4.9	141,102	5.4	85,383	3.2	52,377	3.9	39,861	3.0
After-sales services	44,790	34.3	88,607	43.5	139,379	48.6	62,271	46.9	90,066	54.8
Total	150,953	6.6	229,709	8.1	224,762	7.6	114,648	7.8	129,927	8.6

The following table sets forth a breakdown of our gross profit and gross profit margins by types of sales and services during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Sales of passenger vehicles										
Passenger vehicles (excluding bundled accessories)	82,881	4.0	111,483	4.4	48,735	1.9	37,239	2.9	7,971	0.6
Bundled accessories	23,282	38.9	29,619	38.8	36,648	40.7	15,138	37.0	31,890	53.8
Subtotal	106,163	4.9	141,102	5.4	85,383	3.2	52,337	3.9	39,861	3.0
After-sales services	44,790	34.3	88,607	43.5	139,379	48.6	62,271	46.9	90,066	54.8
Total gross profit	150,953	6.6	229,709	8.1	224,762	7.6	114,648	7.8	129,927	8.6

Sales of new passenger vehicles

Our sales of new passenger vehicles are affected by a number of factors, including factors attributable to our business, such as our dealership network expansion, sales network operations and pricing, and factors beyond our control, such as market demand, regulatory change and macro-economic conditions. We generally set our retail prices for passenger vehicles with reference to the automobile manufacturers' suggested retail prices and retail pricing guidelines. However, we have flexibility to determine the retail prices of our motor vehicles, which allows us to adjust our pricing strategy according to the market environment as well as the number of passenger vehicles in our inventory. See "Business — Our Business — Sales and Services — Pricing Policy" on page 144 of this prospectus.

Incentive rebates

Incentive rebates also affect our gross profits from the sales of new passenger vehicles. Automobile manufacturers often provide us incentive rebates if our annual performance satisfies certain criteria, in areas such as sales volume, customer satisfaction and other performance indicators. The

SUMMARY

specific targets set by the automobile manufacturers vary from time to time, but a majority of such targets are calculated with reference to sales volume. See “Business — Our Business — Sales and Services — Incentive rebates from automobile manufacturers” on page 144 of this prospectus. Excluding contribution from incentive rebates would have a significant negative impact on our gross profit margins. For the years ended 31 December 2010, 2011 and 2012, our net profit margin was approximately 2.2%, 2.8% and 1.6%, respectively, and for the six months ended 30 June 2012 and 2013, approximately 1.9% and 3.0%, respectively. In comparison, our net profit (loss) margin excluding such incentive rebates would have been approximately 0.4%, 0.8% and (1.3%) for the years ended 31 December 2010, 2011 and 2012, respectively, and for the six months ended 30 June 2012 and 2013, approximately (0.2%) and (0.8%), respectively. See “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Rebates from automobile manufacturers” on page 220 of this prospectus.

Reliance on Japanese-branded vehicles

We have historically relied heavily on sales of Toyota branded passenger vehicles (and to a lesser extent Lexus branded passenger vehicles) for a significant portion of our turnover. Our turnover from the sales of Toyota branded passenger vehicles for the years ended 31 December 2010, 2011 and 2012 contributed to approximately 71.4%, 65.0% and 56.4%, respectively, and for the six months ended 30 June 2012 and 2013, approximately 58.8% and 56.3%, respectively, of our turnover from new passenger vehicle sales. Any decline in demand for Toyota branded vehicles or any termination of our dealership agreements with Toyota could have a material adverse affect on our business, financial condition, results of operation and growth prospects. Sales of Japanese-branded vehicles, including Toyota and Lexus, did experience a temporary decline in China during the second half of 2012 as a result of, as our Directors believe, the flare-up in September 2012 of the territorial dispute between China and Japan over the Diaoyu Islands, which impacted sales in our Toyota and Lexus dealerships. We are actively diversifying our brand portfolio, which will decrease our reliance on the sales performance of any particular brand of passenger vehicles. See “Business — Our Business — Sales and Services — Sales of new passenger vehicles” on page 142 of this prospectus.

After-sales services

We consider our after-sales services to be an essential part of our business as this segment has a relatively high gross profit margin and stable demand. Turnover from after-sales services consists principally of sales of spare parts and the provision of in-warranty and out-of-warranty repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related services such as fees from vehicle registration services and commission income from mortgage loan application services. We had a gross profit margin of approximately 34.3%, 43.5% and 48.6% for these services in the years ended 31 December 2010, 2011 and 2012, respectively, and 46.9% and 54.8% for these services in the six months ended 30 June 2012 and 2013, respectively.

Our Dealership Network

We operate a network of 4S dealerships in the PRC. We began operating 4S dealerships in Dongguan, Guangdong province, in 2004. By March 2008 we had opened five dealerships, all of which were located in Dongguan. Based on our early successes in growing our initial dealerships in Dongguan, we have obtained core understanding on operating 4S dealerships, and have established effective execution and operational procedures for implementation at each of our dealerships.

SUMMARY

In order to manage our expanding dealership network, we undertake certain procedures to train and deploy appropriate management resources to our new dealerships. We assign a general manager to each planned new dealership, who works with our projects department to plan and prepare for the opening of the new dealership, manages the daily operations of the new dealership after opening in accordance with our Group’s standard operating procedures and submits regular reports to our headquarters. See “Business — Our Business — Our dealership network — Geographical location” on page 132 of this Prospectus. The following table sets forth a breakdown of dealerships operated by us and our Joint Venture by automobile brands as at each of the dates indicated:

	Number of existing dealerships				
	As at 31 December			As at 30 June	As at the Latest Practicable Date
	2010	2011	2012	2013	
Luxury brands					
BMW	1	1	1	2	2
Lexus	2 ⁽¹⁾	3 ⁽¹⁾	3 ⁽¹⁾	4 ⁽¹⁾	4 ⁽¹⁾
Subtotal	3	4	4	6	6
Mid- to high-end brands					
Toyota ⁽²⁾	5	6	6	6	6
Beijing Hyundai	1	2	2	2	2
Subtotal	6	8	8	8	8
Total	9	12	12	14	14

Notes:

- (1) Number of existing dealerships includes one dealership (Dongguan Meidong) in which we own 49% equity interest and we jointly operate with our joint venture partner through our Joint Venture. The revenues and sales volume for this dealership are not included in our combined financial results. Information regarding our interests in this entity is set forth in Note 14 in Section B of the Accountants’ Report in Appendix I to this prospectus.
- (2) Unless otherwise specified, references to “Toyota” include vehicles supplied to us by FAW Toyota, GAC Toyota and Toyota China.

Our strategy is to continue to expand our dealership network via organic growth and acquisitions, focusing on areas which we believe we have strong local knowledge and which offer strong returns on our investment. See “Business — Our Strategies — Further expand our 4S dealership network through organic growth and acquisition with a focus on fast growing regions in our strategic base” on page 128 of this prospectus. As at 30 June 2013, we had received manufacturers’ preliminary notices, non-binding approvals or letters of intent to open seven new 4S dealerships, six of which would be dedicated to ultra-luxury and luxury brands and one of which would be dedicated to a mid- to high-end brand. We plan to open five of these dealerships in the southeastern provinces of China and two in other locations in the PRC. Two of these will be Porsche dealerships. Sales of Porsche vehicles, according to the ACMR Report, represented over approximately 80% of annual sales of the ultra-luxury automobile segment in China each year from 2006 to 2012. We are in various stages of negotiations and planning of these new 4S dealerships. We expect to enter into legally binding dealership agreements with the automobile manufacturers after finalizing our negotiations. Our Directors expect that such dealership agreements will be entered into at or around the time of expected commencement of operations of the 4S dealerships, as set out in the table below. See “Business — Our Business — Our Expansion Plans” on

SUMMARY

page 138 of this prospectus. The following table sets forth a breakdown of the new 4S dealerships for which we have obtained preliminary authorisations to establish as at 30 June 2013:

Dealership	City	Province	Construction commenced	Expected date of commencement of operations
Ultra-luxury and luxury brands				
<i>Porsche</i>				
Foshan Dongbao	Foshan	Guangdong	Yes	3rd Quarter, 2014
Shantou Dongbao	Shantou	Guangdong	No	1st Quarter, 2015
<i>BMW</i>				
Chengde Meibaohang	Chengde	Hebei	Yes	1st Quarter, 2014
Changde Meibaohang	Changde	Hunan	No	1st Quarter, 2014
Beijing Meibaohang	Beijing	Beijing	No	1st Quarter, 2015
<i>Lexus</i>				
Longyan Meidong	Longyan	Fujian	No	2nd Quarter, 2014
Mid- to high-end brands				
<i>FAW Toyota</i>				
Dongguan Dongmei Fenggang Branch	Fenggang	Guangdong	No	1st Quarter, 2014

Our dealership agreements

The operations of each of our 4S dealerships are governed primarily by its respective dealership agreement with automobile manufacturers. Our authorised dealership agreements are non-exclusive and are granted for an initial term of one to three years, and the automobile manufacturers have the right to terminate our agreements by written notice for a variety of reasons. Under each 4S dealership agreement, each dealership is permitted to only sell one brand of motor vehicle at that specific dealership store and only within a designated region. In addition, under our dealership agreements, we are typically required to (i) provide after-sales services; (ii) provide periodic sales, inventory and other relevant information; (iii) organise sales and marketing activities and assist in sales and marketing activities arranged by automobile manufacturers; and (iv) use the trade names, trademarks and other forms of branding as specified by automobile manufacturers. See “Business — Sales and services — Key terms of our dealership agreements” on page 150 of this prospectus.

Our properties

We occupy certain properties in the PRC for our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are primarily used for automobile sales and services, office and ancillary purposes. Some of these properties are subject to title defects. The following table sets out certain information of the owned property that was subject to title defect as at the Latest Practicable Date:

Subsidiary	Nature and reasons of title defect ⁽¹⁾	Expected timing for completion of rectification ⁽²⁾
Lanzhou Meidong . . .	Current use does not conform with the designated usage. We understood from the Lanzhou Authority (which is a party to the tripartite land use transfer contract) that it would assist us to effect the change in the Usage Difference.	December 2014

Note:

- (1) All capitalised terms are defined on page 166 of this prospectus.
- (2) The expected timing for completion of rectification is based on the best estimation of our Company following communications with the relevant government departments.

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The following table sets out certain information of the leased properties that were subject to title defects as at the Latest Practicable Date:

No.	Subsidiary	Nature and reasons of title defects
1	Dongguan Dongmei	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.
2	Dongguan Dongmei (Fenggang Branch)	Property situated on collectively-owned land and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.
3	Dongguan Dongxin	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.
4	Dongguan Guanfeng	The relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.
5	Quanzhou Meidong	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.
6	Xiamen Meidong	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.
7	Beijing Zhongye	Property situated on state-owned allocated land and current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.
8	Changsha Meidong	Property situated on collectively-owned land and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.
9	Foshan Dongbao	Property situated on collectively-owned land and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.
10	Shantou Dongbao	Property situated on state-owned allocated land and current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.
11	Dongguan Dongyue	Current use does not conform with the designated usage and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.

For the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013, the revenue generated from our operations on the above owned and leased properties that were subject to title defects was approximately RMB1,684.2 million, RMB1,904.5 million, RMB1,855.3 million and RMB953.6 million, respectively, which accounted for approximately 73.9%, 67.4%, 62.9% and 62.9% of our total revenue, respectively. For the same period, the revenue generated from our operations on properties that were not subject to title defects as at the Latest Practicable Date was approximately RMB595.4 million, RMB919.5 million, RMB1,094.2 million, and RMB560.9 million, respectively, which accounted for approximately 26.1%, 32.6%, 37.1% and 37.1% of our total revenue, respectively. See "Business — Properties" on page 165.

Our customers and arrangements with our customers

Our customers primarily include individual automobile buyers and owners as well as a limited number of corporations. We do not have any single customer that accounted for over 1% of our total turnover during the Track Record Period due to the retail nature of our business. Our standard sales contract with a customer for the sale of a new passenger vehicle specifies terms and conditions for the sale, including price and delivery date. We typically require the purchaser to make a deposit of 10% of the full price on the date the sales contract is signed, and we deliver the passenger vehicle to the purchaser on the delivery date if the full purchase price is paid by the delivery date.

Inventory management

We actively monitor the inventory levels of motor vehicles and spare parts at our dealerships. It is our policy to keep inventory levels as low as possible, while still maintaining reasonably appropriate inventory as required under certain of our dealership agreements and generally as needed to fulfil customer demand. Our average inventory turnover days (as defined and further discussed in the section entitled "Financial Information — Inventories Analysis" on page 247) were 28.2 days, 33.6 days and 37.8 days in 2010, 2011 and 2012, respectively, and 44.2 days in the six months ended 30 June 2013. Our sales plan is set with reference to the levels of inventory at each of our dealerships. Based on the

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information provided by our dealerships, general managers of our dealerships evaluate and plan for procurement and sales on a weekly basis and propose measures specific to each dealership to improve our inventory turnover. See “Business — Inventory Management” on page 162.

COMBINED RESULTS OF OPERATIONS

The following table sets forth our combined statements of comprehensive income for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	% of turnover	RMB'000	% of turnover	RMB'000	% of turnover	RMB'000	% of turnover	RMB'000	% of turnover
	(Unaudited)									
Turnover	2,279,597	100.0	2,824,058	100.0	2,949,497	100.0	1,476,473	100.0	1,514,526	100.0
Cost of sales	(2,128,644)	(93.4)	(2,594,349)	(91.9)	(2,724,735)	(92.4)	(1,361,825)	(92.2)	(1,384,599)	(91.4)
Gross profit	150,953	6.6	229,709	8.1	224,762	7.6	114,648	7.8	129,927	8.6
Other revenue and net income	13,492	0.6	18,176	0.6	19,800	0.7	8,702	0.6	20,374	1.3
Distribution costs	(49,966)	(2.2)	(70,970)	(2.5)	(89,368)	(3.0)	(42,837)	(2.9)	(41,881)	(2.8)
Administrative expenses	(39,028)	(1.7)	(54,340)	(1.9)	(58,519)	(2.0)	(26,980)	(1.8)	(34,232)	(2.3)
Profit from operations	75,451	3.3	122,575	4.3	96,675	3.3	53,533	3.6	74,188	4.9
Finance costs	(17,283)	(0.8)	(32,215)	(1.1)	(43,158)	(1.5)	(21,575)	(1.5)	(19,148)	(1.3)
Share of (losses)/profits of an associate	(1,510)	(0.1)	299	—	(523)	—	(376)	—	612	—
Share of profits of a joint venture	8,740	0.4	10,401	0.4	8,586	0.3	4,486	0.3	4,987	0.3
Profit before taxation	65,398	2.9	101,060	3.6	61,580	2.1	36,068	2.4	60,639	4.0
Income tax	(15,092)	(0.7)	(22,983)	(0.8)	(13,797)	(0.5)	(8,119)	(0.5)	(14,865)	(1.0)
Profit and total comprehensive income for the year/period	50,306	2.2	78,077	2.8	47,783	1.6	27,949	1.9	45,774	3.0

Effect of weaker market conditions and Diaoyu Islands incident

The passenger vehicle market in the PRC has been affected by weaker market conditions in the PRC as well as the territorial dispute between the PRC and Japan over the Diaoyu Islands that flared up in September 2012. We experienced a decrease in the average selling price of both our mid- to high-end passenger vehicles and our luxury passenger vehicles over the Track Record Period. The decrease in the average selling price of all market segments of passenger vehicles for the year ended 31 December 2012 was primarily due to generally weaker market conditions in the PRC. The Diaoyu Islands incident had a further negative impact on demand of our Japanese-branded passenger vehicles, Toyota and Lexus. In the year ended 31 December 2012, we experienced slower annual growth in our sales volume of passenger vehicles and our turnover as compared to the year ended 31 December 2011. Furthermore, in the year ended 31 December 2012, our gross profit and net profit declined as compared to the year ended 31 December 2011. We believe the slower annual growth and declines in these areas for the year ended 31 December 2012 were primarily attributable to weaker market conditions and the Diaoyu Islands incident occurring during this period. We also slowed down our expansion plan in 2012 in accordance with the challenging market conditions by delaying construction of certain new dealerships and terminating our preliminary authorisations to open certain other new dealerships. However, we expect to speed up our expansion both through acquisition of existing dealership stores and through development of new dealership stores, including opening seven new dealerships by the end of the first quarter of 2015. See “Business — Our Business — Sales and services — Effect of weaker conditions and Diaoyu Islands incident” on page 146 of this prospectus.

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Future prospects

Despite weaker market conditions in the PRC and other challenges, our Directors believe that our Group's business is sustainable. During the Track Record Period, our gross profit margin experienced fluctuations primarily due to market conditions as well as experiencing the positive effect of increasing turnover from after-sales services. Our gross profit margin increased from approximately 6.6% for the year ended 31 December 2010 to approximately 8.1% for the year ended 31 December 2011, and then decreased to approximately 7.6% for the year ended 31 December 2012. Our gross profit margin increased from approximately 7.8% for the six months ended 30 June 2012 to approximately 8.6% for the six months ended 30 June 2013.

Our sales of passenger vehicles fluctuates and is affected by many external conditions, such as success of the automobile brands that we sell, industry conditions, macroeconomic conditions and other factors. Our gross profit margins from the sales of passenger vehicles increased from approximately 4.9% for the year ended 31 December 2010 to approximately 5.4% for the year ended 31 December 2011, and then decreased to approximately 3.2% for the year ended 31 December 2012. The decrease in 2012 was largely attributable to weak market conditions. According to the ACMR Report, the market conditions of automobile dealerships is expected to improve in 2013. Our gross profit margins from the sales of passenger vehicles decreased from approximately 3.9% for the six months ended 30 June 2012 to approximately 3.0% for the six months ended 30 June 2013, mainly due to an increase in the number of mid- to high-end vehicles that we sold, which caused mid- to high-end vehicles with lower gross profit margins to make up a larger proportion of our sales volume of passenger vehicles during the six months ended 30 June 2013. Furthermore, during the period, the average selling price of most of our passenger vehicles decreased because we offered more vehicle price discounts to our customers in order to increase the number of vehicles sold and generate more revenue from the purchasers of such vehicles through our higher margin value-added services, such as provision of vehicle registration services and provision of mortgage loan application services. Our performance from after-sales services is less susceptible to market fluctuations. During the Track Record Period, we experienced strong growth in our after-sales services and an increase in the gross profit margin. The gross profit margin for after-sales services increased from approximately 34.3% for the year ended 31 December 2010 to 54.8% for the six months ended 30 June 2013. The composition of our Group's turnover from after-sales services increased from approximately 5.7% for the year ended 31 December 2010 to 10.9% for the six months ended 30 June 2013.

Accordingly, our Directors believe that whilst market fluctuation is a key factor affecting sales of passenger vehicles, the business of sales of passenger vehicles is nevertheless stable in the long-term. Further, it is expected that any adverse fluctuations in the revenue from sales of passenger vehicles in the short term may be partially offset by our increasing revenue from after-sales services. Accordingly, for the reasons set above, our overall business remains sustainable.

Provisions on the Liability for Repair, Replacement and Return of Household Automotive Products

According to the 3R Provisions, the liability for guaranteeing repair, replacement and return of household automotive products (“**Three Guarantees**”) must be assumed by the sellers of household automotive products. The sellers are entitled to the right to seek compensation from the manufacturers or other dealers of household automotive products if the liability is attributable to the manufacturers or other dealers. See “Regulations — Applicable PRC Laws and Regulations — The PRC Automobiles Industry — The Guarantees for Household Automobile” on page 81 of this prospectus. In connection with the 3R Provisions, we have made changes in our supplier contracts with suppliers other than automobile manufacturers and customer sales contracts to comply with or address issues arising from the 3R Provisions. For example, in our customer sales contracts, we have added provisions to clarify the scope of our liability to consumers under certain sections of the 3R Provisions and to describe the

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situations where the 3R Provisions specifically provide that we are exempt from its provisions. Also, in our supplier contracts with suppliers other than automobile manufacturers we have added provisions to clarify procedures in line with the 3R Provisions relating to our return of products to suppliers that are found to have manufacturing defects. We expect that automobile manufacturers may also seek to adjust the terms of their dealership agreements in order to comply with or address issues arising from the 3R Provisions. Our Directors are of the view that it is unlikely that the 3R Provisions will have a material adverse effect on our results of operation since the automobile manufacturer warranty terms for the vehicles that we provided during the Track Record Period were generally in line with or exceeded the requirements of the 3R Provisions and based on our experience of handling customer warranty claims, we do not expect a material change in the volume and nature of claims of repairs, replacements and returns from the 3R Provisions and, in any case, we expect to be able to seek and receive reimbursement from automobile manufacturers for most of the claims for repairs, replacements and returns of automobile products from our customers that may arise due to the 3R Provisions.

OUR SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the entire issued share capital of our Company was owned by Apex Sail. Immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), Apex Sail will directly own approximately 75% of our expanded issued share capital, and Apex Holdings which is the sole shareholder of Apex Sail as at the Latest Practicable Date, will indirectly own approximately 75% of our enlarged issued share capital. Apex Holdings is a trust asset of the Ye Family Trust, a revocable discretionary family trust which was established by Mr. Ye Fan as settlor. The discretionary objects of the Ye Family Trust include the Ye Brothers and some of their family members. For such reasons, Mr. Ye Fan, together with and through Apex Holdings and Apex Sail, are our Controlling Shareholders. In order to further incentivise key employees and to align their interests with those of our Group, we have adopted the Share Option Scheme pursuant to which we may in the future grant to our employees options to subscribe for Shares. Such options if granted and exercised in full will result in issue of new Shares which will represent up to a maximum of 10% of our issued share capital immediately following completion of the Global Offering, and assuming the Over-allotment Option is not exercised. See “D. Share Option Scheme” in Appendix V on page V-27 of this prospectus for further details of the Share Option Scheme and the options to be granted thereunder.

DIVIDEND POLICY

No dividend has been paid or declared by our Company since its date of incorporation. Dongguan Meidong declared and paid dividends in cash totalling approximately RMB2.9 million and RMB11.8 million to its then equity shareholder, Dadong Group, for the years ended 31 December 2010 and 2012, respectively. Xiamen Meidong also declared and paid dividends in cash totalling approximately RMB12.0 million to its then equity holder, Dadong Group, for the year ended 31 December 2012. In May 2013, Dongguan Dongmei, Dongguan Dongxin, Dongguan Dongbu, Dongguan Guanfeng, Xiamen Meidong and Zhuzhou Meibaohang declared dividends, in the aggregate, of approximately RMB169.9 million to the then equity shareholder of these PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group. Of these dividends, RMB126.2 million was settled by way of set-off against outstanding amounts due to us from Dadong Group, RMB11.4 million was paid in cash in May 2013, RMB29.0 million was paid in cash in June 2013, and RMB3.3 million was paid in cash in September 2013 to the non-controlling shareholder of a subsidiary of our Group. After Listing, the declaration of dividends will be subject to the approvals of our Board and by our then Shareholders. The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of

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dividends by us, future prospects and other factors that we may consider relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we are now subject to or may enter into in the future. The amounts of distribution that we have declared and made in the past should not be taken as indications of the dividends, if any, that we may pay in the future.

RECENT DEVELOPMENTS

The following table sets forth a breakdown of our turnover, sales volume, average selling price, gross profits and gross profit margins by category based on our unaudited consolidated financial statements for the three months ended 30 September 2013 and the corresponding period in 2012:

	Three months ended 30 September (unaudited)									
	2012					2013				
	Sales volume	Turnover	Average selling price	Gross Profit	Gross Profit Margin	Sales volume	Turnover	Average selling price	Gross Profit	Gross Profit Margin
	units	RMB'000	RMB'000	RMB'000	%	units	RMB'000	RMB'000	RMB'000	%
Sales of Passenger Vehicles										
Mid- to high-end brands	3,036	426,971	141	7,059	1.7	3,510	467,707	133	12,822	2.7
Luxury brands	639	266,688	417	6,353	2.4	785	333,919	425	11,388	3.4
Subtotal	3,675	693,659	189	13,412	1.9	4,295	801,626	187	24,210	3.0
After-sales services	N/A	78,285	N/A	39,653	50.7	N/A	97,353	N/A	52,027	53.4
Total	N/A	771,944	N/A	53,065	6.9	N/A	898,979	N/A	76,237	8.5

LISTING EXPENSES

We incurred approximately RMB8.2 million of listing expenses during the Track Record Period, among which RMB2.5 million was recorded as prepayments and RMB5.7 million was recorded as expenses. We expect to incur approximately an additional RMB22.3 million in listing expenses after the Track Record Period, of which approximately RMB6.9 million will be recognised as expenses in the consolidated statements of comprehensive income for the year ending 31 December 2013 and the remainder will be capitalised in reserves upon Listing.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

All statistics in this table are based on the assumption that no options are granted under the Share Option Scheme.

Forecast consolidated profit attributable to equity shareholders of the Company⁽¹⁾ not less than RMB97,400,000

Unaudited pro forma forecast earnings per Share⁽²⁾⁽³⁾ not less than RMB0.09
(approximately HK\$0.11)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2013 has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the forecast earnings per Share on a pro forma basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013, assuming that the Company has been listed since 1 January 2013 and a total of 1,000,000,000 Shares were in issue during the entire year.
- (3) The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7913 to HK\$1.

The text of letters from our Reporting Accountants and from the Sole Sponsor in respect of the profit forecast is set out in “Appendix III — Profit Forecast”.

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USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$418.7 million, assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$1.8 per Share. We intend to use such net proceeds from the Global Offering as follows:

- Approximately HK\$209.3 million or 50% towards financing the capital expenditures required in connection with the organic growth of our 4S dealership network via opening new 4S dealerships;
- Approximately HK\$125.6 million or 30% towards financing our network's expansion through acquisition of other 4S dealerships if suitable opportunities arise;
- Approximately HK\$41.9 million or 10% towards financing the development of new lines of business, such as used-automobile sales, and new business systems, including IT system upgrades; and
- Approximately HK\$41.9 million or 10% towards working capital, inventory and general corporate purposes.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Over-allotment Option is exercised. See "Future Plans and Use of Proceeds" on page 271 of this prospectus.

RISK FACTORS

There are risks associated with your investment in the Offer Shares. Among the risks we believe could be relatively material include: our dependence on our authorised dealership agreements with a few major automobile manufacturers and the sales performance of their brands; the increasingly competitive nature of the PRC automobile dealership market; government policies on the purchases and ownership of motor vehicles and fluctuations in consumer spending in the PRC; and adverse political relations between China and Japan and/or other countries. This is not a complete list of our risk factors. See "Risk Factors" in this prospectus for a detailed discussion of our risk factors.

OFFERING STATISTICS

	Based on the Offer Price of HK\$1.8 per share
Our Company's market capitalization upon completion of the Global Offering ⁽¹⁾	HK\$1,800 million
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$0.44

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 1,000,000,000 Shares expected to be issued and outstanding immediately upon completion of the Reorganisation and the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" in this prospectus and on the basis that a total of 1,000 million Shares were in issue as at 1 January 2013 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering).
- (3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2013.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“ACMR”	All China Marketing Research Co. Ltd. (北京華通人商用信息有限公司), an independent specialist Chinese market research company
“ACMR Report”	an industry report prepared by ACMR dated 22 November 2013
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AIC”	Administration of Industry & Commerce* (工商管理機關) in the PRC or, where the context so requires, State Administration of Industry and Commerce of the PRC (中華人民共和國工商行政管理總局) or its delegated authority at provincial, municipal or other local level
“Apex Holdings”	Apex Holdings Enterprises Limited (晉帆有限公司), a company incorporated under the laws of BVI on 15 May 2012 with limited liability, which is directly owned by Fiducia Suisse (the trustee of the Ye Family Trust) and is a Controlling Shareholder
“Apex Sail”	Apex Sail Limited (晉帆有限公司), a company incorporated under the laws of BVI on 5 January 2012 with limited liability, which is directly owned by Apex Holdings and is a Controlling Shareholder
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any one of them, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 13 November 2013 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Hyundai”	Beijing Hyundai Motor Company* (北京現代汽車有限公司), an Independent Third Party and a PRC joint venture corporation established jointly by Hyundai Motor Company and Beijing Automotive Group* (北京汽車投資有限公司)

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“Beijing Meibaohang”	Beijing Meibaohang Auto Sales and Services Co., Ltd.* (北京美寶行汽車銷售服務有限公司), a company incorporated in PRC on 24 October 2011 which is indirectly owned as to 75% by our Company, 15% by Mr. Wang Shenwu (王慎武) and 10% by Mr. Liu Rong (劉榮) respectively as at the Latest Practicable Date
“Beijing Zhongye”	Beijing Zhongye Toyota Auto Sales and Services Co., Ltd.* (北京中業豐田汽車銷售服務有限公司), a company incorporated in PRC on 23 August 2001 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“BMW”	a brand of automobiles produced by BMW Brilliance and/or imported by BMW China
“BMW Brilliance”	BMW Brilliance Automotive Ltd.* (華晨寶馬汽車有限公司), an Independent Third Party and a joint venture in the PRC between BMW Group and Brilliance China Automotive Holdings Ltd.* (華晨中國汽車控股有限公司)
“BMW China”	BMW China Automotive Trading Ltd.* (寶馬(中國)汽車貿易有限公司), an Independent Third Party and a PRC subsidiary of the BMW Aktiengesellschaft
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“BVI Subsidiary”	China MeiDong Auto International Limited (中國美東汽車國際有限公司), a company incorporated under the laws of BVI on 9 March 2012 with limited liability and a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CAGR”	compound annual growth rate
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changde Meibaohang”	Changde Meibaohang Auto Sales and Services Co., Ltd.* (常德市美寶行汽車銷售服務有限公司), a company incorporated in PRC on 27 April 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Changsha Meidong”	Changsha Meidong Lexus Auto Sales and Services Co., Ltd.* (長沙美東雷克薩斯汽車銷售服務有限公司), a company incorporated in PRC on 18 April 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Chengde Meibaohang”	Chengde Meibaohang Auto Sales and Services Co., Ltd.* (承德美寶行汽車銷售服務有限公司), a company incorporated in PRC on 8 August 2011 which is indirectly owned as to 70% by our Company, 20% by Mr. Wang Shenwu and 10% by Mr. Liu Haiming (劉海銘) respectively as at the Latest Practicable Date
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China MeiDong Auto Holdings Limited (中國美東汽車控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 24 February 2012
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Ye Fan, Apex Sail and Apex Holdings

DEFINITIONS

“Dadong Group”	Guangdong Dadong Auto Group Co., Ltd.* (廣東大東汽車集團有限公司), formerly known as Dongguan Dadong Industrial Investment Company Limited* (東莞市大東實業投資有限公司), a company incorporated in PRC on 31 January 2007 and whose entire registered capital was owned by Mr. Ye Fan (and was registered in the name of (i) as to 98.75%, Mr. Ye Fan and (ii) as to 1.25%, Ms. Hu Huanran (Mr. Ye Fan’s spouse) who has been holding such 1.25% equity interest on trust for the benefit of Mr. Ye Fan), and it was not a subsidiary of our Company as at the Latest Practicable Date
“Deed of Indemnity”	the deed of indemnity dated 13 November 2013 entered into between the Controlling Shareholders and our Company for itself and as trustee for its subsidiaries and the Joint Venture, under which the Controlling Shareholders have given certain indemnities referred to in “Appendix V — Statutory and General Information — E. Estate duty, tax and other indemnities” in this prospectus
“Director(s)”	the directors of our Company
“Dongguan Anxin”	Dongguan Anxin Toyota Auto Sales and Services Co., Ltd.* (東莞市安信豐田汽車銷售服務有限公司), an associate of our Group incorporated in PRC on 18 June 2009, which is indirectly owned by our Company and Mr. Wei Songgen (韋松根) as to 49% and 51% respectively as at the Latest Practicable Date
“Dongguan Dongbu”	Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd.* (東莞市東部豐田汽車銷售服務有限公司), a company incorporated in PRC on 23 October 2003 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Dongguan Dongmei”	Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd.* (東莞東美豐田汽車銷售服務有限公司), a company incorporated in PRC on 16 January 2007 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Dongguan Dongmei Fenggang Branch”	Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. Fenggang Branch* (東莞東美豐田汽車銷售服務有限公司鳳崗分公司), a branch company of Dongguan Dongmei established in PRC on 21 December 2012
“Dongguan Dongxin”	Dongguan Dongxin Auto Sales and Services Co., Ltd.* (東莞市東鑫汽車銷售服務有限公司), a company incorporated in PRC on 28 May 2007 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date

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“Dongguan Dongyue”	Dongguan Dongyue Used Vehicles Co., Ltd.* (東莞市東粵二手車有限公司), a company incorporated in PRC on 20 April 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Dongguan Guanfeng”	Dongguan Guanfeng Auto Co., Ltd.* (東莞市冠豐汽車有限公司), a company incorporated in PRC on 10 April 2003 which is indirectly owned as to 70% by our Company and 30% by Mr. Liu Shuchang (劉樹昌) respectively as at the Latest Practicable Date
“Dongguan Jucheng”	Dongguan Jucheng Auto Technical Services Co., Ltd.* (東莞市聚成汽車技術服務有限公司), a company incorporated in PRC on 22 April 1999 and subsequently disposed of by Mr. Ye Fan (who held 44% equity interest before such disposal) in April 2013, which was not a member of our Group as at the Latest Practicable Date
“Dongguan Juxinghang”	Dongguan Juxinghang Auto Sales and Services Co., Ltd.* (東莞市聚星行汽車銷售服務有限公司), a company incorporated in PRC on 11 March 2008 and subsequently disposed of by Dadong Group in September 2012, which was not a member of our Group as at the Latest Practicable Date
“Dongguan Meidong” or “Joint Venture”	Dongguan Meidong Automotive Service Co., Ltd.* (東莞美東汽車服務有限公司), a joint venture of our Group incorporated in PRC on 4 April 2007, which was indirectly owned by our Company and Meichang Auto Group (Asia) Limited as to 49% and 51% respectively as at the Latest Practicable Date
“Dongguan Meixin”	Dongguan Meixin Business Consulting Co., Ltd.* (東莞美信企業管理諮詢有限公司), a company incorporated in PRC on 10 September 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on 16 March 2007 by the National People’s Congress and effective on 1 January 2008
“ERP system”	an enterprise resource planning system that integrates, processes and manages management information across the business units of a company

DEFINITIONS

“FAW Toyota”	FAW TOYOTA Motor Sales Co., Ltd.* (一汽豐田汽車銷售有限公司), an Independent Third Party and a PRC joint venture corporation established jointly by FAW Group Corporation* (中國第一汽車集團公司), Toyota Motor Corporation, Tianjin FAW Toyota Motor Co., Ltd.* (天津一汽豐田汽車有限公司) and Sichuan FAW Toyota Motor Co., Ltd.* (四川一汽豐田汽車有限公司)
“Fiducia Suisse”	Fiducia Suisse SA, a company incorporated in Switzerland, the trustee of the Ye Family Trust
“Foshan Dongbao”	Foshan Dongbao Auto Sales and Services Co., Ltd.* (佛山東保汽車銷售服務有限公司), a company incorporated in PRC on 26 March 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“GAC Toyota”	GAC Toyota Motor Co., Ltd. (廣汽豐田汽車有限公司), an Independent Third Party and a PRC joint venture corporation established jointly by Toyota Motor Corporation, Toyota China and Guangzhou Automobile Group Co., Ltd.* (廣州汽車集團股份有限公司)
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Offer
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Hengyang Meibaohang”	Hengyang Meibaohang Auto Sales and Services Co., Ltd.* (衡陽市美寶行汽車銷售服務有限公司), a company incorporated in PRC on 14 June 2011 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Heyuan Guanfenghang”	Heyuan Guanfenghang Auto Co., Ltd.* (河源市冠豐行汽車有限公司), a company incorporated in PRC on 27 January 2011 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)

DEFINITIONS

“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK eIPO White Form”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK Subsidiary”	China MeiDong Auto (HK) Limited (中國美東汽車(香港)有限公司), a company incorporated under the laws of Hong Kong on 21 March 2012 with limited liability and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer”	the offer to the public in Hong Kong for subscription of the Hong Kong Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms
“Hong Kong Public Offer Shares”	the 25,000,000 new Shares (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) being offered by us for subscription at the Offer Price under the Hong Kong Public Offer
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Company’s Hong Kong share registrar
“Hong Kong Underwriters”	the underwriters in respect of the Hong Kong Public Offer named in the paragraph headed “Hong Kong Underwriters” in “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 21 November 2013 relating to the Hong Kong Public Offer entered into by our Company, the Controlling Shareholders, our executive Directors, CCBI and the Hong Kong Underwriters

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“Hunan Meibohang”	Hunan Meibohang Auto Sales and Services Co., Ltd.* (湖南省美博行汽車銷售服務有限公司), a company incorporated in PRC on 19 March 2012 and subsequently disposed of by Dadong Group in May 2013, which was not a member of our Group as at the Latest Practicable Date
“Hyundai”	a brand of automobiles produced by Beijing Hyundai
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Offer”	the offering of the International Offer Shares at the Offer Price as set out in “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 225,000,000 new Shares initially being offered for subscription under the International Offer (subject to adjustment as described in “Structure of the Global Offering” in this prospectus)
“International Underwriters”	the underwriters that are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement to be entered into between, among others, our Company, the Controlling Shareholders, our executive Directors, the Sole Global Coordinator and International Underwriters in respect of the International Offer
“Issuing Mandate”	the general unconditional mandate granted to our Directors by our sole Shareholder in relation to the issue of new Shares, further information on which is set forth in the paragraph under “Appendix V — Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our sole Shareholder passed on 13 November 2013” in this prospectus
“Lanzhou Meidong”	Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd.* (蘭州美東雷克薩斯汽車銷售服務有限公司), a company incorporated in PRC on 15 March 2010 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Latest Practicable Date”	15 November 2013, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication

DEFINITIONS

“Lexus”	a brand of automobiles produced by the luxury automobile division of Toyota Motor Corporation, Lexus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 5 December 2013, on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Longyan Meidong”	Longyan Meidong Lexus Auto Sales and Services Co., Ltd.* (龍岩美東雷克薩斯汽車銷售服務有限公司), a company incorporated in PRC on 11 December 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“M&A Provisions”	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (“M&A Provisions”), which were promulgated by MOFCOM, the State Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, the SAIC, China Securities Regulatory Commission and SAFE on 8 August 2006 and became effective on 8 September 2006 and as amended on 22 June 2009
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted at its incorporation on 24 February 2012, as amended from time to time
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOEP”	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部), or where the context so requires, its counterparts at the local levels

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“Mr. Ye Fan”	Mr. Ye Fan (葉帆先生), one of our Controlling Shareholders, an executive Director and the Chairman of the Board who is the younger brother of Mr. Ye Tao
“Mr. Ye Tao”	Mr. Ye Tao (葉濤先生), an executive Director and the Chief Executive Officer of our Company who is the elder brother of Mr. Ye Fan
“National Bureau of Statistics of China”	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NAV”	net asset value
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	HK\$1.8 per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional new Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the Shares initially being offered under the Global Offering at the Offer Price to cover over-allocations in connection with the International Offer, as described in “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Porsche”	a brand of automobiles produced by Dr. Ing. h.c. F. Porsche Aktiengesellschaft

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“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005, as amended, supplemented or otherwise modified from time to time
“PRC Court”	means any court or arbitral tribunal of the PRC
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Advisors”	Jingtian & Gongcheng, a qualified PRC law firm acting as the PRC legal advisors to our Company in connection with the application for Listing and the Global Offering
“Quanzhou Meidong”	Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd.* (泉州美東豐田汽車銷售服務有限公司), a company incorporated in PRC on 7 December 2009 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph under “History, Development and Reorganisation — Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our sole Shareholder in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under “Appendix V — Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our sole Shareholder passed on 13 November 2013” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time

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“Shantou Dongbao”	Shantou Dongbao Auto Sales and Services Co., Ltd.* (汕頭市東保汽車銷售服務有限公司), a company incorporated in PRC on 23 May 2012 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of our Company, which are to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 13 November 2013, the principal terms of which are summarised in the paragraph under “Appendix V — Statutory and General Information — D. Share Option Scheme” in this prospectus
“Sole Global Coordinator”, “Sole Bookrunner”, “Sole Lead Manager” or “Sole Sponsor”	CCB International Capital Limited, a corporation licenced under the SFO and permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“sq. m.”	square metre
“Stabilising Manager”	CCB International Capital Limited
“State Administration of Foreign Exchange” or “SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“State Administration of Taxation” or “SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between CCB International Capital Limited and Apex Sail on Thursday, 28 November 2013, pursuant to which CCB International Capital Limited may borrow up to 37,500,000 Shares from Apex Sail to cover any over-allocation under the International Offer
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance

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“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on takeovers and mergers, as promulgated by the SFC and as amended from time to time
“Toyota”	a brand of automobiles produced by FAW Toyota and/or GAC Toyota and/or imported by Toyota China
“Toyota China”	Toyota Motor (China) Investment Co., Ltd.* (豐田汽車(中國)投資有限公司), an Independent Third Party and a wholly-owned subsidiary of Toyota Motor Corporation
“Track Record Period”	the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time
“WFOE”	wholly foreign-owned enterprise within the meaning prescribed under PRC laws
“Xiamen Meidong”	Xiamen Meidong Auto Sales and Services Co., Ltd.* (廈門美東汽車銷售服務有限公司), a company incorporated in PRC on 3 January 2008 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Ye Brothers”	Mr. Ye Fan and Mr. Ye Tao collectively
“Ye Family Trust”	The Ye Family Trust 2012 where Mr. Ye Fan is the settlor and the Ye Brothers and certain of their family members are discretionary objects
“Yiyang Dongxin”	Yiyang Dongxin Auto Sales and Services Co., Ltd.* (益陽市東鑫汽車銷售服務有限公司), a company incorporated in PRC on 19 October 2010 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date

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“Yulin Meidong”	Yulin Meidong Commerce and Trade Ltd.* (榆林美東商貿有限公司), a company incorporated in PRC on 11 April 2012 and a wholly-owned subsidiary of Dadong Group which was not a member of our Group as at the Latest Practicable Date
“Zhuzhou Meibaohang”	Zhuzhou Meibaohang Auto Sales and Services Co., Ltd.* (株洲市美寶行汽車銷售服務有限公司), a company incorporated in PRC on 4 December 2009 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“3R Provisions”	PRC Provisions on the Liability for Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定) which were promulgated on 29 December 2012 and became effective on 1 October 2013
“4S dealership”	an automobile dealership authorised by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, service and survey
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at an exchange rate of HK\$1.00 = RMB0.7913 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

References to “southeastern China” and “southeastern provinces” in this prospectus shall mean the provinces of Guangdong, Hunan and Fujian in the PRC.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries or our Joint Venture that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Group or our Joint Venture or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects and the performance of our new and planned dealership stores;
- our ability to attract and retain automobile brands;
- future developments, trends and conditions in the industry, in China and in the specific markets in which we operate our stores;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry, in China and in the specific markets in which we operate our stores;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of automobile manufacturers for which we are currently or in the future will be authorised to operate 4S dealerships for their brands and their competitors; and
- certain statements in the section headed “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company.

RISKS RELATING TO OUR BUSINESS

Our business and operations depend significantly on authorised dealership agreements with our automobile manufacturers and the loss of any such agreement would affect our operations and financial results

We rely on authorised dealership agreements with automobile manufacturers for the right to operate authorised 4S dealership stores, the supply of automobiles and spare parts and other important aspects of our business and operations. These authorised dealership agreements are non-exclusive and generally have a term of one to three years, with the option of renewal. Automobile manufacturers have the right to terminate our authorised dealership agreements for various reasons, including failure to comply with the terms set out in authorised dealership agreements and unauthorised changes to our ownership and management structure. In addition, there is no assurance that we will be able to renew our authorised dealership agreements on commercially reasonable terms, or at all. Automobile manufacturers may choose not to renew our authorised dealership agreements or enter into new authorised dealership agreements with us for reasons unrelated to us, such as a change to their business strategies. If any of our automobile manufacturers were to terminate its business relationship with us entirely, there can be no assurance that we would be able to secure authorised dealership agreements from other automobile manufacturers to replace any such loss or that, if we were to be able to secure other authorised dealership agreements, they would be on commercially reasonable terms. Any reduction in or termination of business dealings with automobile manufacturers would materially and adversely affect our business, financial condition, results of operation and growth prospects.

A significant portion of our turnover is derived from the sales of motor vehicles of a few major brands and any weakening of such brands or our relationships with such brands could affect our operations and financial results

A significant portion of our turnover is derived from the sales of passenger vehicles of a few major brands, primarily Toyota, Lexus and BMW. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 sales of Toyota passenger vehicles contributed to approximately 71.4%, 65.0% and 56.4% and 58.8% and 56.3%, respectively, of our turnover from passenger vehicle sales, while sales of Lexus passenger vehicles contributed to approximately 19.8%, 18.8% and 20.0% and 21.4% and 17.8%, respectively, and sales of BMW passenger vehicles contributed to approximately 0.8%, 9.5% and 15.8% and 13.9% and 16.2%, respectively, of our turnover from passenger vehicle sales. The loss of or diminishment of any such brand could have a material adverse affect on our business, financial condition, results of operation and growth prospects.

There is no assurance that we will be able to maintain relationships with automobile manufacturers of these major brands in the future. They may reduce or terminate their business dealings with us, or decide not to renew the authorised dealership agreements on commercially reasonable terms, or at all. Our inability to continue selling motor vehicles of these brands due to any termination of our relationships with their respective automobile manufacturers would materially and adversely affect our

RISK FACTORS

business, financial condition, results of operation and growth prospects. Furthermore, factors that are beyond our control, such as product recalls, adverse changes in financial position of automobile manufacturers and their failure to design, manufacture and market new motor vehicles may impose negative publicity on these major brands and make these brands less attractive to consumers leading to decreased sales. In such event, our business, financial condition, results of operation and growth prospects would be materially and adversely affected.

We work with foreign brands and adverse changes in political relations between the PRC and Japan and/or other countries may adversely affect our business

All of our motor vehicles are imported from, or manufactured by domestic joint ventures of, manufacturers based in countries outside of the PRC, namely Japan, Germany and South Korea. Any significant deterioration in the PRC's relations with any of such countries could discourage some of our customers from purchasing certain brands of passenger vehicles that we sell or could lead to legislation in the PRC or such other countries that could have an adverse impact on our business interests.

In particular, our Toyota and Lexus passenger vehicles are imported from, or manufactured by joint ventures of manufacturers based in Japan. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 sales of Toyota/Lexus passenger vehicles contributed to approximately 91.2%, 83.8% and 76.4% and 80.2% and 74.1%, respectively, of our turnover from passenger vehicle sales. As a result, our business and operations may be affected by the diplomatic relations between the PRC and Japan and subsequent developments in government policies by the PRC government and the actions of the Japanese government. For instance, in August and September 2012 when diplomatic relations between Japan and the PRC were particularly strained due to the territorial dispute over the Diaoyu Islands, there were demonstrations organised in several cities across the PRC, including Dongguan and Beijing, in protest against Japan. In some cases, the demonstrations involved acts of violence or vandalism against property or businesses relating to or perceived to be relating to Japan. Some protestors called for boycotts of Japanese products or products perceived to be from Japan. We believe that our slower growth in sales volume and turnover, decline in overall gross profit and overall net profit for the year ended 31 December 2012 were attributable in significant part to the Diaoyu Islands incident. See "Business — Our Business — Sales and Services — Effect of weaker market conditions and Diaoyu Islands incident". Any prolonged effects from the Diaoyu Islands incident and any future displays of negative sentiments in the PRC against Japan may adversely affect consumer preferences, cause damage to our properties or disruptions to our business, any of which could have a material adverse impact on our overall operations and financial results.

Automobile manufacturers impose restrictions on many different aspects of our business and operations and we rely on their support and cooperation for the successful operation of our business

Under our authorised dealership agreements with automobile manufacturers, such automobile manufacturers may impose restrictions on our business and operations, including but not limited to geographical limitations on the location of our dealerships and our target market, setting pricing guidelines for the retail sale of new automobiles, spare parts and accessories procured from the automobile manufacturer and prohibition of operating dealerships for competing brands. These restrictions imposed by, and significant influence from, automobile manufacturers on our business could impair our ability to respond to changes in business environment, which could in turn materially and

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adversely affect our financial condition, results of operations and growth prospects. Furthermore, we rely on support and cooperation from automobile manufacturers for the successful operation of our business. If our relationship with any automobile manufacturer were to deteriorate, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

Incentive rebates. See “— Our net profit margin would be adversely affected if the amount of incentive rebates we receive from automobile manufacturers diminishes or ceases entirely”.

Product pricing. Our agreements contain recommended retail pricing guidelines set by automobile manufacturers. Successful pricing policies adopted by automobile manufacturers allow us to compete effectively for customers while maintaining profitability. If automobile manufacturers raise the recommended retail price, customers’ demand for their automobiles may be negatively affected, thus affecting our sales. In addition, any decrease in the recommended retail price may impair our profitability. Failure to comply with the pricing guidelines may negatively affect our relationship with such automobile manufacturers.

Supply of automobiles and spare parts. We rely exclusively on automobile manufacturers and their authorised suppliers to supply us with the automobiles and spare parts that we sell. In the event of any developments that may adversely affect their ability to manufacture and deliver their products to us, such as component shortages, labour unrests or natural disasters, we may be materially and adversely affected. Our automobile manufacturers are also responsible for anticipating changes in market trends and consumer tastes and demand to develop attractive automobile models. If any automobile model launched by any of our automobile manufacturers is not well received by the market, or if the popularity of any of their existing automobile models declines, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Sales and marketing. Sales and marketing activities undertaken by automobile manufacturers, including advertisements on television, radio, newspapers and magazines, may increase consumer demand for their automobile products. Under our automobile dealership agreements, we are required to obtain written approval from automobile manufacturers before we launch any promotional activities for their automobile products. If any automobile manufacturer were to reduce the scale of its marketing efforts, or adopt an unsuccessful marketing strategy or campaign, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We are implementing growth strategies in both the mid- to high-end and luxury and the ultra-luxury automobile markets and failure to implement such strategies could materially and adversely affect our business

While we are primarily engaged in the sales of mid- to high-end motor vehicles in the PRC, we also sell luxury motor vehicles, and approximately 20.6%, 28.3% and 35.8% of our turnover from passenger vehicle sales were derived from the sales of luxury passenger vehicles for the years ended 31 December 2010, 2011 and 2012, respectively and 35.3% and 34.0% of our turnover from passenger vehicle sales were derived from the sales of luxury motor vehicles for the six months ended 30 June 2012 and 2013, respectively. See “Industry Overview — The PRC Passenger Vehicle Market — Market Segmentation” for categorisation of mid- to high-end and luxury motor vehicles.

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We plan to continue to maintain our balanced portfolio of mid- to high-end and luxury passenger vehicles, as well as expanding into the ultra-luxury passenger vehicle segment, by opening an additional seven 4S dealerships, six of which would be dedicated to ultra-luxury and luxury brands and one of which would be dedicated to a mid- to high-end brand. In addition, we are seeking to expand our after-sales service offerings, including the sales of used vehicles. However, these moves may create pressure on the allocation of our managerial, technical, financial, production, operational and other resources. Also external factors, such as changes in PRC policies and regulations, such as a tax on luxury goods, could adversely affect the prospects of certain passenger vehicle segments and brands. There can be no assurance that we would be able to implement such growth strategy successfully, or that market conditions would enable our luxury and ultra-luxury automobile business and our after-sales business would grow as we have expected, in which case our business and results of operations may be materially and adversely affected.

We conduct a majority of our operations in dealerships located in southeastern China

We have a strong presence in southeastern China. As at the Latest Practicable Date, we had 13 dealerships in the PRC, of which 11 were located in the southeastern provinces of Guangdong, Hunan and Fujian. Furthermore, our dealerships located in this region generated approximately 81.9%, 84.7% and 84.2% of our turnover for the years ended 31 December 2010, 2011 and 2012, respectively, and 83.4% and 84.4% of our turnover for the six months ended 30 June 2012 and 2013, respectively. We expect that a majority of our operations will remain in southeastern China in the near future. As a result of this concentration, adverse situations in the region, such as the general slowdown in regional economic growth, natural disasters, legal restrictions or other factors, may impose negative effects on the demand of motor vehicles, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

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 expenditures, and we expect to continue to do so in the future. We had total loans and borrowings of approximately RMB321.5 million, RMB378.0 million and RMB568.6 million, as at 31 December 2010, 2011 and 2012, respectively, and approximately RMB721.7 million as at 30 June 2013. Our gearing ratio (being total loans and borrowings divided by total equity multiplied by 100%) for the same periods was 158.5%, 99.8% and 123.9% and 1,743.6%, respectively. See “Financial Information — Other Key Financial Ratios — Gearing ratio”.

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

- increase our vulnerability to adverse overall industry environment or any increase in interest rates;
- 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;
- reduce our ability to obtain further external financing;

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- 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 equipment required for our after sales services; and
- decrease our sales volume or our rate of expansion, 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 at 30 June 2013 and we cannot assure you that we will not be in a net current liabilities position in the future

As at 30 June 2013, we had net current liabilities of RMB258.7 million as compared to net current assets of RMB172.4 million as at 31 December 2012. The change was a result of an increase of RMB238.1 million in current liabilities and a decrease of RMB193.0 million in current assets, which were largely attributable to (a) a decrease in current assets due to deemed distributions arising from equity transfers to our Group in connection with the Reorganisation, which after offset by a capital injection in connection with the Reorganisation, amounted to RMB293.9 million; and (b) a decrease in current assets due to dividends declared and settled totalling approximately RMB169.9 million to the then equity shareholders of certain PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group. See “Financial Information — Net Current Assets/(Liabilities)”.

Subsequent to the end of the Track Record Period, we have taken certain measures to improve our net asset position, which we expect will have a positive effect on our net current liabilities position. See “Financial Information — Net Current Assets/(Liabilities)”. However, even with these measures, there can be no assurance that we will not record a net current liabilities position in the future due to other reasons. If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms or at all. Any such development could materially and adversely affect our business, results of operations and financial condition.

We have recorded negative operating cashflows and we cannot assure you that we will not experience the same again in the future

For the year ended 31 December 2010, our cash used in operations together with our income tax paid exceeded our cash generated from operations, which caused us to have net cash used in operating activities of RMB40.9 million. We attribute this primarily to higher cash outflows for procurement of inventories, payment of deposits to automobile manufacturers for establishing new dealerships and payment of deposits for credit facilities to automobile manufacturers’ captive finance companies due to our Group’s business expansion and an expectation of promising market conditions in 2011. For the six months ended 30 June 2013, our cash used in operations together with our income tax paid also exceeded our cash generated from operations, which caused us to have net cash used in operating activities of RMB33.6 million. We attribute this primarily to higher cash outflows for upfront costs relating to our ramp up in operations at two dealerships that opened during this period and procurement of inventories due to our expected increase in sales of new passenger vehicles and spare parts for our after-sales services at our dealerships in the second half of 2013, especially at our two new dealerships. See “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Expansion of our dealership network” and “Financial Information — Liquidity and Capital Resources — Cash flows from operating activities”.

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There can be no assurance that we will not record negative operating cash flows in the future, particularly in periods in which we undergo significant expansion of our dealership network. If we record net cash used in operating activities in the future, our working capital for our operations may be constrained which may materially and adversely affect our businesses, prospects, financial condition and results of operations.

Our net profit margin would be adversely affected if the amount of incentive rebates we receive from automobile manufactures diminishes or ceases entirely

Automobile dealerships typically provide incentive rebates to dealerships that meet certain criteria. These rebates are generally determined with reference to a number of factors, including the number of new passenger vehicles we purchase and sell, customer satisfaction and other performance indicators as set by automobile manufacturers depending on their policies. For the years ended 31 December 2010, 2011 and 2012, we recorded rebates of approximately RMB54.9 million, RMB73.6 million and RMB116.0 million, respectively, representing approximately 2.6%, 2.8% and 4.4% of turnover from passenger vehicle sales, respectively. For the six months ended 30 June 2012 and 2013, we recorded rebates of approximately RMB42.1 million and RMB77.4 million, respectively, representing approximately 3.1% and 5.7% of turnover from passenger vehicle sales, respectively. Incentive rebates relating to automobiles purchased and sold are deducted from cost of sales. There can be no assurance that automobile manufacturers will continue to provide us with incentive rebates, or that we will be able to satisfy the conditions set by the automobile manufacturers to receive any of the incentive rebates under the existing arrangements. For example, in 2012, two of our newly established dealerships, which were in their initial stages of operations, did not meet the sales targets set by their respective automobile manufacturers. We estimate that we would have received additional incentive rebates of approximately RMB3.2 million for the year ended 31 December 2012 if these two dealerships had met their sales targets based on the difference between the target annual sales volume and the actual sales volume of new passenger vehicles for each of these two dealerships multiplied by the average incentive rebate granted per vehicle in 2012 at each respective dealership. If some or all of the automobile manufacturers cease to offer such rebates in the future, or alter the conditions by which such rebates are granted such that we receive less rebates, our results of operations and financial conditions may be adversely affected. For the years ended 31 December 2010, 2011 and 2012, our net profit margin was 2.2%, 2.8% and 1.6%, respectively, and for the six months ended 30 June 2012 and 2013, our net profit margin was 1.9% and 3.0%, respectively. In comparison, our net profit (loss) margin excluding such incentive rebates would be 0.4%, 0.8% and (1.3%) for the years ended 31 December 2010, 2011 and 2012, respectively, and (0.2%) and (0.8%) for the six months ended 30 June 2012 and 2013, respectively. See “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Rebates from automobile manufacturers”.

We may not be able to manage our inventories effectively which may affect our operations and financial results

Our business and financial condition depends on our ability to effectively manage our inventories which may be subject to changing market conditions. As at 31 December 2010, 2011 and 2012 and 30 June 2013, inventories represented approximately 30.2%, 28.7%, 27.6% and 45.3% of our total current assets, respectively. Furthermore, our average inventory turnover days (as defined and further discussed in the section entitled “Financial Information — Inventories Analysis”) were approximately 28.2 days, 33.6 days, 37.8 days and 44.2 days as at 31 December 2010, 2011 and 2012 and 30 June 2013.

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Automobile manufacturers typically prefer that we maintain a minimum or adequate level of inventories in our dealerships for display and meeting customers' demands in a timely manner. See "Financial Information — Inventories Analysis". In the event that we overstock inventories, we may be required to increase our working capital and incur additional financing costs. In the event that we understock inventories, we may not be able to satisfy customer demand on a timely basis, which may cause us to forgo revenue and adversely affect our reputation.

Our continuing success depends on our ability to retain our senior management and key personnel

Our success depends on the experience and skills of our current officers, management and key sales employees. In particular, our senior management has significant experience in the sale and dealership of motor vehicles. Our Chairman and an executive Director, Mr. Ye Fan, our Chief Executive Officer and an executive Director, Mr. Ye Tao, and our executive Director, Ms. Liu Xuehua, are responsible for all key managerial functions and strategy of our Group and they have been fundamental to our achievements to date. The loss of any of these key personnel could adversely affect our ability to sustain and grow our business.

We cannot assure you that we will be able to hire additional qualified employees to strengthen our management team or integrate new management into our existing operations in order to keep pace with the proposed growth of our business. Furthermore, competitors may also seek to hire away our personnel. Competition for experienced individuals is fierce in the PRC, and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain additional qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and results of operations.

We depend on the continuing service of, and our ability to attract and retain, our dealership managers, customer service and sales personnel and technicians

Our ability to maintain high quality after-sales and customer services depends on, among other factors, our ability to attract and retain our dealership managers, customer service and sales personnel and technicians who provide repair and maintenance services. Furthermore, competitors may also seek to hire away our personnel. Due to the strong growth in the PRC economy and the PRC motor vehicle dealership industry, competition for experienced personnel is increasingly intense. There can be no assurance that we will be able to attract and retain the necessary personnel to grow and develop our business, to continue to deliver high-quality sales and customer services, or to open new outlets. Our business, financial operations and growth prospects may be materially and adversely affected if we are unable to attract and retain the experienced personnel we require.

We may not be able to use certain properties owned or leased by us because of defects affecting our title or leasehold interests or because of lack of certain permits, and we may be fined and forced to relocate our 4S dealership stores on these properties

We occupy certain properties in the PRC for our business operations. As at the Latest Practicable Date, we owned eight properties and leased eighteen properties; and our Joint Venture, Dongguan Meidong, owned one property.

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Properties we own

One of our owned properties had certain title defects as at the Latest Practicable Date. For the property occupied by Lanzhou Meidong, we had not obtained the building ownership certificate, and its use did not conform with its designated usage. Under the relevant laws and regulations of the PRC, the total potential maximum penalty that our Group may be subject to in relation to Lanzhou Meidong is approximately RMB2.2 million. However, we have obtained all confirmation letters (“**Usage Confirmations**”) from the relevant authorities for such owned property, pursuant to which, and as advised by our PRC Legal Advisors, our Group may continue to use the property as 4S dealership stores and the authorities will not impose any penalty on our Group for our use of the relevant property as 4S dealership store. For more details, see “Business — Properties — Properties we own”. For the year ended 31 December 2010, no revenue was generated from this property. For the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, the revenue generated from our operations on this property was approximately RMB6.1 million, RMB126.1 million and RMB71.1 million, respectively, which accounted for approximately 0.2%, 4.3% and 4.7% of our total revenue, respectively.

Any claim in relation to the title to the above owned property may result in us having to relocate our business operations and may adversely affect our operations, financial condition and reputation. If we are required to relocate our business operations away from this property, we estimate it would take up to three months and involve total relocation costs of RMB6.3 million to complete the relocation. However, as advised by our PRC Legal Advisors, we will not be forced to relocate our operation from this property.

Properties we lease

Certain of our leased properties have one or more of the following defects as at the Latest Practicable Date:

- The landlord of such leased property has not obtained the relevant title certificates.
- The leased property is built on collectively-owned land, which may not be leased to another party for any non-agricultural use.
- The leased property is built on state-allocated land, in which the lease has not been approved by the relevant authorities.
- The leased property’s uses did not conform with its designated usage.

Save for two properties leased by Beijing Zhongye and Dongguan Dongyue, we have obtained Usage Confirmations for our leased properties that are subject to title defects, pursuant to which, our Group may continue to use the properties as 4S dealership stores and the authorities will not impose any penalty on our Group for our use of the relevant properties as 4S dealership stores. Our PRC Legal Advisors advised that, under the relevant PRC laws and regulations, we (as lessee) will not be subject to any penalty for our operations on the above leased properties. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the revenue generated from our operations on these title defective leased properties for which we have obtained Usage Confirmations was

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approximately RMB1,271.8 million, RMB1,471.3 million, RMB1,404.4 million and RMB747.3 million, respectively, which accounted for approximately 55.8%, 52.1%, 47.6% and 49.3% of our total revenue, respectively.

The respective properties occupied by Beijing Zhongye and Dongguan Dongyue for which we have not obtained Usage Confirmations include a 4S dealership store and a used vehicle store. The lease agreements in connection with these properties may be invalidated if it is challenged for the defects mentioned above, as such we may encounter difficulties in continuing to lease and use the properties. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the revenue generated from our operations on these properties was RMB412.4 million, RMB427.2 million, RMB324.8 million and RMB135.2 million, respectively, which accounted for approximately 18.1%, 15.1%, 11.0% and 8.9% of our total revenue, respectively.

If any of our leases were terminated as a result of 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.

We may be required to relocate our operations on the leased properties that are subject to title defects. Any such relocation could result in additional costs, disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. If we are required to relocate all of our business currently located on leased properties that are subject to title defects, we estimate it would take up to three months and involve total relocation costs of RMB26.3 million to complete the relocations. 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.

For more information, see “Our Business — Properties”.

Our sales may be subject to seasonality and weather conditions

As all of our sales occur in the PRC, we may experience fluctuations in our sales volume and turnover based on seasonal patterns of behaviour of passenger vehicle purchasers in the PRC. We typically record lower sales of passenger vehicles in the first half of any given year as compared to the second half of that year. In each of the years ended 31 December 2010, 2011 and 2012, sales volume of passenger vehicles was higher in the second half of the year as compared to the first half. We also typically record lower turnover in the first half of any given year as compared to the second half of that year. However, these seasonal fluctuations are not constant and are subject to other factors. For example, although in each of the years ended 31 December 2010 and 2011 turnover was higher in the second half of the year, in the year ended 31 December 2012 turnover remained relatively flat, despite increased sales volume in passenger vehicles in the second half of the year. We believe that this variation in 2012 from the trend was due largely to the effect of the Diaoyu Islands incident, which occurred in the second half of 2012. We cannot assure you that our sales or turnover will always be higher in the second half of the year. In addition, weather conditions, such as unusual weather or temperatures, may affect our sales. Our results of operations may fluctuate from period to period for a variety of reasons, including those listed above. Therefore comparisons of sales and operating results between different periods within a single financial year, or between same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our performance.

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We may not be able to successfully expand our dealership network within southeastern China or into other regions with high growth potential within China

It is our strategy to expand our dealership network within southeastern China or into other high growth regions within China. There are significant risks involved in our expansion plan, including whether we will be able to: (a) obtain authorisations for new dealerships; (b) access adequate financial resources; (c) negotiate the terms of new leases, concessions or land use rights successfully for properties in desired locations; (d) identify and secure suitable acquisition targets; (e) obtain appropriate licenses, permits and approvals from relevant PRC authorities on a timely basis; (f) commence and ramp up the operations of new dealerships and improve the performance of acquired dealerships to achieve our target profitability within expected timeframes; (g) hire, train and retain sufficient qualified staff; (h) efficiently operate and control our network as we rapidly increase the number of our dealerships; (i) generate sufficient revenue to cover our indebtedness, costs or contingent liabilities that may arise from our expansion; and (j) re-evaluate and revise our expansion plans as needed.

In addition, various factors beyond our control, such as new competition in these markets, competition with established players that have local relationships and changes to PRC laws and regulations in specific geographical areas where we seek to expand in, may significantly influence the results of our strategy to expand within southeastern China or into other high growth regions within China. Should any or all of the risks in relation to such strategy materialise, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures and our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

We may not be able to successfully identify or acquire suitable acquisition targets or integrate newly acquired businesses into our network

We intend to expand our operations and markets through both organic growth and strategic acquisitions. We compete with other dealership groups, some of which may have greater financial and other resources, and we may not be able to compete successfully with such groups in acquiring suitable targets. If we do not succeed in identifying and acquiring suitable acquisition targets, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The complex procedures for some acquisitions of PRC companies by foreign investors, established by the M&A Provisions, could make it difficult for us to pursue growth through acquisitions in the PRC. The M&A Provisions establish additional procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as ours, more time-consuming and complex, particularly in instances where the approval of MOFCOM is required for transactions involving the shares of an offshore listed company being used as the acquisition consideration by foreign entities. Complying with the requirements of the M&A Provisions to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Furthermore, integration of the newly acquired businesses may not succeed for a number of reasons such as differences in strategic focus, geographic coverage and corporate culture between us and the acquired businesses. We may also face difficulties in retaining the key employees of management or operations, which could result in the diversion of management's attention from our existing operations

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and the delay or deferral by our management of important strategic decisions. In addition, we cannot assure you that we will fully realise any of the anticipated benefits, or any anticipated benefit at all, from our strategic acquisitions. All these could negatively affect our business, prospects, cash flows, financial condition and results of operations.

Our business and results of operations may be affected by product defect, vehicle recalls and warranty claims

Vehicle recalls are conducted by automobile manufacturers from time to time to remedy product defects or other problems with one or more vehicle models. Please refer to “Business — Our Business — Vehicle recalls” for more information of incidence of product recalls by our automobile manufacturers during the Track Record Period. As advised by our PRC legal advisor, Jingtian & Gongcheng, we are generally not liable for any costs associated with product recalls and are typically compensated by automobile manufacturers for our assistance in conducting recalls. However, any product defects or vehicle recalls may damage the reputation of automobile manufacturers conducting such recalls and customers’ confidence in the quality and safety of motor vehicles produced by such automobile manufacturers may be negatively affected, which may in turn materially and adversely affect our business, financial condition, results of operations and growth prospects.

According to the 3R Provisions, the liability for guaranteeing repair, replacement and return of household automotive products (“**Three Guarantees**”) will be assumed by the sellers of household automotive products. The sellers will be entitled to the right to seek compensation from the manufacturers or other dealers of household automotive products if the liability is attributable to the manufacturers or other dealers. See “Regulations — Applicable PRC Laws and Regulations — The PRC Automobiles Industry — The Guarantees for Household Automobile”. To the extent that the 3R Provisions lead to an increase in claims by our customers against us with respect to the Three Guarantees and such claims are either not reimbursed by the relevant automobile manufacturers or not reimbursed in a timely manner, such claims may materially and adversely affect our business, financial condition, results of operations and growth prospects.

If we continue to sell vehicles to distributors other than 4S dealerships, the relevant automobile manufacturers might seek certain remedies

During the Track Record Period, from time to time, we sold passenger vehicles of each of our brands to distributors other than 4S dealerships. It is the understanding of our Directors that the automobile manufacturers are aware of the situation and have not imposed any penalty on our Group for sales to distributors in the past. As advised by our PRC Legal Advisors, in accordance with the relevant dealership agreements, while sales to other distributors are technically a breach, they do not constitute a material breach of the dealership agreement and will not give rise to a right of an automobile manufacturer to immediately terminate the dealership agreement. However, the terms of our dealership agreements with one of the automobile manufacturers specifically provide that the automobile manufacturer may terminate its dealership agreement with a particular dealership if such dealership continues to sell to other distributors even after the automobile manufacturer has served a written warning on the dealership of the breach. As at the Latest Practicable Date, we have not received any notices or complaints or warnings regarding our sales to distributors and we have no plans to seek formal consent from the automobile manufacturers for such sales. However, there can be no assurance that we will not receive notices or complaints or warnings from the relevant automobile manufacturers

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for such sales and that such automobile manufacturers will not seek in the future to exercise contractual rights or remedies arising from our sales to distributors. In such cases, the relevant automobile manufacturers may seek to levy penalties or claim damages against us or, in some cases, terminate the relevant dealership authorisation agreements, which will have an adverse impact on our results of operations, financial condition and growth prospects.

Our insurance coverage may not adequately protect us against certain risks

Insurance companies in the PRC offer limited commercial insurance products. For example, business interruption insurance available in the PRC offers less coverage compared to that offered in many other countries. We only maintain limited insurance coverage. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. The occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be fully covered by our insurance policies. If our business operations were disrupted or interrupted for a substantial period of time, we could incur costs and losses that could materially and adversely affect our business, financial condition and results of operations.

The amount of our prepayments to automobile manufacturers for the purchase of passenger vehicles may increase as we begin to sell more luxury and ultra-luxury vehicles

Certain automobile manufacturers require us to make prepayments as we order new passenger vehicles from them. For such automobile manufacturers, when we place our orders, we usually prepay 20% of the cost of the passenger vehicles ordered. We prepay the remaining 80% of the cost when the automobile manufacturers begin shipping the ordered vehicles to us. Our prepayments were RMB86.8 million, RMB93.3 million and RMB62.0 million, as at 31 December 2010, 2011, and 2012, respectively, and approximately RMB75.8 million as at 30 June 2013. We expect to sell more luxury and ultra-luxury vehicles in the future, as we open new 4S dealerships, including six new luxury and ultra-luxury dealerships that we expect to commence operations by the end of the first quarter of 2015. Such luxury and ultra-luxury vehicles will have higher costs and consequently we expect that the amount of our prepayments will also increase in line with our increasing vehicle procurement costs. If we do not have sufficient cash in hand, or cannot raise enough funding to cover these prepayments, we may be forced to delay our procurement of new vehicles and may be unable to maintain appropriate inventory levels, which could cause us to be unable to meet customer demand and lose turnover from lost sales, and our working capital for purposes of our operations may be subject to constraints, all of which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis, or at all. Any future equity issuance may dilute your interest in our Company, and any debt financing may contain covenants that restrict our business or operations

We require significant working capital to purchase automobiles and spare parts in our dealerships. In addition, we require capital to establish and, to the extent applicable, acquire new dealership groups, refurbish and maintain our dealerships, procure land use rights, and upgrade our information technology systems. We expect our funding needs to increase as business expands.

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Historically, we have generally relied on bank loans and other external financing as well as cash generated from our operations to fund our operations and expansion. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and PRC economies, interest rates, applicable laws, rules and regulations and the conditions of the PRC automobile market and the geographical regions where we operate. There is no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, nor can we assure you that we will be able to obtain bank loans and other external financing on a commercially reasonable and timely basis, or at all. In addition, any debt financing may contain restrictions on our undertaking of certain corporate actions. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms or at all, our business and operations may be affected and the implementation of our expansion plans may be delayed.

To meet our future funding needs, we may issue additional equity securities or securities convertible into our ordinary shares, issue debt securities or obtain credit facilities. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may also result in restrictive covenants limiting our shareholding structure, business and/or operations.

The investment payback period of our 4S dealerships could increase if our profit margins decline

Historically, the investment payback period for our 4S dealerships has averaged 48.6 months and has ranged from approximately two to five years after the date of commencement of operations of such dealership, except for one of our earliest 4S dealerships, which had an investment payback period of approximately eight and a half years. The length of the investment payback period for a particular 4S dealership is determined in large part by the net profits generated by such 4S dealership which can be affected by a number of factors including its profit margin. To the extent our profit margins decline for any such new 4S dealerships, due to either industry wide or dealership-specific factors, the investment payback period for such 4S dealerships may increase, which may in turn negatively affect our business, financial condition, results of operations and growth prospects.

We rely on our information technology systems to make management decisions and problems with such systems could affect our operations and financial results

Our information technology systems are critical to the success of our business. In particular, our ERP system, which comprises the various systems for customer relationship management, automobile sales and after-sales services management, are essential for our business development formulation. We rely on our ERP system to collect and analyse indicators of key aspects of our business. See "Business — Information Technology".

We upgrade our ERP system from time to time to meet the changing requirements of our business. However, there can be no assurance that any upgrades or adaptations performed by us or our vendors will be implemented without disruption to our business, or that our ERP system will continue to meet the changing requirements of our business. Moreover, any failure of the hardware or software that supports our information systems may materially disrupt our business or adversely affect our customers and damage our reputation.

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RISKS RELATING TO OUR INDUSTRY

Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile dealership market

The PRC automobile dealership industry is competitive. It is typical that automobile manufacturers grant non-exclusive automobile dealership rights to other dealerships within the same geographical area. As a result, we compete with dealerships that offer competing brands of automobiles as well as those that sell the same brands and models as we do. We also compete with independent repair shops and auto parts retail centres in after-sales services and spare part sales. We believe that dealership stores in the PRC compete for customers on the level of customer services, inventory of automobiles, capabilities of sales personnel, management personnel, automotive engineers and technicians and on the prices of their automobiles and services. Increased competition among automobile manufacturers and dealerships in the PRC automobile industry could impact our market share and result in a decrease in our revenues and profits and adversely affect our growth prospects. Any changes in the regulation of the automobile dealership industry could allow new market participants to enter the dealership business, which may intensify competition and adversely affect our business and results of operations.

Government policies on the purchases and ownership of motor vehicles may negatively affect our business and growth prospects

Government policies on motor vehicle purchases and ownership may negatively affect our business and growth prospects because of their influence on consumer behaviour. For example, pursuant to 關於1.6升及以下排量乘用車車輛購置稅減徵政策到期停止執行的通知 (the Notice on the Discontinuation of the Reduction of Purchase Tax for Passenger Vehicle with Emission On or Below 1.6 Litres*) promulgated by the PRC Ministry of Finance and SAT on 27 December 2010 and effective on 1 January 2011, the PRC government discontinued the reduction of automobile purchase tax rate applicable to passenger vehicles with emission on or below 1.6 litres, and the automobile purchase tax rate for such motor vehicles has been increased to 10% from 7.5% in 2010. If the PRC government increases automobile purchase and consumption tax rates or impose an automobile luxury tax or other additional restrictions or taxes, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

Furthermore, to curb urban traffic congestion, certain cities in the PRC have adopted urban regulations and ordinances that limit new automobile registration or restrict automobile use. For example, with a view to curb traffic congestion in Beijing, the Beijing municipal government has issued a number of measures effective on 23 December 2010 to limit the number of new licence plates to be issued each year. The quota was 240,000 per year or 20,000 per month in 2012 and is currently expected to remain the same in 2013. These and any future anti-congestion ordinances in the markets where we operate may restrict the ability of potential customers to purchase automobiles and in turn reduce customer demand for automobiles. Should similar ordinances be adopted in other cities where we operate, or if existing regulations become stricter, our sales in those cities may be adversely affected.

Higher fuel prices and stricter emission standards may reduce the demand for automobiles

While the price of gasoline in the PRC is subsidised by the PRC government, it has been rising steadily in recent years. Such increase may induce cost-sensitive consumers to switch to more fuel-efficient vehicles or opt for alternatives to automobiles, such as public transportation or bicycles, which

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may adversely affect our sales of motor vehicles, in particular luxury or ultra-luxury motor vehicles which are generally less fuel-efficient. Reduced automobile usage may also decrease demand for and frequency of maintenance and repair services for automobiles, which may have an adverse effect on our after-sales business.

The PRC government may continue to increase fuel prices and implement stricter emission standards for automobiles sold in the PRC, which may raise manufacturing and research and development costs for automobile manufacturers. In the event that automobile manufacturers increase the pricing guidelines on their automobiles to pass on such increases in costs, demand for motor vehicles may decline and our business, financial conditions, results of operations and growth prospects could be negatively affected.

We operate in a regulated industry, and any failure by us to obtain or maintain necessary approvals, licenses and permits in a timely manner, or at all, may adversely affect our business and operations and subject us to fines and other penalties

We operate in a regulated industry. We are required to maintain various approvals, licenses and permits for our operations, including insurance agent licenses and road transportation licenses. We are required to file with SAIC and be included in the list announced by SAIC from time to time under the Notice Relating to Announcement of Name List of Branded Automobile Sales Enterprises issued by SAIC. Failure by us to obtain or maintain necessary approvals, licenses and permits, may adversely affect our business or operations and subject us to fines and other penalties.

As at the Latest Practicable Date, all of our PRC subsidiaries hold valid licenses to conduct their businesses or are in the process of applying for or renewing the relevant licenses. Please also refer to the section headed “Regulations — Applicable PRC Laws and Regulations — The PRC automobiles industry” in this prospectus.

The ongoing economic crisis in countries is imposing significant risks to the global economy, which may adversely affect the PRC economy and our business and results of operations

The global capital and credit markets have been experiencing extreme volatility and disruption in recent times. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, and continuing concerns among investors regarding the sovereign debt of various European countries have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events may lead to a slowdown in the PRC economy. We derive all of our revenues in the PRC. Any slowdown in the PRC economy may adversely affect demand for our automobiles and after-sales services and could result in:

- a significant reduction in customer demand for our automobile and after-sales services, which reduces our revenues and profit margins;
- a significant reduction in the availability of automobile financing, which would also reduce customer demand for automobiles;

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- increased price competition for automobiles and after-sales services;
- risk of excess and obsolete inventory;
- difficulty in accurately forecasting the demand for automobiles and after-sales services;
- insolvency or credit difficulties of our customers or their insurance carriers, which could limit their ability to pay for our after-sales services; and
- insolvency or credit difficulties of our automobile manufacturers, which could disrupt the supply of automobiles or spare parts or increase our inventory costs.

In addition, some of our luxury and ultra-luxury motor vehicles are or will be imported from or manufactured by joint ventures of manufacturers based in the member states of the European Union, in particular Germany. If the current credit crisis in Europe persist or deteriorates and ultimately leads to the cessation of the Euro being used as the main currency in the European Union, any resulting changes to the currency used in Germany may cause significant fluctuations in the prices for motor vehicles, spare parts and accessories imported from Germany. As a result, this may increase our cost of sales and services and negatively affect the demand of these products.

Any of the foregoing developments could have a material adverse effect on our business, results or operations, financial conditions and business expansion.

Accidents or injuries in our 4S dealerships may adversely affect our reputation and subject us to liability

In the course of the repair and maintenance of passenger vehicles at our 4S dealerships, certain of our employees work with and around heavy machinery, moving vehicles and chemicals (such as motor oil, brake fluid, etc.). Furthermore, in the course of our day to day operations vehicles frequently need to be moved around within our dealership stores. Consequently, there are inherent risks of accidents and injuries among our employees, and to a certain extent other visitors, at each of our 4S dealership stores. The occurrence of one or more accidents or injuries at any of our 4S dealership stores could adversely affect our safety reputation among current and potential employees and customers, decrease our sales, and increase our costs by requiring us to implement additional safety measures. In addition, if accidents or injuries occur at any of our 4S dealership stores, we may be held liable for costs or damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses, and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all. See also “— Our insurance coverage may not adequately protect us against certain risks”.

Negative publicity may adversely impact us

Rumors, media coverage and public statements that suggest improper actions by us or relate to accidents or other issues involving the quality of our services, products and operations, whether or not accurate and whether or not applicable to us, may result in negative publicity, litigation or governmental investigations by regulators. Addressing negative publicity and any resulting litigation or investigations

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may distract management, increase costs and divert resources. Negative publicity may have an adverse impact on our reputation, our customer relationships and the morale of our employees, which could adversely affect our business, cash flows from operations, financial condition and results of operations.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Fluctuations in consumer spending in the PRC may significantly affect our business and financial performance

During the Track Record Period, we derived all our revenue from operations in the PRC. Our sales and growth are indirectly dependent on consumer spending and the continued improvement of macroeconomic conditions in the PRC, where a substantial portion of our revenues have been generated in the past and are expected to be generated in the future. There are many factors affecting the level of consumer spending, including but not limited to, interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment levels and general consumer confidence. In addition, we believe that our historical growth rates were largely dependent on the general growth of the PRC economy. We can provide no assurance that the PRC economy will continue to grow at historical rates, or at all, and any slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect our business, financial condition, results of operations and growth prospects. In addition, recent media reports have indicated that the PRC government is tightening its control on spending on automobiles by government entities, which could result in decreased demand for luxury goods, including ultra-luxury and luxury automobiles.

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and open door policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasising the utilisation of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. Stricter lending policies in the PRC may affect our ability to obtain external financing,

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which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for our automobiles and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

The potential implementation of a vehicle luxury tax in the PRC could adversely affect our expansion plans in the ultra-luxury passenger vehicle market and affect our business and results of operations

It was recently reported by certain media sources that a 20% luxury tax might be levied by the relevant PRC government authorities on the purchase of a passenger vehicle with a retail price over RMB1.7 million. Such purchase tax, if effectuated, might adversely affect sales of new ultra-luxury passenger vehicles and our expansion plans in the ultra-luxury passenger vehicle market, including our expected opening of two Porsche dealerships by the end of the first quarter of 2015.

Foreign exchange transactions and the convertibility of Renminbi into foreign currencies are subject to certain limitations and may affect our ability to utilise our proceeds from the Global Offering and affect our operations and financial condition

The use and exchange of foreign currencies are heavily regulated in the PRC. As a foreign invested enterprise, our PRC subsidiaries are subject to the regulatory restrictions imposed by SAFE. In general, foreign invested enterprises are allowed to open two types of foreign currency accounts, namely “current account” and “capital account”. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions and interest payments, 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 Renminbi 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.

The regulations on the management of foreign exchange may also affect our ability to utilise our proceeds from our Global Offering. Further, we cannot assure you that the PRC authorities will not impose further restrictions on methods by which the Renminbi can be converted into foreign currencies. If such measures are imposed in the future, our financial condition, results of operations and growth prospects may be materially and adversely affected.

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The value of Renminbi and foreign currencies may fluctuate and may affect our results of operations

The value of the Renminbi has been under pressure of appreciation in recent years. As there have been international pressures on the PRC to allow more flexible exchange rates for the Renminbi, hence economic situation and financial market developments in the PRC and abroad, and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to, will affect our business in different ways. For example, any appreciation in the U.S. dollar, Euro, Japanese Yen, Korean Won or other foreign currencies against Renminbi may cause automobile manufacturers to raise their prices, which would increase our purchase costs for motor vehicles and spare parts, which could in turn increase our motor vehicle retail prices and adversely affect our sales and profits. We may also face more intense competition from imported motor vehicles at a cheaper price due to the appreciation of the Renminbi or depreciation of foreign currencies. In addition, changes in foreign exchange rates may have an impact on the book value of certain of our foreign currency denominated assets and liabilities, and the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The PRC economy may experience inflationary pressure and the potential inflation may affect our business

Inflationary pressure may exist in various economies in the world. The PRC may experience inflation in the coming years, which may result in general increases in prices of goods. Along with the increase in prices of goods, the prices of motor vehicles and spare parts that we sell are expected to rise as well. Inflation in the PRC may also lead to an increase in interest rates and a slowdown in economic growth in the PRC, which may negatively impact our business. The overall impact of inflationary pressure may adversely affect our business, financial condition, results of operations and growth 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 1 January 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 1 October 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

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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.

We may be deemed to be a PRC resident enterprise under the EIT Law and such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders

Under the EIT Law, which took effect on 1 January 2008, enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to the uniform 25% EIT rate as to their global income. Under the implementation rules of the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the criteria to determine whether the “de facto management bodies” are located within the PRC for enterprises incorporated overseas with controlling shareholder being PRC enterprises.

The EIT Law and its implementation rules have certain ambiguities with respect to the interpretation of the provisions relating to resident enterprise issues. As most of our management is currently based in the PRC and may remain in the PRC in the future, we may be treated as a PRC resident enterprise for PRC EIT purposes. If we are deemed to be a PRC resident enterprise, we will be subject to PRC EIT at the rate of 25% on our worldwide income. In that case, however, dividend income we receive from our PRC subsidiaries may be exempt from PRC EIT because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from EIT. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for such PRC EIT exemptions or reductions. In addition, if we are treated as PRC resident enterprise under PRC law, we may be required to withhold PRC income tax on capital gains realised 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.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or SAT Circular 698, issued by the State Administration of Taxation on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an “Indirect Transfer”, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular

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698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 in the future and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations.

PRC regulation of 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

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries that are foreign-invested enterprises, including the proceeds of the Global Offering, are subject to PRC regulations. Foreign investors must apply to SAFE or local SAFE departments for foreign loan registration certificates and foreign exchange settlements in order to provide shareholder loans to foreign-invested enterprises in the PRC. The aggregate amount of these foreign loans must not exceed the level prescribed by SAFE. The recipient of a foreign loan must submit the foreign loan registration certificate to open and maintain a special foreign exchange account with the PBOC or another SAFE-approved bank, and may then repay the foreign loan with its own foreign exchange funds or by purchasing foreign exchange with Renminbi upon receiving SAFE approval. We may also determine to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by MOFCOM or its local counterpart. There can be no assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to capitalise the relevant PRC subsidiaries or fund our operations or utilise the proceeds of the Global Offering in the manner described in the section entitled “Future Plans and Use of Proceeds” may be negatively affected, which could materially and adversely affect the liquidity of our relevant PRC subsidiaries or our business, financial condition, results of operations and growth prospects.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders

Our business and operations in the PRC are governed by the PRC legal system that is 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 promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of

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inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention. As our Shareholder, you hold an indirect interest in our operations in China. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly affect our operations

Our business could be materially and adversely affected by natural disasters or the outbreak of avian influenza, severe acute respiratory syndrome (“SARS”), or other epidemics. Severe earthquakes hit part of Sichuan province in southwest China on 12 May 2008 and 20 April 2013, and part of Qinghai province in west China on 14 April 2010, resulting in significant casualties and property damage. While we did not suffer any material loss resulting from these earthquakes, if a similar disaster were to occur in the future, particularly in regions where we have dealerships, our operations could be materially and adversely affected due to loss of personnel, damage to property or decreased demand for passenger vehicles.

In April 2009, a new strain of influenza A virus subtype H1N1 was discovered and quickly spread across the world, including to China. In July 2009, the World Health Organization declared the outbreak to be a pandemic, while noting that most of the illnesses were of moderate severity. There have been recent reports of outbreaks of an avian flu caused by the H7N9 virus, including confirmed human cases, in China. Any outbreak of avian influenza, SARS, influenza A (H1N1), or other adverse public health developments, could adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China. As our sales are currently derived from our China operations, any contraction or slowdown in the economic growth of China could adversely affect our business, financial condition, results of operations and growth prospects. In addition, if any of our employees is infected or affected by any severe communicable disease, it could adversely affect or disrupt our operations, as we may be required to close some or all of our outlets or other business to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect our customers and suppliers, which could in turn adversely affect our business, financial condition, results of operations and growth prospects.

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In March 2011, an earthquake measuring 9.0 on the Richter Scale hit Tohoku in northern Honshu, Japan, which triggered a tsunami along the Pacific coast of Japan, causing tens of thousands of casualties and severe damage to roads, buildings and infrastructure. Moreover, certain nuclear reactors in the Fukushima nuclear power plant in northeastern Japan were severely damaged, resulting radiation leaks. Certain vehicle manufacturers and a number of our parts suppliers were adversely affected. Following the earthquake, Japanese automobile manufacturers, including Toyota and Lexus, which represented 76.4% and 74.0% of our passenger vehicle sales volume in the year ended 31 December 2012 and the six months ended 30 June 2013, respectively, limited supply of new vehicles due in part to the shortage of certain parts that are critical to vehicle production and made adjustments to their production schedules. Other automobile manufacturers based outside of Japan also source parts from suppliers in Japan and were also affected by shortages of certain parts critical to their vehicle production. Any future earthquakes or other natural disasters that affect our suppliers could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop

Prior to the Global Offering, there has not been a public market for our Shares. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Offer Price of the Shares may not necessarily be indicative of the market price of the Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders

The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general economic and market conditions.

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In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Prior dividend distributions are not an indication of our future dividend policy

Our Company was incorporated in the Cayman Islands and no dividend has been paid or declared since incorporation. Dongguan Meidong declared and paid dividends in cash totalling approximately RMB2.9 million and RMB11.8 million to its then equity shareholder, Dadong Group, in 2010 and 2012. Xiamen Meidong also declared and paid dividends in cash totalling approximately RMB12.0 million to its then equity holder, Dadong Group, in 2012. In May 2013, Dongguan Dongmei, Dongguan Dongxin, Dongguan Dongbu, Dongguan Guanfeng, Xiamen Meidong and Zhuzhou Meibaohang declared dividends, in aggregate, of approximately RMB169.9 million to the then equity shareholder of these PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group, of which RMB126.2 million was settled by way of set-off against outstanding amounts due from Dadong Group, RMB11.4 million was paid in cash in May 2013, RMB29.0 million was paid in cash in June 2013, and RMB3.3 million was paid in cash in September 2013 to the non-controlling shareholder of a subsidiary of our Group.

The foregoing dividend distributions were to the Shareholders prior to the Global Offering only. Historical dividend distributions are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. For further details of the dividend policy of our Company, please see the section headed “Financial Information — Dividend and dividend policy” in this prospectus.

The sales or the availability for sales of substantial amounts of our Shares in the future could materially and adversely affect the market price of our Shares

Shares held by the Controlling Shareholders are subject to certain lock-up periods. See “Underwriting” in this prospectus for further information. We cannot assure you that the Controlling Shareholders will not dispose of any Shares after such restrictions expire. Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

RISK FACTORS

Shareholders' interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of our capacity and business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

The costs of options to be granted under the Share Option Scheme may negatively affect our results of operations and any exercise of the options granted will result in dilution to the Shareholders

We have adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options if granted and exercised in full will represent up to a maximum of 10% of our issued share capital immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus will result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

Details of the Share Option Scheme and the options to be granted thereunder are set out in the section headed "Share Option Scheme" in Appendix V to this prospectus.

Certain facts and statistics in this prospectus relating to the PRC, the PRC economy, the PRC automobile market and the PRC automobile dealership industry may not be reliable

Certain facts and statistics in this prospectus relating to the PRC, the PRC economy, the PRC automobile market and the PRC automobile dealership industry have been derived from various official government publications which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such materials. While our Directors have taken reasonable care in extracting and reproducing such information, they have not been prepared or independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between government-published information and other market practices, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled by the government on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics from government official publications with respect to China, the PRC economy and the PRC passenger vehicle dealership and related industries contained in this prospectus.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate,” “believe,” “expect,” “may,” “plan,” “consider,” “ought to,” “should,” “would” and “will.” Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange. Investors should not place undue reliance on such forward looking information.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. We have not authorised the disclosure of any information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on any such information.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix IV to this prospectus.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the core business, major assets and operations of our Company are primarily located in the PRC, our executive Directors are based and will, in the foreseeable future, continue to be based in the PRC after the Listing.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the management presence requirements under Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, namely Mr. Ye Tao (an executive Director and Chief Executive Officer) and Mr. Yu Man To Gerald Maximillian (Chief Financial Officer and Company Secretary), to act as our principal channel of communication with the Stock Exchange. Mr. Yu is ordinarily resident in Hong Kong. Each of the authorised representatives shall be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange, and will also be accessible by telephone, facsimile and electronic means. Our Company will inform the Stock Exchange promptly in respect of any change in our authorised representatives;
- (b) each of the authorised representatives has means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact them for any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange;
- (c) Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or are entitled to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period when required;
- (d) each Director has provided his or her contact phone number, fax number and email address to the Stock Exchange if those contact details are available;
- (e) each Director has confirmed that, in the event that he or she expects to travel or be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communications to our authorised representatives;
- (f) pursuant to Rule 3A.19 of the Listing Rules, we have appointed CCB International Capital Limited to act as our compliance adviser for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange; and
- (g) our Company will maintain a principal place of business in Hong Kong at Room 2404, 24th Floor, World-Wide House, 19 Des Voeux Road, Central, Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offer.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

See “Structure of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions, and see “How to Apply for Hong Kong Public Offer Shares” in this prospectus and in the relevant Application Forms for details of the procedures for applying for Hong Kong Public Offer Shares.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which is part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offer. See “Structure of the Global Offering” in this prospectus for details of the terms of the Global Offering.

The Listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. The International Offer is managed by the Sole Global Coordinator. The International Underwriting Agreement is expected to be entered into on or about Thursday, 28 November 2013. See “Underwriting” in this prospectus for details about the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER OF SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisors or any other person involved in the Global Offering.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) on the Main Board.

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering and any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme will be registered on our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Share

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered in the branch register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong branch register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder of our Company, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stock brokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of our Group, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Underwriters, or any of their respective directors, agents, employees or advisors or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

See "Structure of the Global Offering" in this prospectus for details of the arrangement with respect to stabilisation and the Over-allotment Option.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 5 December 2013, it is expected that dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Thursday, 5 December 2013. Shares will be traded in board lots of 2,000.

The stock code for the Shares is 1268.

Our Company will not issue any temporary documents of title.

PROCEDURES FOR APPLICATION FOR SHARES

See “How to Apply for Hong Kong Public Offer Shares” in this prospectus and the relevant Applications Forms for the procedures for applying for the Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

See “Structure of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Ye Fan (葉帆先生) (Chairman)	Villa 3A, Area 2-5, Phase 2, Villas Royal, 299 South Waihuanlu, Southern District, Dongguan, Guangdong Province, PRC	Chinese
Mr. Ye Tao (葉濤先生)	No. 8, Area 1, Rits Garden, Liyuan Road, Tianzhu Zone, Shunyi District, Beijing, PRC	United States of America
Ms. Liu Xuehua (劉雪華女士)	No. 205, Floor 803, Zhongguan Estate A, Haidian District, Beijing, PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Pan Lu (潘路先生)	Room 404, Building 1, Julong Garden, Gongti South Road, Dongcheng District, Beijing 100027, PRC	Chinese
Mr. Li Lin (李林先生)	Unit 16B, Jinhui Building, 56 Yongtai Road, Hengfu Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	Chinese
Mr. Jip Ki Chi (葉奇志先生)	Flat F, 23/F, Block 1, Vianni Cove, 33 Tin Kwai Road, Tin Shui Wai, New Territories, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Global Coordinator, Sole Sponsor, Sole
Bookrunner and Sole Lead Manager**

CCB International Capital Limited
12th Floor, CCB Tower
3 Connaught Road Central, Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District, 100025
Beijing, PRC

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

**Legal advisors to the Sole Sponsor and the
Underwriters**

As to Hong Kong law:

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Beijing 10022
PRC

Auditors and reporting accountants

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent property valuer and consultant

**Jones Lang LaSalle Corporate
Appraisal and Advisory Limited**
6th Floor, Three Pacific Place
1 Queen's Road East
Hong Kong

Receiving banker

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in PRC	No. A-02-01, Dongguan International Automobile City Liaobu Town, Dongguan Guangdong Province, PRC
Principal place of business in Hong Kong	Room 2404, 24th Floor World-Wide House 19 Des Voeux Road, Central Hong Kong
Company's website	www.meidongauto.com <i>(the information contained in this website does not form part of this prospectus)</i>
Compliance adviser	CCB International Capital Limited
Company secretary	Mr. Yu Man To Gerald Maximillian, <i>F CPA</i>
Authorised representatives	Mr. Ye Tao No. 8, Area 1, Rits Garden Liyuan Road, Tianzhu Zone Shunyi District, Beijing PRC Mr. Yu Man To Gerald Maximillian Room 2404, 24th Floor World-Wide House 19 Des Voeux Road, Central Hong Kong
Audit committee	Mr. Jip Ki Chi (<i>Chairman</i>) Mr. Pan Lu Mr. Li Lin
Remuneration committee	Mr. Pan Lu (<i>Chairman</i>) Mr. Ye Tao Mr. Jip Ki Chi
Nomination committee	Mr. Ye Tao (<i>Chairman</i>) Mr. Pan Lu Mr. Jip Ki Chi

CORPORATE INFORMATION

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Cayman Islands share registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal bankers

China CITIC Bank
(Head Office)
General Banking, Investment Plaza
No 27, Financial Street
Beijing 100032, PRC

Industrial Bank Co. Ltd.
(Dongguan South City Branch)
Block 1, Fengjin Street
No 17 Hongtao Avenue
South City District
Dongguan, Guangdong Province, PRC

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from ACMR, an Independent Third Party. The information extracted from the commissioned report from ACMR reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to ACMR should not be considered as the opinion of ACMR as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the commissioned report from ACMR are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the commissioned report from ACMR has not been independently verified by us, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. Neither our Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, any of their respective directors, officers, representatives or advisors, nor any other person involved in the Global Offering make any representation as to the accuracy, completeness or fairness of such information from official government publications.

REPORT COMMISSIONED FROM ACMR

We commissioned ACMR, an independent Chinese market research provider, to conduct an analysis of, and to report on, the PRC automobile market and industry for the period from 2006 to 2016. ACMR was established in 1992 and provides data collection, industry research, market research and competition research services. 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. Certain information set forth in this section has been extracted from the industry report prepared by ACMR. The industry report dated 22 November 2013 prepared by ACMR (the “**ACMR Report**”) is independent from our influence. ACMR received a total commission of RMB200,000 for the research and preparation of the ACMR Report. The payment of such amount was not conditional on our successful listing or on the research findings of the ACMR Report.

The ACMR Report was prepared based on specific knowledge of the PRC automobile industry. In preparing the ACMR Report, ACMR used classifications and definitions widely used in the industry, such as certain geographic subdivisions and definitions of types of passenger vehicles. The forecasts in the ACMR Report were based on ACMR’s analysis of historical data and trends. This information was obtained by ACMR from a variety of industry sources, including relevant PRC government departments and established industry organizations, such as the State Statistical Bureau, the China Association of Automobile Manufacturers and the China Automobile Dealers Association. ACMR has interviewed market participants and industry experts to support, verify and cross check its estimates.

Except for this report, we did not commission any other customized research report in connection with the Listing or this prospectus.

ECONOMIC GROWTH OF THE PRC

Overview of the PRC Economy

The PRC economy has maintained rapid growth in recent years. In 2008, despite the onset of the global financial crisis, the PRC's GDP increased by 9.6% over the previous year, and was the first country to recover from the global financial crisis. According to the National Bureau of Statistics of China, the PRC's nominal GDP grew from approximately RMB21,631 billion in 2006 to approximately RMB51,932 billion in 2012, representing a CAGR of 15.7% between 2006 and 2012, and the PRC's nominal GDP per capita increased from approximately RMB16,500 in 2006 to approximately RMB38,354 in 2012, representing a CAGR of 15.1% between 2006 and 2012. According to the ACMR Report, the PRC's economy is expected to continue its rapid growth in the coming five years, with its nominal GDP and the nominal GDP per capita estimated to reach approximately RMB78,837 billion and RMB58,224, respectively, in 2016 representing a CAGR of 11.0% and 11.0% between 2012 and 2016, respectively.

Increasing urbanisation and disposable income of urban residents

Rapid economic growth and PRC governmental policies have led to accelerating urbanisation in China. Between 2006 and 2012, the total urban population in the PRC increased by approximately 135 million to approximately 712 million, representing approximately 52.6% of the total population in the PRC. As a result of rapid economic growth and urbanisation in China, there has been an improvement in living standards, in terms of the per capita disposable income of urban residents. Between 2006 and 2012, the annual per capita disposable income of urban residents increased from approximately RMB11,759 to RMB24,565, representing a CAGR of approximately 13.1%.

Increasing numbers of affluent individuals

Rapid economic growth and urbanisation has also led to a large and growing pool of affluent individuals in China. In 2012, the number of individuals in the PRC with net assets of over US\$1 million increased by approximately 12.8% over the previous year. At the same time, according to the ACMR Report, it is expected that the numbers of individuals with net assets of over RMB10 million and RMB100 million will increase from 1,020,000 and 63,500, respectively, in 2012, to 1,226,009 and 75,635, respectively, in 2016.

Increasing consumption of consumer goods

With the rapid economic growth and rising income levels in China, there has been an increase in the consumption of consumer goods. Between 2006 and 2012, the retail sales value of consumer goods increased from approximately RMB7,641 billion to approximately RMB21,031 billion, representing a CAGR of approximately 18.4%. It is expected that the retail sales value of consumer goods will increase to approximately RMB36,783 billion in 2016, representing a CAGR of 15.0% from 2013. The automobile finance market has experienced significant increases in recent years to meet changes in the consumption habits in the PRC. In 2001, market size of automobile finance in the PRC was RMB43.6 billion, and by the end of 2012, the figure was expected to reach approximately RMB360 billion, representing a CAGR of 21.2%.

INDUSTRY OVERVIEW

Overview of the Economy in the Regions Where Our Group Operates

As at the Latest Practicable Date, our Group operates dealerships in five provincial-level areas: Guangdong, Fujian, Hunan, Beijing and Gansu. According to the National Bureau of Statistics of China Guangdong has been the region with the highest level of total GDP in the PRC since 2006, while Beijing is the region with the second highest level of GDP per capita in the PRC in 2012. In addition, Fujian, Hunan and Gansu all have higher nominal GDP and nominal GDP per capita annual growth rates than the national average. Despite the higher GDP, these three regions still have lower automobile penetration rates, which represent the number of automobiles per 100 residents, compared to the national average of 6.2 units per hundred people. The higher nominal GDP and nominal GDP per capita growth coupled with the lower household automobile penetration rates of these areas indicate significant growth potential for the automobile market in these areas.

Furthermore, according the ACMR Report the per capita disposable income of urban residents of Guangdong, Fujian and Beijing in 2012 was above the national average. In 2012, among China's provincial areas, Guangdong, where six of our 14 dealerships (including one operated by our Joint Venture) were located, was ranked first in terms of nominal GDP and retail sales value of consumer goods, and was ranked eighth and fourth in terms of nominal GDP per capita and disposable income for urban residents, respectively.

THE PRC PASSENGER VEHICLE MARKET

Largest New Passenger Vehicle Market in the World

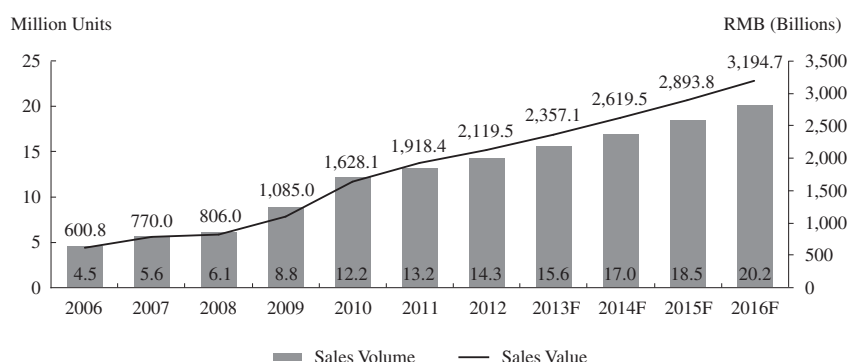
The rapid growth of the PRC has led to a rapid expansion of the PRC new passenger vehicle market. According to the ACMR Report, the PRC has been the world's largest new passenger vehicle market since 2009 and is still the fastest growing market out of the top ten largest new passenger vehicle markets in terms of the number of new passenger vehicles sold, with a CAGR of 21.5% between 2006 and 2012.

However, the after-sales services market and second-hand sales markets remain relatively less developed. In 2011, the breakdown of revenues of 4S dealerships in the PRC was as follows: new vehicle sales 88%, after-sales services 10%, used vehicle sales 2%. This breakdown represents lower ratios for after-sales services and second hand sales revenue when compared to more mature markets. For example, in 2011, breakdown of United States revenues of dealerships in the United States was as follows: new vehicle sales 54.4%, after-sales services 13.2%, second-hand vehicle sales 32.4%.

Along with the economic growth and improving standards of living, the PRC new passenger vehicle market is expected to maintain its strong growth. According to the ACMR Report, the PRC new passenger vehicle market, in terms of sales volume, is expected to continue to grow at approximately 9% on average per year from 2013 and 2016.

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Sales Volume and Sales Value of New Passenger Vehicles in the PRC

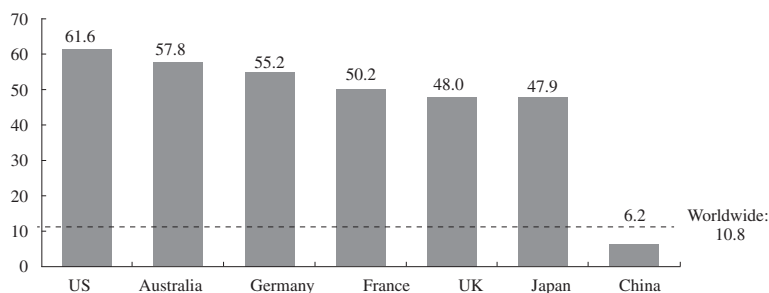


Source: ACMR Report

Significant Potential for Continued Growth

Although the PRC is the largest new passenger vehicle market in the world, its automobile penetration rate is still relatively low compared to other major markets in the world. In 2012, the automobile penetration rate in the PRC was approximately 6.2 units per hundred people, which was significantly lower than that of developed markets such as Japan, France, Germany, Australia and the United States, which had automobile penetration rates ranging between 47.9 and 61.6 units per hundred people. This indicates significant potential for continued growth of the PRC automobile market.

National Passenger Vehicle Penetration Rates, 2012



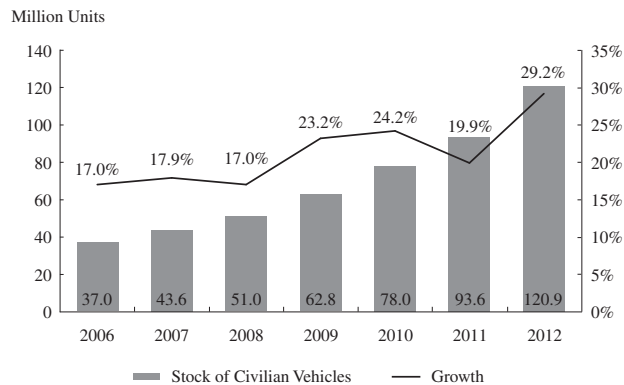
Source: ACMR Report

Since the automobile penetration rate in the PRC is low, the demand for passenger vehicles in the PRC mainly comes from purchasers who have never before owned a passenger vehicle, or “first-time buyers”. In 2012, first time buyers accounted for about 80% of new passenger vehicle sales, with sales from buyers who had already owned passenger vehicles and were purchasing to replace an existing vehicle or to acquire additional vehicles, or “repeat buyers”, accounting for the remaining 20% of new passenger vehicle sales. However, as the penetration rate in the PRC increases the number of repeat buyers is expected to increase, as in developed countries with mature automobile markets and higher penetration rates, sales from repeat buyers make up a much larger proportion of new passenger vehicle sales, generally between 70% and 80%.

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As the number of repeat buyers increases in the PRC, more existing passenger vehicles will be expected to remain on the road, contributing to the growing stock of civilian vehicles in the PRC. Between 2006 and 2012, the stock of civilian vehicles in the PRC increased from approximately 37 million units to 120.9 million units, with a CAGR of 21.8%. As this stock of vehicles in the PRC increases and ages, these vehicles will cause increased demand for high-margin after-sales services and should grow this source of profit for automobile dealers.

Stock of Civilian Vehicles in the PRC



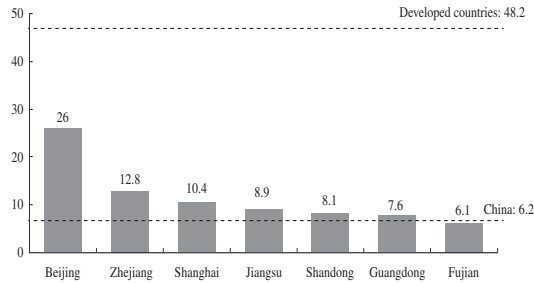
Source: National Bureau of Statistics of China, ACMR Report

Passenger Vehicle Market in the Regions Where Our Group Operates

As mentioned in the section entitled “— Overview of the Economy in the Regions Where Our Group Operates” above, as at the Latest Practicable Date, our Group operates dealerships in five provincial-level areas, according to the ACMR Report, three of which (Fujian, Hunan and Gansu) have higher nominal GDP and nominal GDP per capital annual growth rates than the national average. Despite the higher GDP, these three regions still have lower automobile penetration rates, which represent the number of automobiles per 100 residents, compared to the national average of 6.2 units per hundred people, according to the ACMR Report. The higher nominal GDP and nominal GDP per capita growth coupled with the lower automobile penetration rates of these areas indicate significant growth potential for the automobile market in these areas. Furthermore, while our Group also operates dealerships in two other provincial-level areas (Beijing and Guangdong) that have automobile penetration rates that exceed the national average, these rates are still far below the average automobile penetration rate of developed countries, which in 2012 was 48.2 units per hundred people, according to the ACMR Report. (“Developed countries” as referred to herein are those countries considered to have “very high human development” according to the 2013 Human Development Report issued by the United Nations Development Programme on 14 March 2013. Countries with “very high human development” consist of the top 47 countries with the highest Human Development Index (HDI) value as determined by the United Nations Development Programme.) This difference in the automobile penetration rate indicates significant potential for continued growth of the automobile market in these areas despite their automobile penetration rates relative to the PRC national average.

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Automobile Penetration Rate in Selected Regions, 2012



Source: ACMR Report

Guangdong province, in which six of our total of 14 dealerships (including one operated by our Joint Venture), as at the Latest Practicable Date are located, is an example of the rapid growth in affluent provinces. Furthermore, Guangdong has consistently been one of the four largest provincial markets of new passenger vehicles among provincial level areas in the PRC since 2006 in terms of the number of new passenger vehicle registration. According to the ACMR Report, in 2012, approximately 8.9% of the PRC's total number of new passenger registrations occurred in Guangdong, while the sales value of cars sold in Guangdong province in the same period made up approximately 10% of the sales value of the overall PRC market. In 2012, our market share in Guangdong province was about 0.9% in terms of sales value in Guangdong province, according to the ACMR Report.

Approximately 81.9%, 84.7% and 84.2% and 84.4% of our turnover was derived from dealerships located in southeastern provinces of Guangdong, Hunan and Fujian for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

Market Segmentation

There is currently no uniform standard for the classification of the PRC passenger vehicle segment. However, the market segmentation adopted by ACMR and set out below is commonly used in the industry. The ACMR Report divides the brands that make up the PRC passenger vehicle market into four segments, based on, among other factors, brand position, quality, functionality and price range: (i) ultra-luxury, (ii) luxury, (iii) mid- to high-end, and (iv) low-end brands. The market segmentation is commonly used in the industry. The following table sets forth representative brands and the indicative price range of each segment:

Segment	Representative brands	Indicative price range (RMB)
Ultra-luxury	Bentley, Lamborghini, Porsche, Rolls-Royce	Over 1 million
Luxury	Audi, BMW, Lexus, Mercedes-Benz, Volvo	300,000 to 1 million
Mid- to high-end	Buick, Honda, Hyundai, Nissan, Toyota	80,000 to 300,000
Low-end	BYD, Chery, Geely, Changan, JAC	less than 80,000

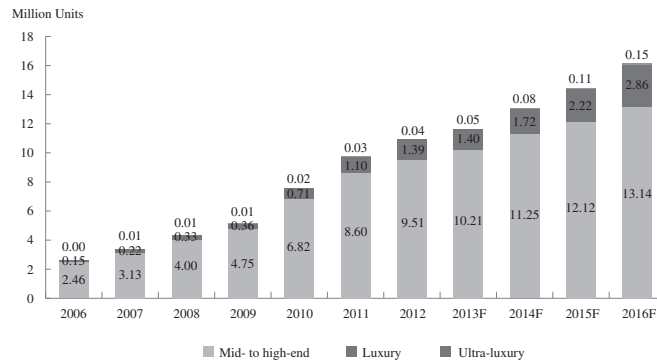
Our dealerships currently sell passenger vehicles in either the mid- to high-end segment or the luxury segment and we currently plan to open new dealerships to sell passenger vehicles in the ultra-luxury segment beginning in the third quarter of 2014.

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Rapid Growth of the Mid- to High-end, Luxury and Ultra-luxury Segments

The mid- to high-end, luxury and ultra-luxury segments of the PRC passenger vehicle market grew significantly from 2006 to 2012. Between 2006 and 2012, the sales volume of mid- to high-end, luxury and ultra-luxury new passenger vehicles increased from approximately 2.6 million units to approximately 10.9 million units, representing a CAGR of 27.0% and outpacing the CAGR of total new passenger vehicle sales volume of approximately 21.5% during the same period. It is expected that the sales volume of mid- to high-end, luxury and ultra-luxury vehicles will further increase at a CAGR of 11.5% from 2013 to 2016.

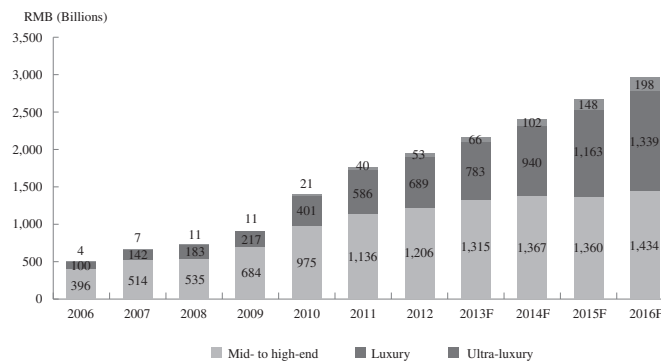
**Sales Volume of Mid- to High-end,
Luxury and Ultra-luxury New Passenger Vehicles in the PRC**



Source: ACMR Report

Sales value of mid- to high-end, luxury and ultra-luxury new passenger vehicles grew in line with growth in sales volume. Between 2006 and 2012, the sales value of mid- to high-end, luxury and ultra-luxury new passenger vehicles increased from approximately RMB500.0 billion to approximately RMB1,948 billion, representing a CAGR of approximately 25.4% and outpacing the CAGR of total new passenger vehicle sales value of approximately 23.4% during the same period. It is expected that the sales value of mid- to high end, luxury and ultra-luxury new passenger vehicles will further increase at a CAGR of 11.1% from 2013 to 2016.

**Sales Value of Mid- to high End,
Luxury and Ultra-luxury New Passenger Vehicles in the PRC**



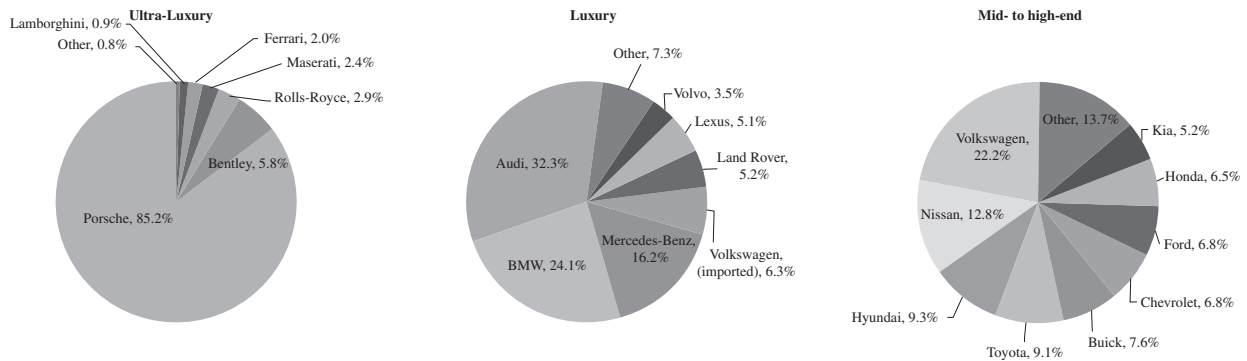
Source: ACMR Report

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Brand Concentration in Market Segments

According to the ACMR Report, the ultra-luxury segment is characterised by the dominance of a single brand-Porsche, which has accounted for over 80% of the total sales volume of ultra-luxury automobiles since 2006. The luxury segment is dominated by a few brands, with Audi, BMW and Mercedes-Benz together accounting for approximately 72.6% of the total sales volume of luxury automobiles in 2012. The brand concentration in the ultra-luxury, luxury and mid- to high-end segments are demonstrated in the following charts:

**Brand Breakdown of Sales of Ultra-luxury,
Luxury and Mid- to high-end Passenger Vehicles in the PRC, 2012**



Source: ACMR Report

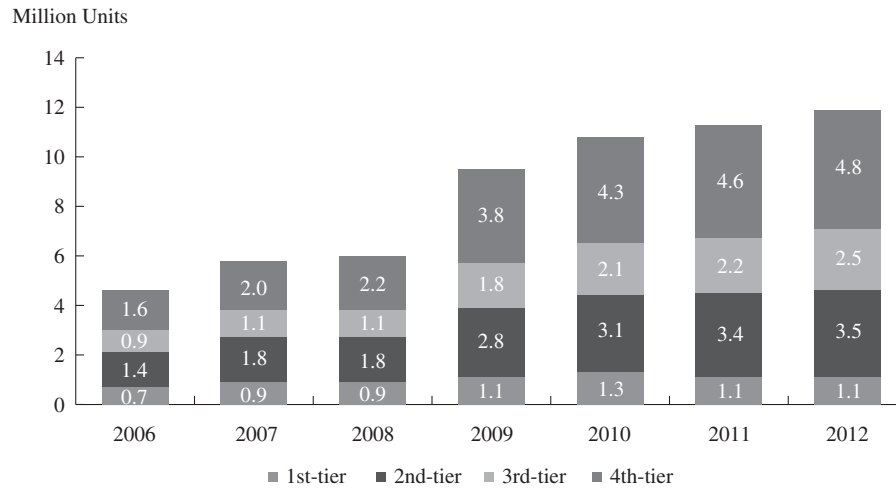
As shown in the above charts, brand dominance decreases and the market becomes more fragmented in the mid- to high-end segments, where the top five brands accounted for approximately 61% of the total sales volume of the segment in 2012.

Rapid Growth in Second-, Third- and Fourth-tier Cities

According to the ACMR Report, as a result of higher economic growth and living standards, first-tier cities in China have always been the major demand driver of new passenger vehicles. However, with the rapid economic development in second-, third- and fourth-tier cities and the gradual increase in passenger vehicle penetration rates in first-tier cities, passenger vehicle sales networks in the PRC have started migrating out of first-tier cities to second-, third- and fourth-tier cities. In 2012, approximately 88.9% of registrations of new passenger vehicles in China were in second-, third- and fourth-tier cities. Between 2006 and 2012, the CAGR of new passenger vehicle registrations in first-tier cities was 7.0%, significantly lower than the national average of 17.3%, and were lower than the national average in every market segment. In comparison, the CAGR of new passenger vehicle registrations in third- and fourth-tier cities was approximately 19.5% and 20.2%, respectively, both higher than the national average, and approximately 16.6% in second-tier cities, slightly below the national average. Furthermore, the average annual growth rates of new passenger vehicle registrations in second-, third- and fourth-tier cities, exceeded the national average in the following segments: second-tier cities exceeded the national average in the ultra-luxury and luxury segments, third-tier cities exceeded the national average in the ultra-luxury and the mid- to high-end segments, and fourth-tier cities exceeded the national average in all market segments.

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Numbers of Registrations of New Passenger Vehicles in Cities in the PRC



Source: ACMR Report

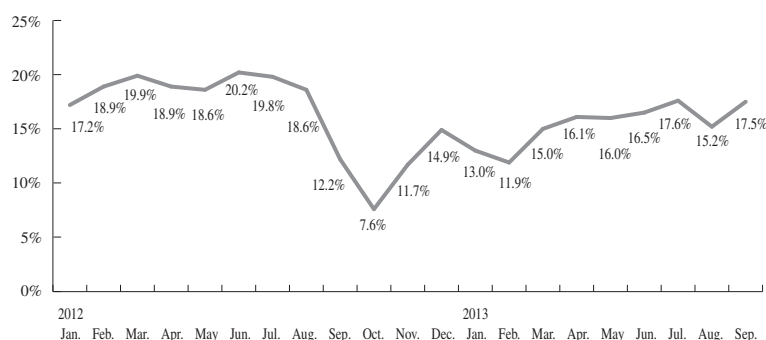
Development and Prospects of Key Automobile Brands in the PRC

We sell automobiles from a diversified brand portfolio that includes Toyota, Hyundai, Lexus, BMW and will soon include Porsche (collectively, our “key brands”). The PRC is an important market for our key brands. For example, China (including Hong Kong and Macau) is the largest market for BMW and second largest market for Porsche. According to the ACMR Report, the PRC remains a strategic market for our key brands, and each of our key brands that seek to increase its dealership network and/or its manufacturing capacities in the PRC. On a regional basis, most of the provincial-level areas in which we operate, in particular Hunan, Fujian and Gansu, are areas in which the annual growth rates of new vehicle registrations for our key brands exceeds the national average for each brand.

The popularity of a particular brand or model of automobile, as represented by its market share, can be affected by a large number of factors, including brand awareness and price. External events may also affect the market share of the key brands that we sell. For example, the flare-up in September 2012 of the territorial dispute between China and Japan over the Diaoyu Islands led to a significant decrease in sales of Japanese-branded passenger vehicles in the PRC. According to the ACMR Report, sales of such Japanese new passenger vehicles in the PRC amounted to approximately 160,000 units in September 2012, representing a decrease of approximately 40.8% over the same period in 2011. As a result, the market share of new Japanese passenger vehicles in the total PRC new passenger vehicle market dropped to approximately 12.2%, from 18.6% in August 2012. In October 2012, sales of Japanese new passenger vehicles further decreased to approximately 99,000 units and the market share of Japanese new passenger vehicles fell further to approximately 7.6%. It was the first time since 2009 that the monthly sales of Japanese new passenger vehicles and its market share dropped below 100,000 and 10%, respectively. The sales volume and market share of Japanese new passenger vehicles have made significant recoveries since then. According to the ACMR Report, sales of Japanese new passenger vehicles in the PRC amounted to approximately 278,000 units in September 2013, representing an increase of approximately 73.8% over the same period in 2012. As a result, the market share of new Japanese passenger vehicles in the total PRC new passenger vehicle market increased to approximately 17.5%. However, the market share indicators still have not returned to the levels they were at before the incident.

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Percentage of Total New Passenger Vehicle Sales in the PRC January 2012–September 2013 (Japanese-Branded Passenger Vehicles)



Source: ACMR Report

As a result of the Diaoyu Islands dispute, sales in the PRC of Toyota and Lexus, two of our key brands, decreased significantly during the relevant period. From January to August 2012, the sales of Lexus new passenger vehicles increased by approximately 67% over the same period in 2011. However, the Diaoyu Islands dispute resulted in a decrease in sales in September and October 2012. Furthermore, in September and October 2012, sales of Toyota new passenger vehicles decreased by approximately 48.9% and 44.1%, respectively, compared with the same period in 2011. For the year ended 31 December 2012, sales of Toyota new passenger vehicles amounted to approximately 841,000 units, representing a decrease of approximately 4.8% compared with the year ended 31 December 2011. Despite the Diaoyu Islands dispute, sales of Toyota new passenger vehicles remained strong globally in 2012. According to the ACMR Report, in 2012, Toyota recaptured its position as the world's largest automobile manufacturer by volume.

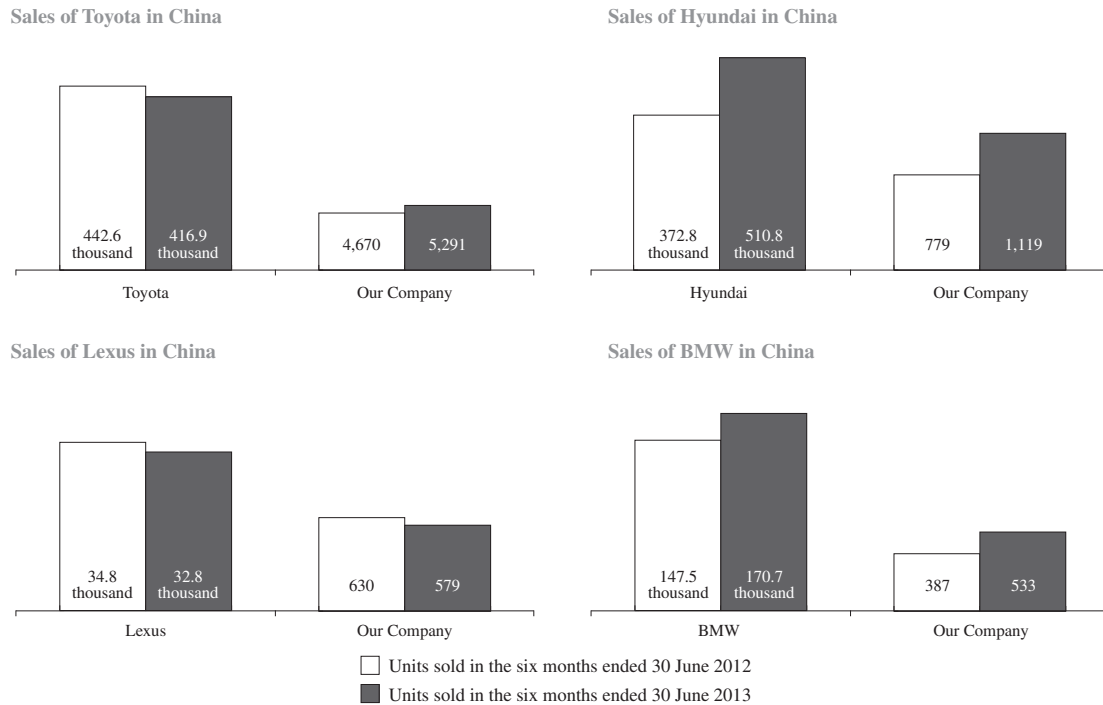
As a result of weaker market conditions in the PRC, the average selling price of mid- to high-end, luxury and ultra-luxury new passenger vehicles decreased in 2012 when compared with 2011, according to the ACMR Report. While the total sales value of mid- to high-end, luxury and ultra-luxury new passenger vehicles in the PRC increased from approximately RMB1,761.9 billion in 2011 to approximately RMB1,947.8 billion in 2012, representing an increase of approximately 10.6%, total sales volume increased at a faster rate from approximately 9.7 million units in 2011 to 10.9 million units in 2012 representing an increase of approximately 12.4%. Consequently, the average selling price of mid- to high-end, luxury and ultra-luxury new passenger vehicles in the PRC decreased from RMB181,000 per unit in 2011 to RMB178,000 per unit in 2012. Furthermore, while the annual sales volume of new mid- to high-end, luxury and ultra-luxury passenger vehicles in the PRC grew by 29.1% between 2010 and 2011, the growth rate weakened considerably between 2011 and 2012, with an annual growth rate of approximately 12.4%.

In the six months ended 30 June 2013, growth in sales volume in the PRC of passenger vehicles, as compared to the six months ended 30 June 2012, were mixed for the brands that we sold. Toyota and Lexus had declines in sales volume, while Hyundai and BMW recorded growth in sales volume. For Toyota and Lexus, sales volume in the PRC for the six months ended 30 June 2013 decreased by 25,700 units and 2,000 units, respectively, or a 5.8% period-on-period decline for each, compared to the six months ended 30 June 2012. On the other hand, for the six months ended 30 June 2013, sales volume for Hyundai and BMW increased by 138,000 units and 23,200 units, respectively, representing a 37.0%

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and 15.7% growth period-on-period growth rate, respectively, compared to the sales volume for the six months ended 30 June 2012. Set forth below are charts showing the sales volume in the PRC for each of the brands that we sold in the six months ended 30 June 2012 and 2013, as well our sales volume for these brands during the same periods.

Sales Volume of New Passenger Vehicles in the PRC



Sources: ACMR Report

THE PRC 4S DEALERSHIP SECTOR

Retail Platform in the PRC Passenger Vehicle Market

Since the introduction of the 4S dealership retail model in the mid-1990s and the implementation of the Measures for the Implementation of Management of Automobile Brand Marketing (汽車品牌銷售管理實施辦法), the 4S dealership has become the dominant platform for retailing passenger vehicles in the PRC. A “4S dealership store” is a specialised dealership store with sales, spare parts, services and survey capabilities and is typically established through one or more agreements between an automobile manufacturer and an automobile dealer that authorise the dealer to conduct marketing activities for specified automobile brands within a specified region. These agreements generally also set forth requirements with respect to sales and marketing formats, service standards, sales processes and corporate identities. According to the ACMR Report, total revenue generated from 4S dealerships increased from RMB614.7 billion to RMB2,462.7 billion from 2006 to 2012, representing a CAGR of 26.0%. Total sales through 4S dealerships is expected to grow from RMB2,740.9 billion to RMB3,796.7 billion from 2013 to 2016, representing a CAGR of approximately 11.5%.

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Profitability of the automobile dealership industry decreased in 2012 due to the high inventory levels and weak market demands. According to the ACMR Report, in 2012, approximately 30% of dealers in the industry suffered losses. According to the ACMR Report, over 52.6% of imported branded passenger vehicle dealers suffered losses, 39.5% broke even and just 7.9% were profitable; for joint venture branded passenger vehicle dealers, 34.6% suffered losses, 35.6% broke even and 29.8% were profitable; for Chinese local branded passenger vehicle dealers, 40.4% suffered losses, 28.8% were break even, and 30.8% were profitable.

Dealers in the automobile dealership industry commonly face high staff turnover, especially for sales personnel. As the sales personnel of automobile dealerships serve customers directly during the sales process the quality of the sales personnel is therefore closely related to the success of dealerships. In addition to compensation, factors playing important roles in the decision of sales personnel to choose a particular employer include the quality and abundance of training programs, career paths and corporate cultures of such dealer.

As mentioned in the section entitled “— Passenger Vehicle Market in the Regions Where Our Group Operates” above, six of our total of 14 dealerships (including our Joint Venture) as at the Latest Practicable Date are located in Guangdong province. In 2012, we were among the top five privately-owned automobile dealership groups headquartered in Guangdong province in terms of turnover, according to the ACMR Report. In addition to privately-owned automobile dealership groups, other leading automobile dealership groups headquartered in Guangdong province are mainly state-owned or state-controlled companies. Among all types of automobile dealership groups headquartered in Guangdong province, we were the eight largest automobile dealership group in terms of turnover in the PRC for the year ended 31 December 2012. The following table sets forth the top ten automobile dealership groups headquartered in Guangdong province in terms of turnover in the PRC for the year ended 31 December 2012.

Top 10 Automobile Dealership Groups Headquartered in Guangdong Province, 2012 (in terms of turnover)

Ranking	Company Name	Company Nature	2012 Turnover (RMB billion)	Approximate market share in PRC
1	Group A	State-owned	25.20	1.0%
2	Group B	State-owned	13.64	0.6%
3	Group C	Privately-owned	8.54	0.3%
4	Group D	Privately-owned	6.18	0.3%
5	Group E	State-controlled	6.08	0.2%
6	Group F	Privately-owned	3.52	0.1%
7	Group G	Privately-owned	3.49	0.1%
8	Our Group	Privately-owned	2.95	0.1%
9	Group H	Privately-owned	2.81	0.1%
10	Group I	Privately-owned	2.47	0.1%

Source: ACMR Report

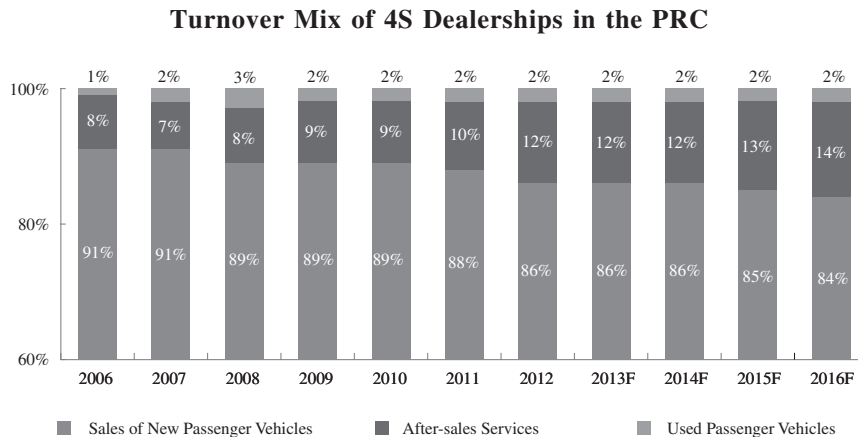
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Of our six dealerships in Guangdong province, five are located in the city of Dongguan, which is also where our corporate headquarters are located. According to the ACMR Report, Dongguan is among the biggest city-level markets, apart from first-tier cities, for automobiles in terms of new car sales and car ownership level and competition among 4S dealerships in Dongguan is intense. According to the ACMR Report, at the end of 2012, there were 106 4S dealership stores of mid- to high-end, luxury and ultra-luxury brands in Dongguan, accounting for approximately 12.4% of the total number of all mid- to high-end, luxury and ultra-luxury dealership stores in Guangdong.

According to the ACMR Report, two of our Lexus dealerships, Xiamen Meidong and Dongguan Meidong, were ranked first and third respectively, in terms of return on assets, among all Lexus dealerships in China in the first half of 2013.

Turnover Mix of 4S Dealerships in the PRC

The turnover of 4S dealerships in the PRC is primarily from (i) the sales of new automobiles, (ii) the performance of after-sales services and (iii) sales of used vehicles, which accounted for approximately 86%, 12% and 2% of the turnover of 4S dealerships in the PRC in 2012, respectively. According to the ACMR Report, the growth of the after-sales market is expected to outpace that of the new automobile market. As a result, it is expected that in 2016, the percentage of turnover from sales of new automobiles will decrease to approximately 84%, while that for after-sales services will increase to approximately 14%. The percentage of turnover from sales of used vehicles is expected to remain constant at 2% in 2016. At present, the gross profit margins for after-sales services and the sales of used vehicles are higher than the gross profit margin for sales of new automobiles. The gross profit margin for sales of new automobiles ranges from nil to 6% (depending on brand), and the whole gross profit margins for after-sales services and sales of used vehicles range from 40% to 45% and 5% to 10%, respectively.



Source: ACMR Report

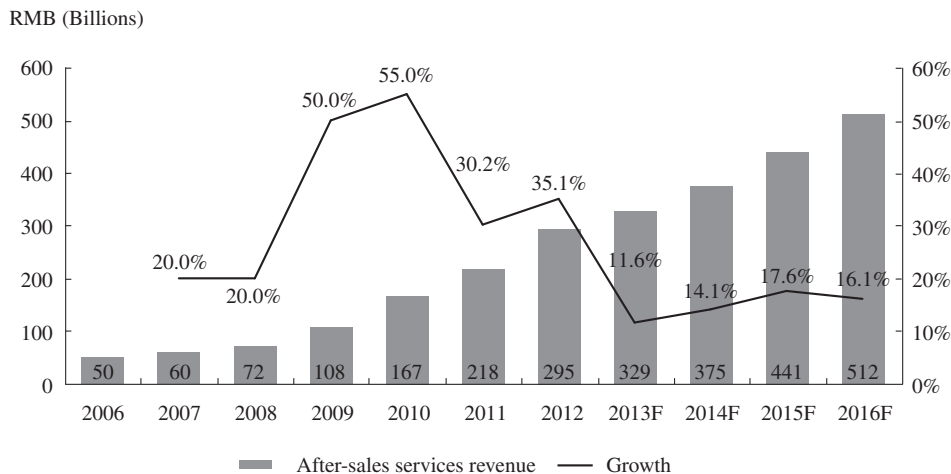
The large and rapidly increasing size of the automobile market and size and aging of the stock of existing civilian vehicles in China is expected to generate growth in demand for after-sales services, which generally includes the sales of spare parts as well as the provision of repair and maintenance services. According to the ACMR Report, the after-sales services market in the PRC has grown from approximately RMB120 billion in 2006 to approximately RMB460 billion in 2012, representing a CAGR of 25.1%. The ACMR Report projects that the after-sales services market will further increase to

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approximately RMB800 billion in 2016, representing a CAGR of 14.7% between 2013 and 2016. Profit margin for providing after-sales services is usually higher than that for sales of passenger vehicles. As a result, after-sales services will become an important driver of gross profit margin growth for 4S dealerships.

At present, the suppliers of after-sales services primarily consist of 4S dealerships, small-scale standalone quick repair shops and professional repair shops that operate in chains. According to the ACMR Report, customers, in particular those that are owners of luxury or ultra-luxury passenger vehicles, are more likely to be confident with the quality of after-sales services provided by 4S dealerships, and they expect that 4S dealerships will become the mainstream model and will rapidly increase their share of the after-sales market, while small-scale standalone quick repair shops will gradually recede. As shown in the following chart, the after-sales services market for 4S dealerships in the PRC has grown from approximately RMB50 billion in 2006 to approximately RMB294.5 billion in 2012, representing a CAGR of 34.4%. The ACMR Report expects that the after-sales services market for PRC 4S dealerships will further increase to approximately RMB512 billion in 2016, representing a CAGR of 15.9% between 2013 and 2016.

Revenue from After-sales Services from 4S Dealerships in the PRC



Source: ACMR Report

A key measure of the performance of dealership-level services operations is the calculation of an “absorption rate”, which is calculated as follows:

$$\text{absorption rate} = \frac{\text{gross profit of after-sales services}}{\text{distribution costs} + \text{administrative expenses}}$$

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The absorption rate represent the recovery rate of a dealership's operating costs from its after-sales services. An absorption rate of 100%, or close to 100%, indicates that the dealership's operating costs can essentially be supported by after-sales services alone. The table below shows our absorption rate compared to those of the other PRC 4S dealership groups publicly listed in Hong Kong during the Track Record Period, calculated based on publicly available financial information filed by these dealership groups:

<u>Company Name</u>	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Our Group	50.3%	70.7%	94.2%	118.3%
Dealership Group X	97.2%	86.5%	85.6%	92.4%
Dealership Group Y	87.9%	76.6%	58.8%	73.1%
Dealership Group Z	61.8%	70.9%	81.9%	84.5%
Dealership Group ZA	72.1%	70.3%	73.4%	106.9%
Dealership Group ZB	101.8%	88.6%	81.7%	95.5%

Source: ACMR Report

Increasing consolidation

According to the ACMR Report, the number of dealership stores in the PRC in 2012 was approximately 26,000. The ownership of automobile dealerships in China remains fragmented, with the majority being standalone dealerships. However, ownership of individual dealerships has continued to become more concentrated in major dealership groups and, according to the ACMR Report, consolidation of dealership groups will continue to intensify through mergers and acquisition and will remain the trend going forward, due both to business considerations as well as government policy. For example, as the competition in the PRC automobile dealership industry intensifies, profit generated from the sales of automobiles gradually decreases. As a result, automobile dealerships have begun introducing multiple automobile brands within their networks instead of relying on a single brand, often through acquisition of dealerships with different brands. Also, having a large number of dealership stores in the market with diffuse ownership may result in intensive and disorderly competition and therefore cause relatively low profitability across the 4S dealership industry. According to the ACMR Report, the increasing consolidation of dealership groups will reduce disorderly competition and improve dealership profitability. In terms of government policy, in The Guidance for the Development of the 12th Five-Year Plan on Promotion of Automobile Circulation (關於促進汽車流通業“十二五”發展的指導意見) promulgated by MOFCOM on December 2011, the top 100 automobile dealership groups are targeted to achieve more than 30% of the market revenue. The guidance also targets for China to have 30 regional dealership groups with turnover of over RMB10 billion and three to five dealership groups with turnover of over RMB100 billion.

REGULATIONS

APPLICABLE PRC LAWS AND REGULATIONS

The following is a summary of the PRC laws and regulations relating to the business operations of our Group within the territory of the PRC:

Establishment, Operation and Management of a Wholly Foreign-Owned Enterprise

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the “**PRC Company Law**”), which was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) on 29 December 1993 and with effect from 1 July 1994. It was last amended on 27 October 2005 and with effect from 1 January 2006. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), which were promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”), which was amended and promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 24 December 2011, with effect from 30 January 2012. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. The wholesale, retail and distribution of automobiles, the retail of used vehicles, the maintenance and repair of motor vehicles as well as insurance agency are not listed in the Catalogue, which means foreign investments are permitted to have investments in these industries in accordance with PRC laws.

The PRC Automobiles Industry

On 20 March 2009, the State Council issued the Automobile Industry Restructuring and Revitalisation Plan (汽車產業調整和振興計劃) (“**Plan**”), which clarified the areas of development of the automobile industry and set up policy measures across multiple aspects of the automobile industry. On 21 May 2004, the National Development and Reform Commission (“**NDRC**”) promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (“**Policy**”), which was further amended on 15 August 2009. The Policy contains provisions relating to, among other things, the PRC automobile industry’s technology policies, structural adjustments, market access administration, trade marks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

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New Automobile Sales

The sale of new automobiles is subject to Measures for the Implementation of Management of Automobile Brand Marketing (汽車品牌銷售管理實施辦法), which was promulgated on 25 February 2005 and with effect from 1 April 2005. Measures for the Implementation of Management of Automobile Brand Marketing provide for two categories of automobile distributors, namely general automobile distributors and automobile brand distributors. Foreign automobile manufacturers are required to establish general automobile distributor in the PRC to distribute their automobiles and parts. Automobile brand distributors are defined as the enterprises that are authorised by the automobile suppliers (either automobile manufacturers or their general automobile distributors) and engaged in automobile sales and service in form of automobile brand marketing.

In accordance with Measures for the Implementation of Management of Automobile Brand Marketing, automobile supplier should submit relevant materials of the applicant for automobile brand distributor who meet with the statutory requirements to the State Administration for Industrial and Commercial (國家工商行政管理總局) for record and then the applicant for brand distributor should make registration with the local administration for industrial and commercial on strength of the aforesaid record documents. Furthermore, the automobile brand distributor that meets with the statutory requirements and has obtained business licence should be put on record to the department of commerce at the provincial level where it locates within two months from the date it obtained the business license.

Automobile Maintenance and Repair Services

According to PRC Regulations on Road Transport (中華人民共和國道路運輸條例), which was promulgated on 30 April 2004 and with effect from 1 July 2004 and was amended on 9 November 2012 and the amendments will take effect from 1 January 2013, anyone who applies to operate a road transport station (site), motor vehicle maintenance and repair business or the training of motor vehicle drivers shall apply to the local road transport authority at the county level for approval, obtain a Road Transport License (道路運輸經營許可證) and further go through the registration formalities with the administration of industry and commerce on strength of the approval in accordance with relevant laws. No motor vehicle maintenance and repair business operator may repair any discarded motor vehicle, or refit any motor vehicle, without approval.

Pursuant to Provisions on the Administration of Motor Vehicle Maintenance (機動車維修管理規定), which was promulgated on 24 June 2005 and with effect from 1 August 2005, the business operations of auto maintenance are classified into business operations of Grades I, II and III in light of operational items and serving capabilities. Entities with different certificates for business operations are entitled to undertake different types of maintenance and repairs.

Insurance Agency

We earn commission from insurance companies which provide policies to our customers on the premise of our 4S dealership stores. As such, our business operations are subject to Interim Measures for the Administration Of Concurrent-Business Insurance Agencies (保險兼業代理管理暫行辦法), which was promulgated on 4 August 2000 and with effect from the same date. According to Interim Measures for the Administration of Concurrent-Business Insurance Agencies, the application for the qualification of concurrent-business insurance agency and the modification of relevant contents shall be reported by the principal insurance company to China Insurance Regulatory Commission (中國保險業監督管理委員

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會) (hereinafter referred to as “CIRC”) for approval. CIRC shall issue a “License for Concurrent-Business Insurance Agency” to each entity that is checked and approved to have obtained the qualification for concurrent-business insurance agency.

Used Vehicle Sales

The sale of used vehicles is subject to Administrative Measures for the Circulation of Used Vehicles (二手車流通管理辦法), which was promulgated on 29 August 2005 and with effect from 1 October 2005. Pursuant to Administrative Measures for the Circulation of Used Vehicles, the retailer and broker of used vehicles must be legal person and must complete the registration formalities with the local administrative department of industry and commerce according to relevant laws. In addition, the entities that engage in the retail, brokerage, appraisal or evaluation of used vehicles and have obtained corresponding business licenses must, within 2 months of obtaining their business license, submit their information to the department of commerce at the provincial level for their records.

Automobile Loans

We obtain financing from banks and financial institutions for our operation, including for the purchase of new automobiles to be sold to our customers. Our business operations are subject to the Measures for the Administration of Automobile Loans (汽車貸款管理辦法), which was promulgated on 16 August 2004 and with effect from 1 October 2004. According to the Measures for the Administration of Automobile Loans, loans granted to automobile distributors, the term shall not be longer than one year and the automobile distributor who applies for an automobile loan shall be a legal person possessing a valid business license, an annual review certificate issued by the administrative department for industry and commerce and an automobile selling agent certificate issued by the automobile manufacturer.

Automobile Recalls

According to Administrative Regulations on Recall of Defective Auto Products (缺陷汽車產品召回管理條例), which were promulgated on 22 October 2012 and with effect from 1 January 2013, require the manufacturers or importers of automobile products must perform the duty of recalling the defective automobile products that they have produced or imported and must bear the expenses for eliminating the defects and the necessary transportation fees. The sellers, leaseholders, and repairers of automobile products must assist the manufacturers in performing their recall duties. Furthermore, all automobile dealers are required to report defects in automobiles and automobile-related products to both the relevant automobile manufacturers and the PRC government authorities, and to fully cooperate with the automobile manufacturers in the conduct of automobile recall activities and with the PRC government authorities in any investigation thereto.

The Guarantees for Household Automobile

According to Provisions on the Liability for Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定) (“**3R Provisions**”), which were promulgated on 29 December 2012 and became effective on 1 October 2013, the liability for guaranteeing repair, replacement and return of household automotive products (“**Three Guarantees**”)

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shall be assumed by the sellers of household automotive products. The sellers shall be entitled to the right to seek compensation from the manufacturers or other dealers of household automotive products if the liability is attributable to the manufacturers or other dealers.

The warranty repair period of household automotive products shall be the earlier of three years or the time it takes to cover 60,000 kilometres. Whereas the validity period of the Three Guarantees is the earlier of two years or the time it takes to cover 50,000 kilometres. The warranty repair period and the validity period of the Three Guarantees commence at the date of issuance of purchase invoices.

With the certificate of Three Guarantees, consumers shall be entitled to repairs of household automotive products free of charge (including hourly labour costs and materials costs) in the event that product quality problems emerge during the warranty repair period.

If there is a product quality problem on any major parts of an engine or transmission within the earlier of sixty days from issuance of purchase invoices or the time period needed to cover 3,000 kilometres, then the consumer may choose to have the engine or transmission replaced free of charge. If there is a product quality problem on certain consumable spare parts within the quality guarantee period, the consumer may choose to have such consumable spare parts replaced free of charge. The variety and range and the length of the quality guarantee period of such consumable spare parts shall be expressly stated in the certificate of Three Guarantees by the manufacturers, which shall conform to relevant national standards or regulations, the detailed requirements of which shall be stipulated separately by the General Administration of Quality Supervision.

In case of steering system failure, braking system failure, body cracking or fuel leak of household automotive products within the earlier of sixty days from issuance of purchase invoices or the time period needed to cover 3,000 kilometres, if the consumer chooses to have the household automotive products replaced or returned, the seller shall be responsible for the replacement or return.

During the validity period of the Three Guarantees, if the consumer chooses to replace or return the products under any of the following circumstances, the sellers shall be responsible for the replacement or return:

- (1) Where a serious safety performance failure is not eliminated or a new series safety performance failure arises after two repairs within the validity period;
- (2) Where, the engine and/or transmission continues to work abnormally after it or the main parts have been repaired or replaced twice; or
- (3) Where the major parts of the steering system, braking system, suspension system, front/rear axle or the body continues to operate abnormally after two replacements for the same problem.

In addition, during the validity period of the Three Guarantees, replacement of the automobile is mandatory upon request by the consumer upon presentation of the certificate of the Three Guarantees and purchase invoices where the product has undergone repairs for more than 35 days cumulatively or has been repaired for more than five times in aggregate for the same product quality problem.

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For replacement or return in compliance with the 3R Provisions, consumers shall pay for the compensation arising from the reasonable use of household automotive products with the exception of those who are entitled to free replacement or return from the sellers as stipulated in the 3R Provisions.

During the warranty repair period and the validity period of the Three Guarantees, dealers may be discharged from the Three Guarantees liability stipulated in the 3R Provisions for product quality problems involved under any of the following circumstances: (i) the consumers have been informed in writing of existing defects of the household automotive products purchased; (ii) the household automotive products are used for rental services or other business operational purposes; (iii) damage arising from the remodelling, readjustment and disassembling by the consumer of his own accord and which are expressly forbidden in the instruction manuals; (iv) damage arising from the inadequate disposition of product quality problems by the consumer of his own accord; (v) damage arising from the failure of the consumer to properly use, maintain and repair the products in accordance with the requirements of the instruction manuals; or (vi) damage arising from force majeure.

During the warranty repair period and the validity period of the Three Guarantees, dealers may be discharged from the Three Guarantees liability stipulated in the 3R Provisions in the absence of effective invoices and certificates of the Three Guarantees.

Anti-congestion

On 23 December 2010, Beijing Municipal People's Government promulgated the Interim Provisions of Beijing Municipality on the Regulation and Control of the Amount of Passenger Vehicles (北京市小客車數量調控暫行規定), which became effective as at the same date. Pursuant to this regulation and its implementation rules, the city imposes an annual quota on the issuance of new vehicle registration plates. Potential automobile purchasers need to meet specific criteria and enter into a monthly draw. Only candidates who have been allocated a plate in the draw can apply for registration of their automobiles with the local vehicle administration authority in Beijing.

Taxation

Income Tax

According to the EIT Law, which was promulgated on 16 March 2007 and with effect from 1 January 2008, and the Implementation Rules to the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) (the “**Implementation Rules**”), which was promulgated on 6 December 2007 and with effect from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administrative institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

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Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) or SAT Circular 698, issued by the State Administration of Taxation on 10 December 2009 with retroactive effect from 1 January 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company (an “**Indirect Transfer**”), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterise the Indirect Transfer.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended and promulgated on 10 November 2008 and with effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“**VAT**”). The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods except as otherwise provided by paragraph (2) and paragraph (3) of Article 2 in the Provisional Regulations on Value-added Tax of the PRC and is also 17% for those providing processing services, repairs and replacement services.

Business Tax

Pursuant to Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例), which was promulgated on 10 November 2008 and with effect from 1 January 2009, unit or individual providing services as prescribed, transferring intangible assets or selling immovable properties within the territory of the PRC are required to pay business tax. The turnover multiplied by the prescribed tax rates shall be the business tax payable. And the tax rates range from 3% to 20% according to different industries involved.

Urban Maintenance and Construction Tax as well as Education Surtax

According to Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated and with effect from 18 October 2010, from 1 December 2010, the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax promulgated in 1985 and the Tentative Provisions on the Collection of Educational Surtax promulgated in 1986 by the State Council shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

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Pursuant to Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例), which was promulgated on 8 February 1985 and with effect from 1985, and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (國家稅務總局關於城市維護建設稅徵收問題的通知), which was promulgated on 12 March 1994 and with effect from 1 January 1994, any unit or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定), which was last revised on 20 August 2005 and with effect from 1 October 2005, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

Foreign Exchange Registration, Foreign Currency Exchange and Dividend distribution

Foreign Exchange Registration

Pursuant to Circular of SAFE on Foreign Exchange Issues Related to Equity Finance and Round-Trip Investments by Domestic Residents through Offshore Special Purpose Vehicles (國家外匯管理局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), which was promulgated on 21 October 2005 and with effect from 1 November 2005, where domestic legal or natural person residents intend to directly established or indirectly controlled an offshore enterprise (hereafter referred to as “SPV”) for the purpose of carrying out offshore equity financing (including convertible bond financing) with the assets or equity interests they hold in domestic enterprises, they are required to apply to the competent administration of foreign exchange for foreign exchange registrations of offshore investment prior to establishing or gaining control of an offshore SPV. Furthermore, when domestic legal or natural person residents inject assets or equity they owns in a domestic enterprise into an SPV, or carrying out offshore equity financing after injecting assets or equity into an SPV, they are required to make amendment registration of the offshore investment-related foreign exchange to reflect the net assets or equity they hold in the SPV, and the changes thereto. Besides, if an SPV becomes the subject of material changes in capital, such as capital increase or reduction, equity transfer or swap, merger or division, long-term equity or debt investment, provision of security to a third party, etc. and such changes do not involve reverse investment, the domestic legal or natural person residents shall apply for amendment registration of the offshore investment-related foreign exchange, or the filing with the competent administration of foreign exchange within 30 days of the date of the occurrence of such material changes.

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Foreign-invested enterprises established through round-tripping investments are prohibited from paying profits overseas, making settlement, transferring shares, making capital reduction, recovering in advance investment and the principal and interest of shareholder loans and other funds (including the use of profits paid overseas in domestic reinvestment, capital increase, etc.) if domestic legal or natural person residents fail to make the offshore investment-related foreign exchange registration as required.

Foreign currency exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Administration Rules**”). Under these rules, which are last amended and promulgated on 5 August 2008 and with effect from the same date, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities.

Dividend distribution

Before the promulgation of EIT Law, the principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign-owned Enterprise Law, the FIE Tax Law and their respective Implementation Regulations.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. And dividends paid to its foreign investors are exempt from withholding tax. However, this exemption provision has been revoked by the EIT Law which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Rules reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC and the government of Hong Kong SAR signed the Arrangement Between the Mainland of the PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the “**Arrangement**”). According to the Arrangement, a 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. A 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company.

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Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to The Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) 《非居民享受稅收協定待遇管理辦法(試行)》 (“**Administrative Measures**”) which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax treaties.

Shareholder Loans

Under existing PRC laws, rules and regulations, a foreign-invested enterprise may seek shareholder loans from offshore investors. In such event, a foreign-invested enterprise must apply to SAFE or local SAFE departments for foreign loan registration certificates and foreign exchange settlements. The aggregate amount of such foreign loans must not exceed the margin between the total investment and registered capital of such FIEs and shall be registered with the local SAFE bureau. The recipient of a foreign loan must submit the foreign loan registration certificate to open and maintain a special foreign exchange account with a SAFE-approved bank, and may then repay the foreign loan with its own foreign exchange funds or by purchasing foreign exchange with RMB upon receiving SAFE approval.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”), which was promulgated on 22 February 1993 and amended on 8 July 2000.

The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

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Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the “**Consumer Protection Law**”), which was promulgated on 31 October 1993 and with effect from 1 January 1994 and was amended on 25 October 2013 and the amendments will take effect from 15 March 2014.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties.

Furthermore, consumers whose legitimate rights and interests are infringed upon in their purchasing or using commodities are entitled to demand compensation from the sellers concerned. In case the liability is on the manufacturers or other sellers who supply the commodities to the said sellers, the said sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers or the other sellers.

Competition Law

Competitions among the business operators are generally governed by the Law of the PRC for Anti-Unfair Competition (中華人民共和國反不正當競爭法) (the “**Anti-Unfair Competition Law**”), which was promulgated on 2 September 1993 and with effect from 1 December 1993. According to the Anti-Unfair Competition Law, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. And acts of operators which contravene the provisions of the Anti-Unfair Competition Law, with a result of damaging the lawful rights and interests of other operators, and disturbing the socio-economic order shall constitute unfair competition. Where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition Law and causes damage to another operator, it or he shall bear the responsibility for compensating for the damages.

Anti-Monopoly Law

Pursuant to the Anti-Monopoly Law of the PRC (中華人民共和國反壟斷法) (the “**Anti-Monopoly Law**”), which was promulgated on 30 August 2007 and with effect from 1 August 2008, operators are prohibited from entering into monopoly agreements to fix or change the price of commodities, to limit the production or sale volume of commodities, to divvy up the sales or materials market, to restrict the purchase of new technology or new equipment or prevent the development thereof, to boycott making transactions and so on. Where an operator violates the Anti-Monopoly Law by entering into and implementing a monopoly agreement, the anti-monopoly law enforcement authorities shall order a halt to illegal activities, confiscate illegal earnings, and impose a fine of between of between 1 and 10 percent of the previous year’s sales volume; if the monopoly agreement had been entered into but had not yet been implemented, a fine of no more than RMB500,000 shall be imposed. Where an operator reports, on its own initiative, a monopoly agreement entered into by said operator to the anti-monopoly law enforcement authorities as well as providing key evidence, the anti-monopoly law enforcement authorities may consider a lighter fine, or forgo a fine altogether.

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Property Rights

Pursuant to Real Rights Law of the PRC (中華人民共和國物權法), which was promulgated on 16 March 2007 and with effect from 1 October 2007, the real rights of the State, collectives, individuals or any other rights holder shall be protected by law, and no entity or individual may infringe upon these rights. The categories of real rights and their contents shall be prescribed by law. The creation, alteration, transfer or termination of a real right of an immovable shall be subject to registration in accordance with the law. The creation or transfer of a real right of a movable shall be delivered in accordance with the law.

In accordance with Administrative Measures for the Lease of Commercial Buildings (商品房屋租賃管理辦法), which was promulgated on 1 December 2010 and with effect from 1 February 2011, the parties to a house lease shall file the lease contract with the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the house is located within 30 days after the lease contract is entered into. And the competent authorities shall urge those who failed to make corrections within a specified time limit, and would impose a fine no more than RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine no less than RMB1,000 but no more than RMB10,000 on entities which fail to make corrections within the specified time limit.

Intellectual Property Rights

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”), which was promulgated on 23 August 1982 with effect from 1 March 1983 and was last amended on 30 August 2013 and such amendments will take effect from 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was promulgated on 5 November 2004 and effective from 20 December 2004, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was promulgated and with effect from 26 December 1989: any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces; any

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entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee therefor.

The Ministry of Environmental Protection of the PRC Government authorities shall impose different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

Prevention and Control of Water Pollution

Pursuant to Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was last revised on 28 February 2008 and with effect from 1 June 2008, the State adopts license system for pollutant discharge. Enterprises and institutions that discharge industrial waste water or medical treatment sewage directly or indirectly into a water body, as well as other enterprises and institutions that can discharge waste water or sewage only after obtaining license for pollutant discharge shall obtain license for pollutant discharge.

Prevention and Control of Atmospheric Pollution

In accordance with Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), which was last revised on 29 April 2000, and with effect from 1 September 2000, no motor vehicles and vessels shall be permitted to discharge atmospheric pollutants in excess of the prescribed discharge norms. No unit or individual may manufacture, sell or import motor vehicles or vessels that discharge pollutants in excess of the prescribed discharge norms.

Prevention and Control of Environmental Noise Pollution

Pursuant to Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was last revised on and with effect from 29 October 1996, the industrial noise emitted to the living environment of the neighborhood within an urban area shall be kept within the limits set by the State on emission of environmental noise within the boundary of an industrial enterprise. Entities that produce environmental noise pollution shall take measures to control it and pay fees for excessive emission of such pollution according to the regulations of the State.

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法) promulgated by the Standing Committee of the National People's Congress on 28 October 2002 which became effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council on 29 November 1998 which became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the State Environmental Protection Administration of China on 27 December 2001 which became effective on 1 February 2002, require enterprises planning construction projects to engage

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qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work.

Labour Contracts

The Employment Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and became effective on 1 January 2008 and was amended on 28 December 2012 with effect from 1 July 2013 and the Implementing Regulations of the Employment Contracts Law of the PRC (中華人民共和國勞動合同法實施條例) promulgated and became effective on 3 September 2008. This law and its implementation govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract shall be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and with effect from 1 July 2011, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance Schemes. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees.

An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of the PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time.

Regulations on Management of Housing Provident Fund (住房公積金管理條例), promulgated and with effect from 24 March 2004, are applicable to enterprises with foreign investment. Enterprises are required to pay housing provident fund for their employees. To the details, enterprises shall register with the relevant housing provident fund management center within 30 days from the date of establishment, and open housing provident fund accounts with designated bank on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident fund management center.

Laws and Regulations Relating to Mergers and Acquisitions by Foreign Investors

Under the M&A Provisions, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor:

- the foreign investor purchases by agreement the equity interests of a pure domestic enterprise without foreign investment (a “**domestic enterprise**”) or subscribes for the increased capital of a domestic enterprise, and thus converts the domestic enterprise into a foreign-invested enterprise;

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- the foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a domestic enterprise and operates such assets; or
- the foreign investor purchases by agreement the assets of a domestic enterprise and then use such assets as capital contribution to establish a foreign-invested enterprise and operates such assets.

In addition, the M&A Provisions provide that an offshore special purpose vehicle established for listing purposes, and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Security Review System for Mergers and Acquisitions of Domestic Enterprises

Pursuant to Circular of the General Office of State Council on Establishing the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was promulgated on 3 February 2011 and with effect from 2 March 2011 and Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定), which were promulgated on 25 August 2011 and with effect from 1 September 2011, foreign investors who initiate mergers and acquisitions of domestic military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, and other entities relating to the national defense security; mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment, etc., which relate to the national security, and may obtain the actual controlling power of those acquired enterprises, shall apply to the Ministry of Commerce for the security review of the concerned mergers and acquisitions. Whether a foreign investor' mergers and acquisitions of a domestic enterprise falls under the scope of mergers and acquisitions security review or not shall be determined in terms of the substance and actual influence of the mergers and acquisitions transaction. No foreign investors may substantially avoid the mergers and acquisitions security review by means including, but not limited to, holding on behalf of others, trust, multi-level reinvestment, leasing, loans, variable interest entities, or overseas transactions.

HISTORY, DEVELOPMENT AND REORGANISATION

GENERAL

Our Group was founded in 2003 through the establishment of Dongguan Guanfeng. Our first 4S dealership store was operated by Dongguan Dongbu and was opened in May 2004, which marked the start of our primary business of 4S dealerships in the PRC.

As at the Latest Practicable Date, we had a total of 13 dealership stores, which are held by our subsidiaries in operation in the PRC and, in addition, one dealership store in Dongguan operated by our Joint Venture (namely, Dongguan Meidong). As at 30 June 2013, we had obtained preliminary authorisations to establish seven new 4S dealership stores which are held by our subsidiaries. We also have equity interest in an associate (namely, Dongguan Anxin) which operates a dealership store in Dongguan. In mid-2012, we started to operate a used-vehicle store through a wholly-owned subsidiary.

The automobile brands which are or to be distributed by our 4S dealership stores include Porsche, BMW, Lexus, Toyota and Hyundai. Our dealership stores which were operated by our Group and by our Joint Venture and associate are located in the following cities and which operation commenced in the year stated below:

Brand	Dealership	Location		Year of commencement of operations
		City	Province	
BMW	Zhuzhou Meibaohang	Zhuzhou	Hunan	2010
	Hengyang Meibaohang	Hengyang	Hunan	2013
Lexus	Xiamen Meidong	Xiamen	Fujian	2008
	Lanzhou Meidong	Lanzhou	Gansu	2011
	Changsha Meidong	Changsha	Hunan	2013
	Dongguan Meidong, a joint venture of our Company	Dongguan	Guangdong	2008
FAW Toyota.	Quanzhou Meidong	Quanzhou	Fujian	2010
	Dongguan Dongbu	Dongguan	Guangdong	2004
	Dongguan Dongmei	Dongguan	Guangdong	2008 (for main store)
	Dongguan Anxin, an associate of our Company	Dongguan	Guangdong	2010
	Beijing Zhongye	Beijing	—	2009 (<i>Note</i>)
GAC Toyota.	Dongguan Dongxin	Dongguan	Guangdong	2007
	Yiyang Dongxin	Yiyang	Hunan	2011
Beijing Hyundai . . .	Dongguan Guanfeng	Dongguan	Guangdong	2004
	Heyuan Guanfenghang	Heyuan	Guangdong	2011

Note: This refers to the date of Beijing Zhongye being acquired by Dadong Group in March 2009.

HISTORY, DEVELOPMENT AND REORGANISATION

As at 30 June 2013, our Group had obtained preliminary authorisations to establish seven 4S dealership stores and their expected dates of commencement of operations are shown in the last column below:

Brand	Dealership	Location		Expected date of commencement of operations
		City	Province	
Porsche	Foshan Dongbao	Foshan	Guangdong	3rd Quarter, 2014
	Shantou Dongbao	Shantou	Guangdong	1st Quarter, 2015
BMW	Beijing Meibaohang	Beijing	—	1st Quarter, 2015
	Chengde Meibaohang	Chengde	Hebei	1st Quarter, 2014
	Changde Meibaohang	Changde	Hunan	1st Quarter, 2014
Lexus	Longyan Meidong	Longyan	Fujian	2nd Quarter, 2014
FAW Toyota.	Dongguan Dongmei Fenggang Branch	Fenggang	Guangdong	1st Quarter, 2014

Mr. Ye Fan (our founder) and Mr. Ye Tao

The founder of our Group is Mr. Ye Fan. In 1995, he started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as a general manager. In 1999, he set up Dongguan Jucheng (a private company based in Dongguan, Guangdong, which was principally engaged in automobile distribution business) with a partner who was an Independent Third Party. Mr. Ye Fan's initial investment in the sum of RMB3.3 million was financed partly from his own funds and partly from borrowings from his family members.

In 2003, Mr. Ye Fan established Dongguan Guanfeng and Dongguan Dongbu (both of which are members of our Group). At their establishment, he held 68% equity interest in Dongguan Guanfeng (which has been distributing Beijing Hyundai vehicles) and 50% equity interest in Dongguan Dongbu (which has been distributing FAW Toyota vehicles). Before the establishment of Dadong Group in 2007, he also made investments in, and had experience in operating dealerships of other brands of automobiles. In January 2007, Dadong Group was established by Mr. Ye Fan and his spouse (who held the equity interest registered in her name for the benefit of Mr. Ye Fan), and started to hold entities which engaged in 4S dealership stores of different brands. Subsequently, most of these entities were transferred to us as part of the Reorganisation.

Mr. Ye Tao is the elder brother of Mr. Ye Fan. He took both Master of Science in Mechanical Engineering degree course and Master of Science in Management degree course at Massachusetts Institute of Technology during the period between 1994 and 1996, and was awarded such degrees in 1996. He worked in the US in the information technology sector for about seven years. Mr. Ye Tao's management experience include acting as the chief operating officer of Objectiva Software Solutions, and the general manager of Asian Operations of Document Sciences Corporation (subsequently named as EMC Document Sciences Corp.). In 2008, he was invited by Mr. Ye Fan to work in Dadong Group as the chief executive officer. Since then, he has been working together with Mr. Ye Fan closely in the expansion of our Group's business. Under their leadership, both the brands distributed and geographic area of operations of our Group have been growing.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Company

Our Company was incorporated on 24 February 2012 in the Cayman Islands as an exempted company with limited liability. As part of the Reorganisation, our Company became the holding company of our Group. See “— Reorganisation” in this section.

Our Group

The following table contains some brief details of our Company and its subsidiaries as at Latest Practicable Date:

<u>Entity</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Amount of registered capital/ issued share capital</u>	<u>Amount of paid up capital</u>	<u>Principal activities</u>
Our Company	24 February 2012	Cayman Islands	HK\$75 million	HK\$75 million	Investment holding
BVI Subsidiary	9 March 2012	BVI	US\$100	US\$100	Investment holding
HK Subsidiary	21 March 2012	Hong Kong	HK\$10,000	HK\$10,000	Investment holding
Dongguan Meixin	10 September 2012	PRC	RMB50 million	RMB50 million	Investment holding
Foshan Dongbao	26 March 2012	PRC	RMB5.01 million	RMB5.01 million	Automobile dealership in respect of Porsche brand
Shantou Dongbao	23 May 2012	PRC	RMB5 million	RMB5 million	Automobile dealership in respect of Porsche brand
Zhuzhou Meibaohang	4 December 2009	PRC	RMB30 million	RMB30 million	Automobile dealership in respect of BMW brand
Chengde Meibaohang	8 August 2011	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of BMW brand
Beijing Meibaohang	24 October 2011	PRC	RMB30 million	RMB30 million	Automobile dealership in respect of BMW brand
Hengyang Meibaohang	14 June 2011	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of BMW brand
Changde Meibaohang	27 April 2012	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of BMW brand
Xiamen Meidong	3 January 2008	PRC	RMB15 million	RMB15 million	Automobile dealership in respect of Lexus brand
Lanzhou Meidong	15 March 2010	PRC	RMB30 million	RMB30 million	Automobile dealership in respect of Lexus brand
Longyan Meidong	11 December 2012	PRC	RMB30 million	RMB30 million	Automobile dealership in respect of Lexus brand
Changsha Meidong	18 April 2012	PRC	RMB30 million	RMB30 million	Automobile dealership in respect of Lexus brand
Quanzhou Meidong	7 December 2009	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of FAW Toyota brand
Dongguan Dongbu	23 October 2003	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of FAW Toyota brand
Dongguan Dongmei	16 January 2007	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of FAW Toyota brand
Beijing Zhongye	23 August 2001	PRC	RMB12 million	RMB12 million	Automobile dealership in respect of FAW Toyota brand
Dongguan Dongxin	28 May 2007	PRC	RMB12 million	RMB12 million	Automobile dealership in respect of GAC Toyota brand
Yiyang Dongxin	19 October 2010	PRC	RMB20 million	RMB20 million	Automobile dealership in respect of GAC Toyota brand
Dongguan Guanfeng	10 April 2003	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of Beijing Hyundai brand
Heyuan Guanfenghang	27 January 2011	PRC	RMB10 million	RMB10 million	Automobile dealership in respect of Beijing Hyundai brand
Dongguan Dongyue	20 April 2012	PRC	RMB5 million	RMB5 million	Used-vehicle trading

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Our Joint Venture and associate

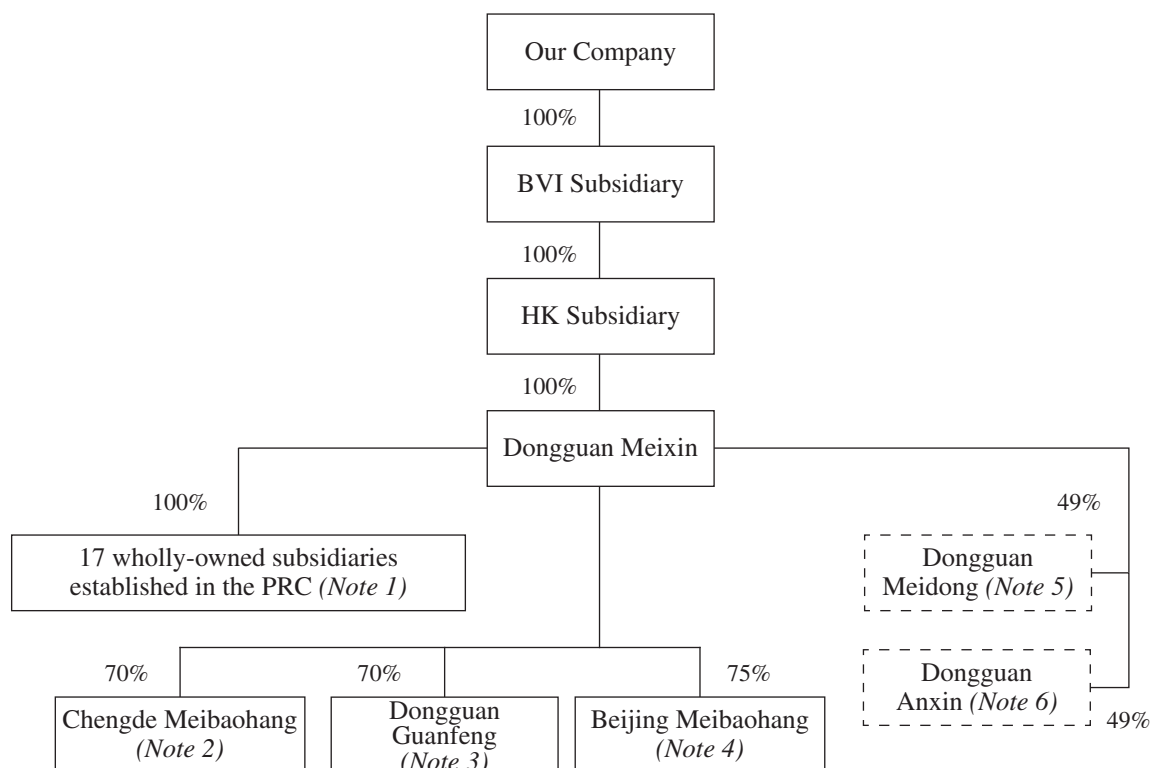
The following table contains some brief details of our Joint Venture and an associate in which our Group had interest as at the Latest Practicable Date:

<u>Entity</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Amount of registered capital/issued share capital</u>	<u>Amount of paid up capital</u>	<u>Principal activities</u>	<u>Equity interest attributable to our Group</u>
Dongguan Anxin (an associate) . . .	18 June 2009	PRC	RMB12 million	RMB12 million	Automobile dealership in respect of FAW Toyota brand	49%
Dongguan Meidong (a Joint Venture) .	4 April 2007	PRC	RMB20 million	RMB20 million	Automobile dealership in respect of Lexus brand	49%

See “Appendix I — Accountants Reports — Notes 13 and 14” in this prospectus for the information regarding our interests in these two entities.

The following chart depicts the shareholding relationship of our Company, our subsidiaries, Joint Venture and associate as at the Latest Practicable Date:

Chart 1



Entities shown in boxes with dotted lines in the chart above are not members of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. These 17 wholly-owned subsidiaries are, namely:

Brand	Company
Porsche	4S dealership stores to be established: Foshan Dongbao, Shantou Dongbao
BMW	Operating subsidiaries: Zhuzhou Meibaohang, Hengyang Meibaohang 4S dealership store to be established: Changde Meibaohang
Lexus	Operating subsidiaries: Xiamen Meidong, Lanzhou Meidong, Changsha Meidong 4S dealership store to be established: Longyan Meidong
FAW Toyota	Operating subsidiaries: Quanzhou Meidong, Dongguan Dongbu, Dongguan Dongmei, Beijing Zhongye
GAC Toyota	Operating subsidiaries: Dongguan Dongxin, Yiyang Dongxin
Beijing Hyundai	Operating subsidiary: Heyuan Guanfenghang
Mixed brand used-vehicle store	Operating subsidiary: Dongguan Dongyue

2. As at the Latest Practicable Date, the remaining 20% and 10% equity interests in Chengde Meibaohang (automobile dealership in respect of BMW brand) were held by Mr. Wang Shenwu (王慎武) and Mr. Liu Haiming (劉海銘), who are both Independent Third Parties (other than being substantial shareholders of this subsidiary, and for Mr. Wang Shenwu, also being a substantial shareholder of Beijing Meibaohang). Chengde Meibaohang was wholly owned by Dadong Group at its incorporation. The said 20% and 10% equity interests in Chengde Meibaohang were transferred to Mr. Wang Shenwu and Mr. Liu Haiming pursuant to the relevant equity transfer agreements both made in June 2012 respectively, because they had local knowledge in Chengde which would facilitate our construction and establishment of the 4S dealership there. Both Mr. Wang and Mr. Liu have not been participating in the management of Chengde Meibaohang.
3. As at the Latest Practicable Date, the remaining 30% equity interest in Dongguan Guanfeng (automobile dealership in respect of Beijing Hyundai brand) was held by Mr. Liu Shuchang (劉樹昌), who is an Independent Third Party (other than being a substantial shareholder of this subsidiary). Mr. Liu acquired such 30% equity interest of Dongguan Guanfeng by an equity transfer agreement made in December 2005, and has not been participating in the management of Dongguan Guanfeng.
4. As at the Latest Practicable Date, the remaining 15% and 10% equity interest in Beijing Meibaohang (automobile dealership in respect of BMW brand) were held by Mr. Wang Shenwu and Mr. Liu Rong (劉榮), who are both Independent Third Parties (other than being substantial shareholders of this subsidiary, and for Mr. Wang Shenwu, a substantial shareholder of Chengde Meibaohang). Beijing Meibaohang was wholly owned by Dadong Group at its incorporation. The said 15% and 10% equity interests in Beijing Meibaohang were transferred to Mr. Wang Shenwu and Mr. Liu Rong respectively in May 2013, as they had local knowledge in Beijing which would facilitate our construction and establishment of the 4S dealership there. Both Mr. Wang and Mr. Liu have not been participating in the management of Beijing Meibaohang.
5. As at the Latest Practicable Date, the remaining 51% equity interest in Dongguan Meidong (automobile dealership in respect of Lexus brand) was held by Meichang Auto Group (Asia) Limited (美昌汽車集團(亞洲)有限公司) (“**Meichang Auto**”), which is a company incorporated in Hong Kong, and an Independent Third Party. In June 2013, Meichang Auto acquired 51% equity interest in Dongguan Meidong from Jumbo Returns Limited (真保利有限公司), an Independent Third Party. To the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, Meichang Auto has been principally engaging in the automobile dealership and trading business in the PRC. Jumbo Returns Limited had been an equity-holder of Dongguan Meidong since its incorporation in 2007. Dongguan Meidong has been jointly managed by directors nominated by us and Jumbo Returns Limited (or Meichang Auto, after it acquired 51% equity interest in Dongguan Meidong from Jumbo Returns Limited in June 2013). Under the joint-venture agreement and articles of association of Dongguan Meidong, the Joint Venture has 5 directors, 3 of whom were nominated by Jumbo Returns Limited (or Meichang Auto, after it acquired 51% equity interest in Dongguan Meidong from Jumbo Returns Limited in June 2013) and 2 are nominated by our Group. The articles of association of Dongguan Meidong stipulate that important decisions of Dongguan Meidong have to be decided by unanimous votes of the directors. Notwithstanding the fact that prior to completion of the Reorganisation, Dadong Group owned 49% equity interest in Dongguan Meidong, it was included in our Group as a joint venture as this company has been dealing with the Lexus brand automobiles which is an important brand under our distribution network. The development of Dongguan Meidong is in line with the business strategy of our Group. Further, after prolonged discussion between our Group and Meichang Auto, Meichang Auto was not willing to transfer its equity interest of Dongguan Meidong to our Group, as they believed that Dongguan Meidong had a good business development potential and would prefer continuing to hold direct equity interest in it.

HISTORY, DEVELOPMENT AND REORGANISATION

6. As at the Latest Practicable Date, the remaining 51% equity interest in Dongguan Anxin (which held automobile dealership in respect of FAW Toyota brand) was held by Mr. Wei Songgen (韋松根), who is an Independent Third Party. To the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, Mr. Wei has investment in and been engaging in automobile dealership and trading business in the PRC. Mr. Wei has been an equity holder of Dongguan Anxin since its incorporation in 2009, and has been its sole director managing the business of Dongguan Anxin. Notwithstanding the fact that prior to completion of the Reorganisation, Mr. Ye Fan beneficially owned 49% equity interest in Dongguan Anxin, it was included in our Group as an associate as this company has been dealing with the FAW Toyota brand automobiles which is an important brand under our distribution network. The development of Dongguan Anxin is in line with the business strategy of our Group. Further, after prolonged discussion between our Group and Mr. Wei Songgen, Mr. Wei was not willing to transfer his equity interest of Dongguan Anxin to our Group, as he believed that Dongguan Anxin had a good business development potential and he would prefer continuing to hold direct equity interest in it.

MILESTONE

Set out below are the key milestones of the development of our Group since commencement of our Group's operations in 2004:

<u>Time</u>	<u>Milestone</u>
2004	Dongguan Dongbu commenced 4S dealership operation with respect to FAW Toyota automobiles in May 2004 in Liaobu Auto City (寮步汽車城) in Dongguan. Dongguan Guanfeng commenced 4S dealership operation with respect to Beijing Hyundai automobiles in May 2004 in Liaobu Auto City in Dongguan.
2006	In December 2006, Dongguan Dongmei was authorized by FAW Toyota to use the brand name "Toyota".
2007	Dongguan Dongxin commenced 4S dealership operation with respect to GAC-Toyota automobiles in 2007.
2008	Dongguan Meidong commenced 4S dealership operation with respect to Lexus automobiles in Dongguan, Guangdong in 2008. Xiamen Meidong was the first 4S dealership store which we established in Fujian. It commenced 4S dealership operation with respect to Lexus automobiles in 2008.
2009	Dadong Group acquired the entire registered capital in Beijing Zhongye. Beijing Zhongye then was the holder of a 4S dealership of FAW Toyota automobiles in Beijing, the PRC. Within 12 months following completion of such acquisition, Beijing Zhongye was awarded the "2010 Special Improvement Award" in the north China region by FAW Toyota. In 2009, Mr. Ye Fan and his spouse (who held the equity interest for the benefit of Mr. Ye Fan) acquired the remaining equity interest in Dongguan Dongbu, following which Dongguan Dongbu became wholly-owned by them. They further sold the entire equity interest in Dongguan Dongbu to Dadong Group in the same year.
2010	We commenced 4S dealership operation with respect to FAW Toyota automobiles in Quanzhou, Fujian through Quanzhou Meidong in 2010.

HISTORY, DEVELOPMENT AND REORGANISATION

<u>Time</u>	<u>Milestone</u>
	<p>Our Group first obtained the authorisation to establish a 4S dealership store for BMW automobiles in 2010, and the dealership was granted to Zhuzhou Meibaohang (<i>note</i>) which commenced 4S dealership operation with respect to BMW automobiles in Zhuzhou, Hunan in 2010.</p> <p>In the same year, we obtained preliminary authorisation to establish a 4S dealership store of BMW automobiles in Chengde, Hebei through Chengde Meibaohang. Such dealership store is expected to commence operation in 1st Quarter, 2014.</p>
2011	<p>We expanded our operations further by establishing new 4S dealership stores for the following branded automobiles in the following cities:</p> <ul style="list-style-type: none">(i) Lexus automobiles in Lanzhou, Gansu through Lanzhou Meidong;(ii) GAC Toyota automobiles in Yiyang, Hunan through Yiyang Dongxin; and(iii) Beijing Hyundai automobiles in Heyuan, Guangdong through Heyuan Guanfenghang.
2012	<p>We first obtained preliminary authorisation to establish 4S dealership stores for Porsche automobiles in early 2012 in Foshan and Shantou, both in Guangdong. Such dealership stores will be operated under:</p> <ul style="list-style-type: none">(i) Foshan Dongbao whose operation is expected to commence in 3rd Quarter, 2014; and(ii) Shantou Dongbao whose operation is expected to commence in 1st Quarter, 2015. <p>Our Company, the BVI Subsidiary and the HK Subsidiary were incorporated in early 2012 respectively. Dongguan Meixin was incorporated in the PRC in September 2012. They were incorporated for the purpose of implementing the Reorganisation.</p>
2013	<p>Our Reorganisation was completed in July 2013 after Dongguan Meidong was acquired by our Group.</p> <p>Changsha Meidong commenced 4S dealership operation with respect to Lexus automobiles in Changsha, Hunan in 2013. Hengyang Meibaohang commenced 4S dealership operation with respect to BMW automobiles in Hengyang, Hunan in the same year.</p>

Note: Zhuzhou Meibaohang's entire equity interest was then held under the names of Mr. Ye Nianen (the father of the Ye Brothers), and two other Independent Third Parties on trust for Mr. Ye Fan.

HISTORY, DEVELOPMENT AND REORGANISATION

CHANGE IN REGISTERED/ISSUED CAPITAL AND/OR EQUITY HOLDERS OF MEMBERS OF OUR GROUP

Change in registered capital and/or equity holders of the key PRC operating subsidiaries of our Group during the Track Record Period and prior to the commencement of the Reorganisation

1. *Yiyang Dongxin*

Yiyang Dongxin was incorporated in the PRC on 19 October 2010 with an initial registered capital of RMB12 million which was wholly-owned by Mr. Ye Fan.

On 13 September 2011, Mr. Ye Fan (as vendor) and Dadong Group (as purchaser) entered into an agreement for transfer of equity interest in Yiyang Dongxin, pursuant to which Dadong Group agreed to acquire 100% of the registered capital in Yiyang Dongxin. The purchase price for which Dadong Group acquired the entire registered capital in Yiyang Dongxin amounted to RMB10.7 million. The purchase price was determined based on the then net asset value of Yiyang Dongxin. All purchase price was settled in December 2011.

The registration of change in the registered equity holders of Yiyang Dongxin was effected and the said equity interest transfer was completed on 27 September 2011.

Following such change and immediately prior to the Reorganisation, both the registered holder and beneficial owner of Yiyang Dongxin (i.e. Dadong Group) has not been changed.

In December 2011, the registered capital of Yiyang Dongxin was increased to RMB20 million which was fully paid up as at 20 December 2011. Since then and up to the Latest Practicable Date, its registered capital has not been changed.

2. *Lanzhou Meidong*

Lanzhou Meidong was incorporated in the PRC on 15 March 2010 with an initial registered capital of RMB10 million which was then wholly-owned by Dadong Group. In October 2011, its registered capital was increased to RMB30 million which was fully paid up by Dadong Group as its sole equity holder as at 24 October 2011. Since then and up to the Latest Practicable Date, its registered capital has not been changed.

3. *Zhuzhou Meibaohang*

Zhuzhou Meibaohang was incorporated in the PRC on 4 December 2009 with an initial registered capital of RMB10 million. At the date of its incorporation, its entire equity interest was held under the names of two Independent Third Parties on trust for Mr. Ye Fan. In February 2010, 95% of its equity interest was transferred to Mr. Ye Nianen (father of the Ye Brothers) at the consideration of RMB9.5 million, representing the nominal amount of capital contribution attributable to the equity interest being transferred. The said consideration was fully paid in February 2010. Mr. Ye Nianen and the then remaining registered equity holder also held the entire equity interest in Zhuzhou Meibaohang on trust in favor of Mr. Ye Fan. As Zhuzhou Meibaohang was located in Hunan and was far from Dongguan (the base of the then Dadong Group), the trust arrangement allowed administrative and operational efficiency as various documents were then required to be signed by the equity holders of Zhuzhou Meibaohang. In

HISTORY, DEVELOPMENT AND REORGANISATION

October 2011, Mr. Ye Nianen and the then remaining equity holders of Zhuzhou Meibaohang (as registered equity holders) transferred their equity interests therein to Dadong Group at the aggregate consideration of approximately RMB4.56 million, which was determined based on the then net asset value of Zhuzhou Meibaohang. The said purchase price was paid in full and the said equity interest transfer was completed as at November 2011. Following such change and immediately prior to the Reorganisation, both the registered holder and beneficial owner of Zhuzhou Meibaohang (i.e. Dadong Group) were not changed.

In December 2011, the registered capital of Zhuzhou Meibaohang was increased to RMB30 million which was fully paid up by Dadong Group as its sole equity holder as at 26 December 2011. Since then and up to the Latest Practicable Date, its registered capital has not been changed.

4. *Beijing Meibaohang*

Beijing Meibaohang was incorporated in the PRC on 24 October 2011 with an initial registered capital of RMB0.1 million which was then wholly-owned by Dadong Group. Its registered capital was increased to RMB20 million in November 2011, and was further increased to RMB30 million in April 2012. Its registered capital was fully paid up by Dadong Group as its sole equity holder as at 16 April 2012. Since then and up to the Latest Practicable Date, its registered capital has not been changed.

On 15 May 2013, Dadong Group (as vendor) entered into an equity transfer agreement with Mr. Liu Rong (as purchaser, being an Independent Third Party other than being a substantial shareholder of this subsidiary following such transaction) for the transfer of 10% equity interest in Beijing Meibaohang at the consideration of RMB3 million, which was determined based on the nominal capital contribution attributable to the equity interest. The consideration was fully paid by the purchaser and the said equity interest transfer was completed in September 2013. On the same date, Dadong Group (as vendor) entered into an equity transfer agreement with Mr. Wang Shenwu (as purchaser, being an Independent Third Party, other than being a substantial shareholder of this subsidiary and being a substantial shareholder of Chengde Meibaohang) for the transfer of 15% equity interest in Beijing Meibaohang at the consideration of RMB4.5 million, which was determined based on the nominal capital contribution attributable to the equity interest and was fully paid by the purchaser and the said equity interest transfer was completed in September 2013.

On 15 May 2013, the remaining 75% equity interest in Beijing Meibaohang was transferred by Dadong Group to our Group as part of the Reorganisation, see “— Reorganisation” below. The said 25% equity interests in Beijing Meibaohang were sold to Mr. Wang Shenwu and Mr. Liu Rong as they had local knowledge in Beijing which would facilitate our construction and establishment of the 4S dealership there.

5. *Chengde Meibaohang*

Chengde Meibaohang was incorporated in the PRC on 8 August 2011 with an initial registered capital of RMB10 million which was wholly-owned by Dadong Group. On 10 June 2012, Dadong Group (as vendor) entered into an equity transfer agreement with Mr. Liu Haiming (as purchaser, being an Independent Third Party, other than being a substantial shareholder of this subsidiary following such transfer) for the transfer of 10% equity interest in Chengde Meibaohang at the consideration of RMB1 million, which was determined based on the nominal amount of capital contribution attributable to the equity interest. The consideration was fully paid by the purchaser and the said equity interest transfer

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was completed in July 2012. On the same date, Dadong Group (as vendor) entered into an equity transfer agreement with Mr. Wang Shenwu (as purchaser, being an Independent Third Party other than being a substantial shareholder of this subsidiary following such transfer, and also his being a substantial shareholder of Beijing Meibaohang) for the transfer of 20% equity interest in Chengde Meibaohang at the consideration of RMB2 million, which was determined based on the nominal amount of capital contribution attributable to the equity interest. The consideration was fully paid by the purchaser and the said equity interest transfer was completed in July 2012.

After such transfer of equity interest and immediately prior to the Reorganisation, Chengde Meibaohang was owned as to 70% by the Dadong Group, 20% by Mr. Wang Shenwu and 10% by Mr. Liu Haiming. The said 30% equity interests in Chengde Meibaohang were sold to Mr. Wang Shenwu and Mr. Liu Haiming as they had local knowledge in Chengde which would facilitate our construction and establishment of the 4S dealership there.

6. *Changsha Meidong*

Changsha Meidong was incorporated in the PRC on 18 April 2012 with an initial registered capital of RMB10 million which was wholly-owned by Dadong Group. In February 2013, its registered capital was increased to RMB30 million which was fully paid by Dadong Group as its sole equity holder as at 20 February 2013. Since then and up to the Latest Practicable Date, its registered capital has not been changed.

7. *Dongguan Meixin*

Dongguan Meixin was incorporated in the PRC on 10 September 2012 with an initial registered capital of RMB1 million which was wholly-owned by Dadong Group. This company was incorporated for the purpose of holding interests in our PRC subsidiaries, our Joint Venture and associate. In February 2013, its registered capital was increased to RMB50 million which was fully paid up by Dadong Group as its sole equity holder as at 26 February 2013. Since then and up to the Latest Practicable Date, its registered capital has not been changed. For the purpose of the Reorganisation, HK Subsidiary acquired from Dadong Group the entire equity interest in Dongguan Meixin by an agreement dated 15 March 2013, see “— Reorganisation” below for further details.

8. *Longyan Meidong*

Longyan Meidong was incorporated in the PRC on 11 December 2012 with an initial registered capital of RMB10 million which was wholly owned by Dadong Group. In July 2013, its registered capital was increased to RMB30 million which was fully paid up by Dongguan Meixin as its sole equity holder as at 11 July 2013. Since then and up to the Latest Practicable Date, its registered capital has not been changed.

HISTORY, DEVELOPMENT AND REORGANISATION

Change in issued capital and/or owners of our Company

Incorporation

Our Company was incorporated on 24 February 2012.

At the time of incorporation of our Company, the initial authorised share capital of our Company was HK\$10 million divided into 100 million Shares of HK\$0.10 each. On 24 February 2012 (i.e. the date of its incorporation), one Share of HK\$0.10 was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Apex Sail on the same date. On the same date (i.e. 24 February 2012), our Company further allotted and issued 999,999 Shares, nil paid, to Apex Sail. Apex Sail was then solely owned by Mr. Ye Fan.

On 16 October 2013, the authorised share capital of our Company was increased to HK\$2,000 million by the creation of 19,900 million Shares pursuant to a resolution passed by our sole Shareholder. On the same date (i.e. 16 October 2013), our Company issued and allotted 749 million Shares of HK\$0.10 each, at par and nil paid, to Apex Sail. The said 750 million nil paid Shares were subsequently paid up on 24 October 2013 by Apex Sail by paying a subscription amount of HK\$75 million into our Group. Immediately prior to the Listing, Apex Sail remained as the sole Shareholder of our Company.

It is contemplated that immediately upon Listing, on the assumption that 25% of the entire issued shares of our Company as enlarged by the Offer Shares being allotted by our Company under the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme) will be held by the public, the Shares to be held by Apex Sail will represent 75% of the entire issued Shares of our Company.

See “Appendix V — Statutory and General Information — A. Further information about our Group — 2. Changes in the share capital of our Company” for further details of the changes in our Company’s share capital.

The Ye Family Trust

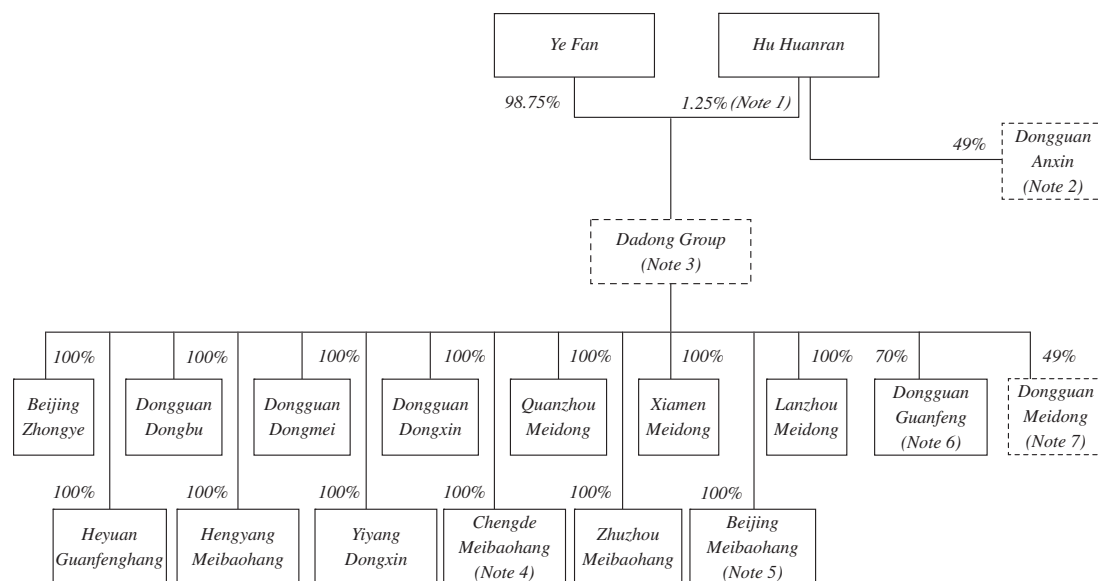
On 27 July 2012, the Ye Family Trust (a revocable discretionary family trust) was established, with Mr. Ye Fan as settlor and the Ye Brothers and some of their family members being the discretionary objects. On 30 July 2012, Mr. Ye Fan transferred to Apex Holdings the entire issued share capital of Apex Sail by way of gift as the trust asset for the Ye Family Trust. The trustee of the Ye Family Trust was and is still Fiducia Suisse and has been the sole shareholder of Apex Holdings. As at the Latest Practicable Date, the entire issued share capital of Apex Sail is an asset of such family trust.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The corporate structure of our Group, together with our Joint Venture and an associate held by Dadong Group as at 1 January 2012 prior to our Reorganisation is as follows:

Chart 2



Entities shown in boxes with dotted lines in the chart above are not members of our Group following completion of the Reorganisation.

Notes:

1. The 1.25% equity interest of Dadong Group was registered in the name of Ms. Hu Huanran who held such interest on trust for the benefit of Mr. Ye Fan.
2. The equity interest of Dongguan Anxin was held under the name of Ms. Hu Huanran (who held the equity interest on trust for the benefit of Mr. Ye Fan) as to 49% and by Mr. Wei Songgen (an Independent Third Party) as to 51%.
3. During the year 2012, Dadong Group (as sole equity holder) established each of the following operating companies in the PRC: (i) Foshan Dongbao was established on 26 March 2012; (ii) Changsha Meidong was established on 18 April 2012; (iii) Dongguan Dongyue was established on 20 April 2012; (iv) Changde Meibaohang was established on 27 April 2012; (v) Shantou Dongbao was established on 23 May 2012; and (vi) Longyan Meidong was established on 11 December 2012.
4. In June 2012, Dadong Group sold 20% and 10% of its equity interest in Chengde Meibaohang to Mr. Wang Shenwu and Mr. Liu Haiming respectively.
5. In May 2013, Dadong Group sold 15% and 10% of its equity interest in Beijing Meibaohang to Mr. Wang Shenwu and Mr. Liu Rong respectively.
6. Mr. Liu Shuchang, an Independent Third Party (other than being a substantial shareholder of Dongguan Guanfeng) was the 30% equity owner of Dongguan Guanfeng.
7. As at 1 January 2012, Jumbo Returns Limited, an Independent Third Party, was the 51% equity owner of Dongguan Meidong. In June 2013, Jumbo Returns Limited sold the said 51% equity interest in Dongguan Meidong to Meichang Auto, an Independent Third Party.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Group underwent the Reorganisation prior to Listing, which involved the following steps:

1. Incorporation of our Company

On 24 February 2012, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its then authorised share capital was HK\$10 million divided into 100 million Shares (having a par value of HK\$0.10 each). On 24 February 2012, one Share was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Apex Sail on the same date. On the same date (i.e. 24 February 2012), our Company further allotted and issued 999,999 Shares, nil paid, to Apex Sail. On 16 October 2013, our Company issued and allotted 749 million Shares of HK\$0.10 each, at par and nil paid, to Apex Sail. The said 750 million nil paid Shares were subsequently paid up on 24 October 2013 by Apex Sail by paying a subscription amount of HK\$75 million into our Group.

Our Company has advanced as a shareholder loan of HK\$75 million to the HK Subsidiary which is interest-free and repayable on demand.

2. Incorporation of the BVI Subsidiary

On 9 March 2012, the BVI Subsidiary was incorporated in the BVI. Its then authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each. On the date of its incorporation, 100 shares in the BVI Subsidiary were allotted and issued to our Company at a total subscription price of US\$100.

3. Incorporation of the HK Subsidiary

On 21 March 2012, the HK Subsidiary was incorporated in Hong Kong. Its then authorised share capital was HK\$1 million divided into 1 million shares of HK\$1 each. On the date of its incorporation, 10,000 shares in the HK Subsidiary were allotted and issued to the BVI Subsidiary at a total subscription price of HK\$10,000.

4. Incorporation of Dongguan Meixin

On 10 September 2012, Dongguan Meixin was established in the PRC with Dadong Group as its sole equity holder. As at the date of its incorporation, the registered capital of Dongguan Meixin was RMB1 million. Subsequently in February 2013, its registered capital was increased to RMB50 million. The entire registered capital of Dongguan Meixin of RMB50 million was fully paid up by Dadong Group as of 26 February 2013.

5. Acquisition of Dongguan Meixin by the HK Subsidiary

By an equity transfer agreement dated 15 March 2013 and made by Dadong Group (as vendor) and our HK Subsidiary (as purchaser), our HK Subsidiary agreed to acquire the entire registered capital in Dongguan Meixin at the purchase price of RMB50 million, being the nominal amount of the registered capital of Dongguan Meixin which was determined with reference to the valuation of the interest of equity holder of Dongguan Meixin as at 11 March 2013 at about RMB49.99 million. All purchase prices were settled in June 2013. Following the grant of approvals by Foreign Trade and Economic Co-operation Bureau of Guangdong Province* (廣東省對外經濟貿易合作廳) (“Guangdong FTEC

HISTORY, DEVELOPMENT AND REORGANISATION

Bureau”) and the Guangdong Provincial People’s Government* (廣東省人民政府) on 25 April 2013 and 27 April 2013 (which is the completion date of the acquisition) respectively, Dongguan Meixin became a wholly foreign-owned enterprise with total investment of RMB50 million and registered capital of RMB50 million. Its registered equity holder was changed to our HK Subsidiary following the completion of the filing of such change with Dongguan AIC* (東莞市工商行政管理局) on 8 May 2013. Immediately prior to the acquisition of Dongguan Meixin by the HK Subsidiary, Dongguan Meixin was controlled by Mr. Ye Fan, while the HK Subsidiary was controlled by Apex Holdings, whose entire share capital is held by Fiducia Suisse as trustee of the Ye Family Trust. Accordingly, for the purpose of M&A Provisions, there was no related relationship between the HK Subsidiary and Dongguan Meixin at the material time of the acquisition of Dongguan Meixin by the HK Subsidiary and, accordingly, the related party acquisition clause of M&A Provisions is not applicable to such acquisition.

Immediately prior to the acquisition of Dongguan Meixin by the HK Subsidiary, Dongguan Meixin was controlled by Mr. Ye Fan. The HK Subsidiary is controlled by Apex Holdings whose entire issued share capital is held by Fiducia Suisse as trustee of the Ye Family Trust, and none of the discretionary objects of the Ye Family Trust is a shareholder of the HK Subsidiary in accordance with the confirmation of our Company and the documents establishing the Ye Family Trust. Accordingly, none of the discretionary objects of the Ye Family Trust falls under the definition of “domestic natural person” under the M&A Provisions.

As advised by our PRC Legal Advisors, either the fact that (i) Mr. Ye Fan has not given up his PRC citizenship, or (ii) Mr. Ye Fan became a Hong Kong resident after the effective date of the M&A Provisions, does not affect the conclusion that the related party acquisition clause of M&A Provisions is not applicable to the acquisition of Dongguan Meixin by the HK Subsidiary.

Guangdong FTEC Bureau is the competent authority which examined and approved the equity acquisition of Dongguan Meixin by HK Subsidiary in accordance with the relevant PRC laws and regulations on a fully informed basis.

The purchase price was funded by our HK Subsidiary by borrowing from an Independent Third Party. Under the loan agreement dated 9 March 2013 and made between our HK Subsidiary and such lender, the principal amount of the loan is RMB50 million and the loan is of fixed-term with maturity date falling on 8 March 2015. Interest in connection with such loan is accrued at 1% per annum.

The ultimate beneficial owner of the lender is a friend of the Ye Brothers, who has known them for over 12 years. To the best knowledge, information and belief of our Directors, though such Independent Third Party does not have any previous business dealings with the Ye Brothers nor our Group, he is aware of their creditworthiness and integrity through the Ye Brothers’ reputation among local business community. Such lender therefore was willing to provide the said loan to our Group on the terms as disclosed above.

The said RMB50 million loan was fully repaid by our HK subsidiary in November 2013 after the advance of the shareholder loan from our Company.

6. Acquisition of PRC companies by Dongguan Meixin from Dadong Group and Mr. Ye Fan

Dongguan Meixin completed the equity transfer of the 21 PRC companies from Dadong Group in mid-2013 at a total consideration of about RMB304.78 million, which was determined based on the net asset value (if such amount is greater than the registered capital) or otherwise the face value of the registered capital of the company concerned and was fully settled by way of cash between May 2013 and September 2013, among which (a) RMB50 million was paid from cash which was injected into Dongguan Meixin as registered capital, (b) about RMB60 million was sourced from borrowings from banks, (c) about RMB44 million was financed by the income of our various PRC subsidiaries generated from their operating activities, and (d) about RMB151 million was financed by our various PRC subsidiaries from the repayments of the receivables owing from Dadong Group to those PRC subsidiaries. As a result of such transfers, among these 21 PRC companies, 20 companies became subsidiaries of our Company held through Dongguan Meixin and one company became our Joint Venture. Among the 20 PRC subsidiaries, 17 are our wholly-owned subsidiaries, and three are non-wholly-owned subsidiaries (namely, Dongguan Guanfeng, Chengde Meibaohang and Beijing Meibaohang, which are owned as to 70%, 70% and 75% by our Group respectively).

On 20 May 2013, as instructed by Mr. Ye Fan as the beneficial equity holder, the 49% equity interests in Dongguan Anxin held by Ms. Hu Huanran (who held the equity interest on trust for the benefit of Mr. Ye Fan) was transferred to Dongguan Meixin at the purchase price of RMB5.9 million, representing the nominal amount of capital contribution attributable to 49% equity interest being transferred. As at the Latest Practicable Date, 51% equity interest in Dongguan Anxin was held by Mr. Wei Songgen (an Independent Third Party). Mr. Wei has been Dongguan Anxin's sole director managing the business of Dongguan Anxin. As a result of such transfer, Dongguan Anxin became an associate of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

The following table sets out the date of and purchase price payable for the acquisition by Dongguan Meixin of each of our subsidiaries and Joint Venture and associate from Dadong Group and Mr. Ye Fan.

Name of PRC companies	Date of acquisition agreement <i>(Note 1)</i>	Approximate purchase price (RMB million) <i>(Note 2)</i>	Date of settlement of consideration	Equity interest attributable to our Group
Foshan Dongbao.	15 May 2013	5.01	15 May 2013	100%
Shantou Dongbao	20 May 2013	5.00	10 May 2013	100%
Zhuzhou Meibaohang	20 May 2013	30.67	13 May 2013	100%
Chengde Meibaohang	20 May 2013	7.00	18 September 2013	70%
Beijing Meibaohang	15 May 2013	22.50	11 July 2013	75%
Hengyang Meibaohang.	20 May 2013	10.00	15 May 2013	100%
Changde Meibaohang	20 May 2013	10.00	13 May 2013	100%
Xiamen Meidong	20 May 2013	20.85	16 September 2013	100%
Lanzhou Meidong.	20 May 2013	30.00	16 September 2013	100%
Longyan Meidong.	20 May 2013	10.00	10 May 2013	100%
Changsha Meidong	20 May 2013	30.00	18 September 2013	100%
Quanzhou Meidong.	20 May 2013	10.00	15 May 2013	100%
Dongguan Dongbu	10 May 2013	15.71	10 May 2013	100%
Dongguan Dongmei	15 May 2013	12.89	9 May 2013	100%
Beijing Zhongye.	20 May 2013	12.00	18 September 2013	100%
Dongguan Dongxin.	15 May 2013	13.54	10 May 2013	100%
Yiyang Dongxin.	22 May 2013	20.00	13 May 2013	100%
Dongguan Guanfeng	10 May 2013	7.86	10 May 2013	70%
Heyuan Guanfenghang.	20 May 2013	10.00	10 May 2013	100%
Dongguan Dongyue.	20 May 2013	5.00	11 July 2013	100%
Dongguan Meidong (a joint venture)	17 June 2013	16.75	16 September 2013	49%
Dongguan Anxin (an associate) . . .	20 May 2013	5.88	23 September 2013	49%

Notes:

- Other than Dongguan Meidong, under the respective acquisition agreements, the date of their completion was the date of such agreements, which are set out above. The date of completion of acquisition of 49% equity interest in Dongguan Meidong was the date of approval of the equity transfer by Guangdong FTEC Bureau which was 23 July 2013.
- The purchase price is based on the net asset value (if such amount is greater than the registered capital) or otherwise the nominal value of the registered capital of the company concerned.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon completion of the Reorganisation in July 2013, our Company became the holding company of our Group. Our PRC Legal Advisors advised that all our Reorganisation steps were legal and valid, and all requisite approvals, permits and licenses required for each stage of Reorganisation within the PRC have been obtained and all the necessary filings and registration have been effected.

As advised by our PRC Legal Advisors, Mr. Ye Fan has effected registration with the local SAFE branch as required under the SAFE Circular No. 75.

The definition of “domestic natural person resident” under the SAFE Circular No. 75 includes individual who habitually resides in the PRC due to economic interest. Having taken into account that Mr. Ye Fan is an individual who habitually resides in the PRC due to his economic interest, he is required to make registration with the competent foreign exchange authority under the SAFE Circular No. 75.

During the stage for initial registration, registration was made in connection with the offshore equity structure. After the initial registration and the completion of acquisition of Dongguan Meixin by the HK Subsidiary, Mr. Ye Fan is currently applying for the amendment registration with SAFE Guangdong Province for HK Subsidiary’s acquisition of Dongguan Meixin, for inclusion of the information of Dongguan Meixin in the prescribed form for registration under SAFE Circular No. 75.

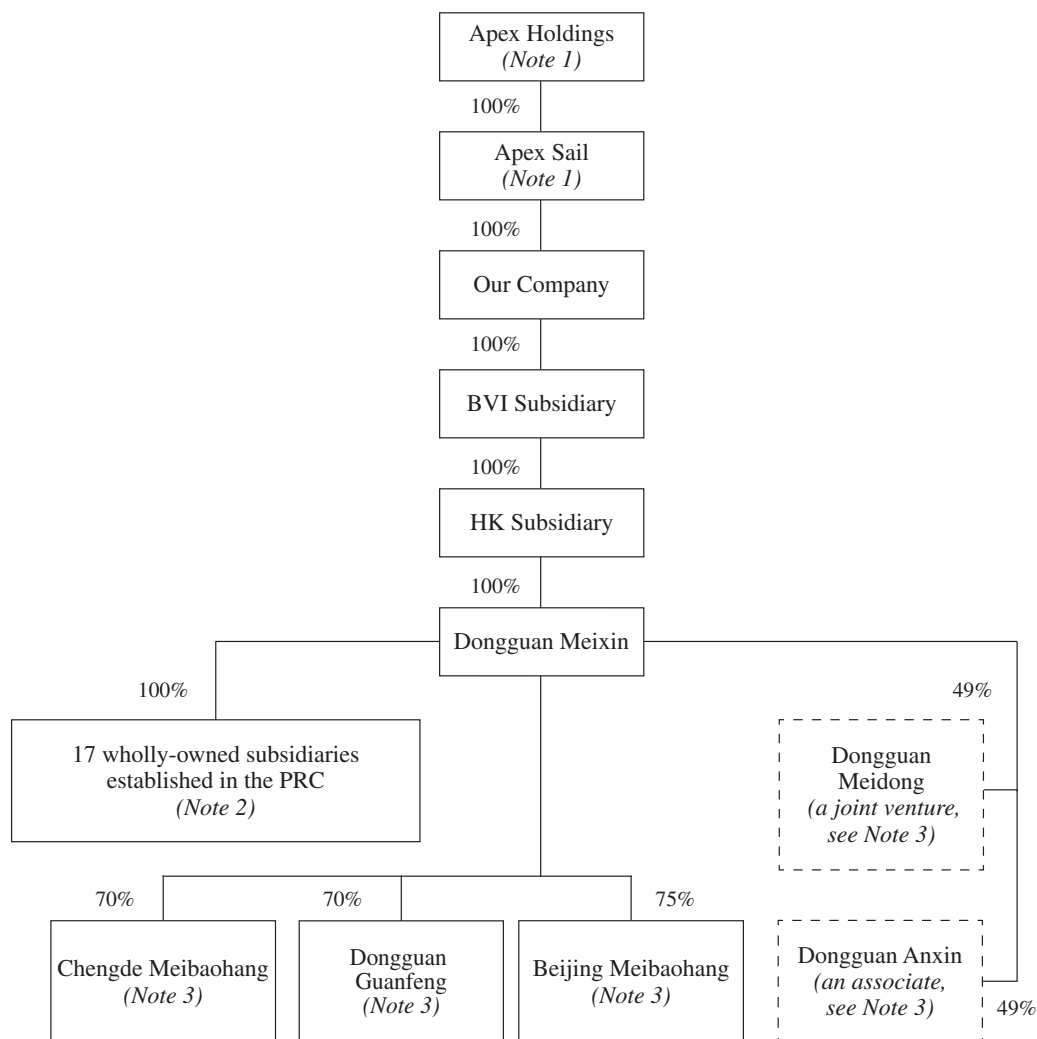
HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE

Corporate chart as of the Latest Practicable Date

The following shows the shareholding structure of our Controlling Shareholders and our Group (together with the Joint Venture and associate in which we have interest) as of the Latest Practicable Date:

Chart 3



Entities shown in boxes with dotted lines in the chart above are not members of our Group.

Notes:

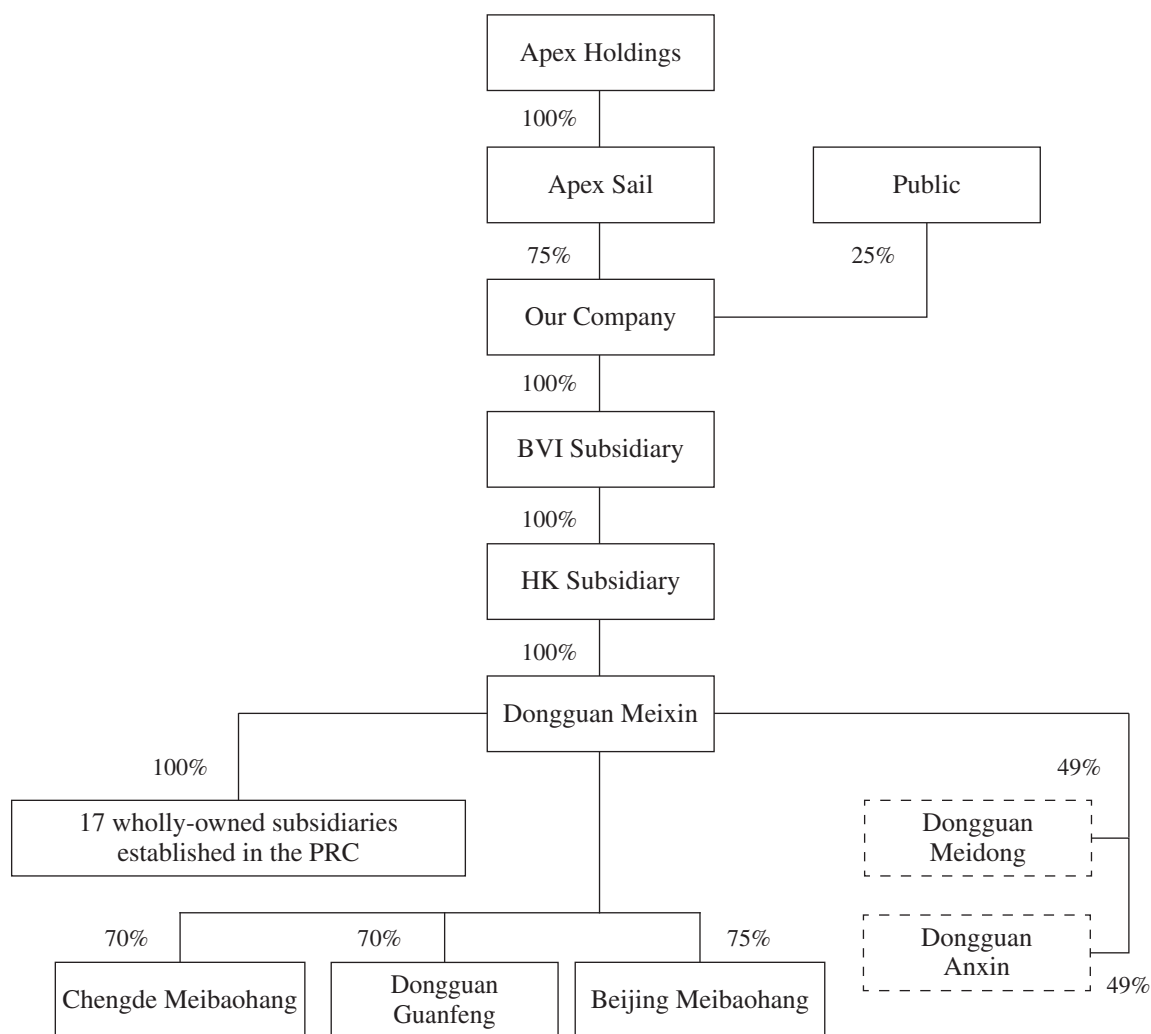
1. As at the Latest Practicable Date, the entire issued share capital in Apex Holdings was held by Fiducia Suisse as trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. Ye Fan as settlor. The Ye Brothers and some of their family members are the discretionary objects of the Ye Family Trust.
2. Please refer to Chart 1 of this section (page 96 of this prospectus) for the identities of these 17 wholly-owned subsidiaries.
3. For information on other equity-holders of the relevant entities, see the corresponding notes concerning the relevant entities in Chart 1 of this section (pages 97 and 98 of this prospectus).

HISTORY, DEVELOPMENT AND REORGANISATION

Corporate chart as of the Listing Date

The following shows the shareholding structure of our Group (and the Joint Venture and associate in which we have interest) immediately following completion of the Global Offering (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised at all) upon our Listing:

Chart 4



Entities shown in boxes with dotted lines in the chart above are not members of our Group.

Note: Please also refer to the notes under Chart 3 of this section (in the immediately preceding page).

HISTORY, DEVELOPMENT AND REORGANISATION

Companies sold by Mr. Ye Fan and/or Dadong Group and/or excluded from our Group

Before completion of the Reorganisation, Mr. Ye Fan and/or Dadong Group held certain equity interests in various PRC companies whose principal business include operation of 4S dealership. For the reasons stated below, such PRC companies (“**Excluded Companies**”) were sold to certain Independent Third Parties or otherwise were not included in our Group.

1. *Dongguan Jucheng*

Dongguan Jucheng was established in the PRC on 22 April 1999. As at 1 January 2013, its registered capital was RMB10 million, of which 44% was held by Mr. Ye Fan. By three equity transfer agreements all dated 1 April 2013, Mr. Ye Fan (as vendor) and three Independent Third Parties (as purchasers) agreed to sell and purchase 13.5%, 25.5% and 5% equity interests respectively in Dongguan Jucheng at the purchase prices of RMB1.35 million, RMB2.55 million and RMB0.5 million respectively, each representing the nominal amount of capital contribution attributable to the equity interest being disposed of. The purchase prices were all settled in April 2013.

Dongguan Jucheng was not included into our Group because the land use right of the land on which the automobile dealership store operated by Dongguan Jucheng will expire in April 2014 and there is a risk that the land will be returned to the government. Further, prior to the disposal, Mr. Ye Fan was a minority equity holder of Dongguan Jucheng and there were different views among Dongguan Jucheng’s equity holders as to the selection of new site to relocate the store. As Mr. Ye Fan did not have sole control over the management and policy of this company including the choice of new store location, the prospect of Dongguan Jucheng was therefore subject to greater uncertainties. In addition, at the time of Mr. Ye Fan’s disposal of his equity interest therein, Dongguan Jucheng was dealing in Guangqi Honda brand automobiles, which was not in the brand portfolio of our Group during the Track Record Period.

2. *Dongguan Juxinghang*

Dongguan Juxinghang was established in the PRC on 11 March 2008. As at 1 January 2012, its registered capital was RMB30 million, which was wholly owned by Dadong Group. By an equity transfer agreement dated 20 September 2012, Dadong Group (as vendor) and an Independent Third Party (as purchaser) agreed to sell and purchase the entire equity interest in Dongguan Juxinghang at the purchase price of RMB35 million. The purchase price was determined based on the then net asset value of Dongguan Juxinghang, which was settled in November 2012. The principal business of Dongguan Juxinghang includes automobile dealership in respect of Mercedes-Benz brand automobiles.

Dongguan Juxinghang and other members of our Group first obtained the dealership authorisation for BMW and Mercedes-Benz brand automobiles at about the same time in late-2010. The two brand automobiles are considered to be direct competitors to each other in terms of their German origin, similar indicative price range, same market segment as luxury passenger vehicles, similar target customers. To the best knowledge of our Directors, it seems to be a market norm of the automobiles dealership business that these automobile manufacturers prefer their dealer partners to focus development on such manufacturer’s own brand, rather than other brands which are in direct competition with the manufacturer’s brand. Given that it was then and is still our business strategy to

HISTORY, DEVELOPMENT AND REORGANISATION

focus on the development and expansion of the BMW brand automobile dealership business, at about the time of our expansion into the second dealership store of BMW brand automobiles in Hengyang, Dongguan Juxinghang was sold to such Independent Third Party and excluded from our Group.

3. *Hunan Meibohang*

Hunan Meibohang was established in the PRC on 19 March 2012. As at the date of its incorporation, its registered capital was RMB10 million, which was wholly owned by Dadong Group. By an equity transfer agreement dated 14 May 2013, Dadong Group (as vendor) and an Independent Third Party (as purchaser) agreed to sell and purchase the entire equity interest in Hunan Meibohang at the purchase price of RMB10 million representing the nominal amount of its entire registered capital. The purchase price was settled in July 2013.

The principal business of Hunan Meibohang includes automobile dealership of Lamborghini brand automobiles, and it commenced its operation in May 2012. According to the ACMR Report, the ultra-luxury segment of PRC passenger vehicle is characterised by the dominance of Porsche, which has accounted for over 80% of the total sales volume of ultra-luxury automobiles in the PRC since 2006. According to the ACMR Report, market share, sales volume and the number of dealership stores of Lamborghini in ultra-luxury market in the PRC in 2011 and 2012 were comparatively smaller: market share of Lamborghini in ultra-luxury market in the PRC in 2011 and 2012 were 0.8% and 0.9%, respectively. It was then and is still our Group's development plan and strategy to expand and develop such brands of automobile with relatively more stable sales volume, higher turnover rate and larger potential customer base, so that we may better achieve our strategy to offer our customers a comprehensive array of automobile-related products and services after the sales of the vehicles (which include, particularly, provision of after-sales services and other value-added services and sale of spare parts and accessories). The growth and demand for after-sales services and spare parts of any particular brand depends, to a large extent, on the sale volume and popularity of vehicles of that brand in the market.

For this reason, Hunan Meibohang was sold and excluded from our Group.

Notwithstanding the exclusion of Hunan Meibohang from our Group, our Directors believe that the two new Porsche 4S dealership stores will contribute substantially more to the future revenue and profit of our Group than what Hunan Meibohang would have been able to achieve due to the expected larger volume of the Porsche brand vehicles to be sold. Our Directors also believe that the exclusion of Hunan Meibohang from our Group was a business decision based on more efficient use of our Group resources in light of the future prospects of Hunan Meibohang rather than a withdrawal by our Group from the ultra-luxury segment of the market.

4. *Dadong Group*

Dadong Group was established in the PRC on 31 January 2007. As at 1 January 2013, its registered capital was RMB40 million and whose entire registered capital was owned by Mr. Ye Fan, and was registered under the name of (i) as to 98.75%, Mr. Ye Fan and (ii) as to 1.25%, Ms. Hu Huanran who held such 1.25% interest as trustee for the benefit of Mr. Ye Fan. During the Track Record Period and prior to the completion of the Reorganisation, Dadong Group was the holding company of our PRC subsidiaries. It then also held equity interest in Dongguan Meidong (our Joint Venture). Before April 2013, its business licence included automobile dealerships as part of its permitted

HISTORY, DEVELOPMENT AND REORGANISATION

business activities. In April 2013, its scope of permitted business activities was amended such that automobile dealerships was excluded. Dadong Group is currently principally engaged in properties investment. It also has 20% equity interest in a money-lending company in the PRC.

Upon Listing, Mr. Ye Fan will remain the sole beneficial equity holder of Dadong Group for his pursuit of business other than automobile dealerships. Dadong Group's business in the future will be of a different nature and sector from the automobile dealership business of our Group. In order to focus on our Group's principal business, we consider that it is either unnecessary or not in the best interest of our Group to include Dadong Group in our Group for the purpose of Listing.

5. *Yulin Meidong*

Yulin Meidong was established in the PRC on 11 April 2012. As at the date of its incorporation, its registered capital was RMB10 million, and was wholly owned by Dadong Group. Yulin Meidong was authorised to construct a 4S dealership store for Lexus automobiles in Yulin, Shannxi in 2010. Our Group was not confident with the prospects of the Yulin market after more thorough study and research on the market. Our Group is of the view that the development of Yulin Meidong did not conform with the subsequent development strategy of our Group. Further, in 2011 and 2012, we obtained preliminary authorizations for construction of ten new dealership stores, our Directors decided to exclude Yulin Meidong from our Group so as to optimise the use of our working capital and human resources to generate better return in the development and expansion in other stores which are expected to have better performance. Before May 2013, its business licence included automobile dealerships as part of its permitted business activities. In June 2013, its scope of permitted business activities was amended such that automobile dealerships was excluded.

Upon Listing, Dadong Group will remain the sole equity-holder of Yulin Meidong for the pursuit of business other than automobile dealerships. Yulin Meidong's business in the future will be of a different nature and sector from the automobile dealership business of our Group. In order to focus on our Group's principal business, we consider that it is either unnecessary or not in the best interest of our Group to include Yulin Meidong in our Group for the purpose of Listing. The 4S dealership store development in Yulin with Lexus was terminated. Our Directors consider that the exclusion of Yulin Meidong would not have material impact on our relationship with Lexus.

The Excluded Companies were not included in our Group based on the business strategy of our Group, details of which are mentioned above. It is not the intention of our Directors to exclude the Excluded Companies in order to enable our Company to meet the basic listing qualification requirement or to enhance our Group's apparent attractiveness. Our Directors believe that even if the Excluded Companies had been included in our Group, we would have been able to comply with the profit test requirement under Rule 8.05(1)(a) of the Listing Rules.

HISTORY, DEVELOPMENT AND REORGANISATION

The table below sets out some information of the Excluded Companies:

Registered capital (RMB million)	Turnover (RMB million)			Net profits/(loss) after tax (RMB million)			Major brands sold and/or distributed	Business focus
	For the year ended 31 December ^(note 1)			For the year ended 31 December ^(note 1)				
	2010	2011	2012	2010	2011	2012		
<i>Dongguan Jucheng (Notes 2 and 3)</i>								
10	175.19	146.49	144.38	2.21	1.23	0.05	Guangqi Honda	As far as we understand, this company will continue to focus on the Guangqi Honda brand vehicles dealership business. Such brand was not included in the brand portfolio of our Group during the Track Record Period.
<i>Dongguan Juxinghang (Notes 2, 3 and 4)</i>								
30	64.57	493.34	Not available	(2.64)	17.32	Not available	Mercedes-Benz	As far as we understand, this company will continue to focus on the Mercedes-Benz brand vehicles dealership business. Such brand was not included in the brand portfolio of our Group during the Track Record Period.
<i>Hunan Meibohang (Notes 2, 3 and 5)</i>								
10	Not yet established	Not yet established	8.63	Not yet established	Not yet established	(2.46)	Lamborghini	As far as we understand, this company will continue to focus on the Lamborghini brand vehicles dealership business. Such brand was not included in the brand portfolio of our Group during the Track Record Period.
<i>Dadong Group (Note 2)</i>								
40	9.82	7.08	0.18	3.10	(7.25)	12.62	Holding company of the PRC companies prior to Reorganisation	Dadong Group will principally engage in properties investment and maintain its investment in money-lending business in the PRC.
<i>Yulin Meidong (Notes 2 and 6)</i>								
10	Not yet established	Not yet established	Not yet in operation	Not yet established	Not yet established	(2.47)	Lexus	Yulin Meidong will principally engage in corporate management services and investment planning services.
Combined financial data								
	249.58	646.91	153.19	2.67	11.30	7.74		Our Group excluded the Excluded Companies based on business strategy, and not due to financial performance.

Notes:

- The turnover and net profits/(loss) after tax of the relevant Excluded Company were extracted from its audited or unaudited financial statements for each of the financial years ended 31 December 2010, 2011 and 2012, which however have not been reviewed or audited by our reporting accountants.
- To the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, (i) none of the above five Excluded Companies was subject to disputes, actions or litigations taken by the PRC governmental authorities, and (ii) Dongguan Jucheng had not received any document, notice, order or other legal documents from any governmental authorities in connection with penalty, investigation, disputes or orders against it during the period commencing from 1 January 2010 and up to Mr. Ye Fan's disposal of his equity interest therein in April 2013; and (iii) none of Dongguan Juxinghang, Hunan Meibohang, Dadong Group and Yulin Meidong had

HISTORY, DEVELOPMENT AND REORGANISATION

received any document, notice, order or other legal documents from any governmental authorities in connection with penalty, investigation, disputes or orders against such companies since 1 January 2010 (or the incorporation of the respective company, if later) up to the Latest Practicable Date (or the date of disposal, if earlier).

3. No termination of dealership agreement by the automobile manufacturer occurred during the Track Record Period.
4. Dongguan Juxinghang was disposed of by Dadong Group to an Independent Third Party in September 2012 and its financial data for the year ended 31 December 2012 is not available to us.
5. Hunan Meibohang was established in March 2012, financial data for years 2010 and 2011 are not available.
6. Yulin Meidong was established in April 2012, and operation has not yet commenced. The 4S dealership store development in Yulin Meidong with Lexus was terminated.

As explained above, the exclusion of the Excluded Companies was based on business strategy and other reasons as stated above, which were not due to such companies' performance. Our Directors are of the view that the management of our Group is capable of making prompt business actions to respond to the changing market conditions and/or to accommodate the then business environment confronted by our Group by, for instance, excluding those Excluded Companies from our Group, in order to safeguard and/or enhance the value and profitability of our Group as a whole. For this reason, our Directors believe that our management and our Directors are competent and capable to manage our Group's business in the best interest of our Group and our shareholders as a whole.

Equity interests in some PRC entities held on trust for the benefit of Mr. Ye Fan

The equity interests in some of the our PRC subsidiaries and an associate and in Dadong Group were held by some individuals for the benefit of Mr. Ye Fan before the Reorganisation. In particular:

- (i) *RMB5.88 million in Dongguan Anxin (an associate)*: such equity interest was registered in the name of Ms. Hu Huanran and was held by her on trust for the benefit of Mr. Ye Fan during the period between 10 June 2009 and 20 May 2013. It represents 49% of the entire registered capital in Dongguan Anxin at the material time. Mr. Ye Fan provided all the funding for such investment.

Dongguan Anxin was established in June 2009. At the material time, Mr. Ye Fan devoted much of his time in expanding our Group's business outside Guangdong Province. The trust arrangement allowed administrative and operational efficiency for the setting up of this company, as various documents for establishing the company were required to be signed by its equity holders.

- (ii) *RMB3.2 million in Dongguan Guanfeng and RMB0.4 million Dongguan Dongbu*: such equity interests were registered in the name of Ms. Hu Huanran on trust for the benefit of Mr. Ye Fan during the periods (a) between 13 July 2004 and 9 December 2005 and (b) between 3 February 2009 and 3 April 2009, respectively. They represent 32% of the entire registered capital in Dongguan Guanfeng and 4% of the entire registered capital in Dongguan Dongbu, respectively at the material time. The remaining 68% and 96% registered capital in Dongguan Guanfeng and Dongguan Dongbu were then registered under the name of Mr. Ye Fan. Mr. Ye Fan provided all the funding for such investments.

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Pursuant to the PRC Company Law, prior to 1 January 2006, a natural person was not allowed to invest and establish a limited company with a single equity-holder (一人有限責任公司). In compliance with the statutory requirements on the number of equity-holders of limited company, the trust arrangement in Dongguan Guanfeng was put in place. During the period between 13 July 2004 and 9 December 2005, the entire equity interest of Dongguan Guanfeng was beneficially owned by Mr. Ye Fan.

Further, pursuant to the PRC Company Law, on and after 1 January 2006, a natural person was allowed to invest and establish only one limited company with a single equity-holder (一人有限責任公司), but there is no restriction on the number of companies (whether with limited liability or not) that a natural person may have equity interest, where the companies are jointly invested with other equity-holders. As Mr. Ye Fan then was not certain whether Dongguan Dongbu would be his only limited company with a single equity-holder, he had arranged certain equity interest of that company to be held by his spouse on trust for him to allow him flexibility in his other possible business engagement. During the period between 3 February 2009 and 3 April 2009, the entire equity interest of Dongguan Dongbu was beneficially owned by Mr. Ye Fan.

- (iii) *RMB10 million in Zhuzhou Meibaohang*: such equity interest was registered in the name of two individuals as to RMB9.5 million and RMB0.5 million, respectively, on trust for the benefit of Mr. Ye Fan during the period between 10 November 2009 and 4 October 2011. It represents the entire registered capital in Zhuzhou Meibaohang at the material time. Mr. Ye Fan provided all the funding for such investments. The trust arrangement was effected for administrative and operational efficiency because Zhuzhou Meibaohang was located in Hunan and was far from Dongguan (the base of the then Dadong Group), and various documents were then required to be signed by registered equity holders at the stage of incorporation and initial running of Zhuzhou Meibaohang. The trustee which initially held equity interest in the sum of RMB9.5 million subsequently transferred such equity interest to Mr. Ye Nianen (father of Mr. Ye Fan) who continued to hold such equity interest on trust for the benefit of Mr. Ye Fan from 3 February 2010 to 4 October 2011. No benefits or advantages have been provided by Mr. Ye Fan to such trustees for entering into the trust arrangement. During the period between 10 November 2009 and 4 October 2011, the entire equity interest of Zhuzhou Meibaohang was beneficially owned by Mr. Ye Fan.
- (iv) *RMB0.5 million in Dadong Group (a holding company of some of our PRC companies before completion of the Reorganisation)*: such equity interest was registered in the name of Ms. Hu Huanran on trust for the benefit of Mr. Ye Fan since 31 January 2007 and up to the Latest Practicable Date. It represents 5% (from 31 January 2007 to 31 March 2007; diluted to 1.25% from 1 April 2007 and up to the Latest Practicable Date) of the entire registered capital in Dadong Group at the material time. The remaining 98.75% registered capital in Dadong Group is registered under the name of Mr. Ye Fan. Mr. Ye Fan provided all the funding for such investment. Since 31 January 2007, the entire equity interest of Dadong Group was beneficially owned by Mr. Ye Fan.

HISTORY, DEVELOPMENT AND REORGANISATION

Pursuant to the PRC Company Law, Mr. Ye Fan is not allowed to invest in and establish more than one limited company with a single equity-holder. As Mr. Ye Fan then was not certain whether Dadong Group would be his only limited company with a single equity-holder, he had arranged certain equity interest of that company to be held by his spouse on trust for him to allow him flexibility in his other possible business engagement.

Ms. Hu Huanran is the spouse of Mr. Ye Fan, and no benefits or advantages have been provided by Mr. Ye Fan to her for entering into the trust arrangements mentioned in item (i), (ii) and (iv) above.

Under the trust arrangements, Mr. Ye Fan enjoyed all rights and benefits derived from the equity-interests mentioned above. As advised by our PRC Legal Advisors, all the above trust arrangements are legally effective and binding on the parties. Under the applicable PRC laws and regulations, all such trust arrangement do not violate any applicable laws and regulations.

OVERVIEW

We are the fifth largest privately-owned automobile dealership group headquartered in Guangdong province in terms of turnover in 2012, according to the ACMR Report. In terms of the entire PRC market, we are the 78th largest automobile dealership group in the PRC, in terms of turnover in 2012, with a market share of approximately 0.1% in the PRC, according to the ACMR Report. As at the Latest Practicable Date, we operated 13 dealerships, and we together with our joint venture partner through our Joint Venture operated a 14th dealership. These dealerships were located across ten cities in five provincial level regions in the PRC. Six of these dealerships are in Guangdong province. Of these six dealerships, five are located in the city of Dongguan, which is also where our corporate headquarters are located. As at 30 June 2013, we had obtained preliminary authorisations (including preliminary notices, non-binding approvals or letters of intent) to establish seven additional dealerships, including two Porsche, three BMW, one Lexus and one Toyota dealership, all of which we expect to open by the end of the first quarter of 2015.

We began operating 4S dealerships in Dongguan, Guangdong province in 2004. By March 2008 we and our Joint Venture had opened five dealerships, all of which were located in Dongguan. According to the ACMR Report, Dongguan is among the biggest city-level markets, apart from first-tier cities, for automobiles in terms of new car sales and car ownership level. Although competition in Dongguan is fierce, we have been able to continue to improve our operational efficiencies in Dongguan and establish ourselves as a leading operator of dealerships in Dongguan and in Guangdong province overall. See “Industry Overview — Retail Platform in the PRC Passenger Vehicle Market”. In 2012, we were among the top five privately-owned automobile dealership groups headquartered in Guangdong province in terms of turnover, according to the ACMR Report.

From our initial successes in growing these dealerships, we have built up a core understanding on operating 4S dealerships, and have established effective execution and operational procedures for implementing our business strategies at each of our dealerships. We have particularly focused on areas such as sales and inventory management, increasing profits per sale, improvement on after-sales services and systematic training and development of capable retail managers. Our average inventory turnover days (as defined and further discussed in the section entitled “Financial Information — Inventories Analysis”) were 28.2 days, 33.6 days and 37.8 days in 2010, 2011 and 2012, respectively, and 44.2 days in the six months ended 30 June 2013, which we believe are among the best of the PRC 4S dealership groups listed on the Main Board of Stock Exchange. In the year ended 31 December 2012, none of the other PRC 4S dealership groups currently listed on the Main Board of the Stock Exchange had fewer average inventory turnover days than our Group. In each of the year ended 31 December 2011 and the six months ended 30 June 2013, only one other PRC 4S dealership group listed on the Main Board of the Stock Exchange had fewer average inventory turnover days than our Group.

We focus on three main aspects to improve our dealership-level operations: achieving fast inventory turnover, increasing gross profit margin per vehicle sale and growing after-sales services. See “— Our Competitive Strengths”.

We rely on capable retail managers to implement our strategy emphasizing these aspects at the dealership-level. To provide managers for each of our dealerships, we emphasize internal promotions into our management ranks, which we believe helps motivate employees, maintain a low management turnover rate, preserve operational consistency, and promote our corporate culture. In this regard, we

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identify and maintain a talent bank of employees who we consider to have potential to become dealership managers in the future, especially as our dealership network expands. By establishing and maintaining efficient management systems and a strong management personnel talent bank, we believe that we are well positioned to replicate our success in new markets.

Building on our experience from our Dongguan base and aided by our successful dealership store-level operations and our in-house development of capable retail managers, we have been able to grow our business, refine our business model and develop management expertise to support our expansion into other locations, particularly within Guangdong and the neighbouring provinces of Fujian and Hunan. We have also expanded to certain locations in other regions outside of the southeastern provinces of China in which we have identified particularly attractive opportunities, including in Beijing and Gansu province. We are focused on developing opportunities in small- to mid-sized cities in regions in or adjacent to the areas in which we currently operate and which we believe are underserved and/or have significant growth potential. As at 30 June 2013, of the 14 4S dealerships operated by us (including one operated by our Joint Venture), 13 were located in second-, third- and fourth-tier cities. Our experience has provided us with a solid understanding of the unique operational challenges and the needs and behaviours of consumers in these markets which allows us to better serve and respond to these customers and expand our market share. Our expansion into these cities, in particular third- and fourth-tier cities present opportunities for us to gain first mover advantage and to capture dominant positions as leading 4S dealerships in these growing markets.

We further rely on the availability and analysis of operational data to improve our dealership store-level operations. We have developed and refined our management culture, decision processes and IT systems based on a broad range of data that we collect, record and analyse. We have formed a data-driven management culture through training and human resources management. Aided by our customized information technology systems, data is collected, processed and distributed in the form of a variety of daily, weekly and monthly reports, which are analysed on an ongoing basis for use in decision-making. For example, our dealership-level managers use data we collect, such as historical sales and inventory data, to aid them in making decisions regarding procurement, pricing and discounting according to the latest market trends to maximize dealership store level business performance. Our training programs help to introduce our staff to our corporate culture and to best practices and procedures, including data-driven decision-making processes, which can be applied to each of our dealerships. These data-driven practices and procedures also facilitate efficient central oversight of our dealerships.

Our history of operational success and our corporate culture have enabled us to develop strong relationships with leading international automobile manufacturers and their PRC joint ventures. These relationships are essential for our future growth. As at 30 June 2013, we had a balanced portfolio of mid- to high-end and luxury brands in our existing dealerships including Toyota, Hyundai, BMW and Lexus, and had obtained preliminary authorisations from manufacturers to establish seven additional dealerships, which include two Porsche, three BMW, one Lexus and one Toyota dealership, all of which we expect to open by the end of the first quarter of 2015. These new dealerships are to be located across seven cities in five provincial level regions of the PRC. Porsche is a new ultra-luxury brand for us. We intend to open two Porsche dealerships in Shunde and Shantou. To the best of the knowledge, information and belief of our Directors, there were no Porsche dealerships in these two cities as at the Latest Practicable Date.

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Going forward, we intend to continue to establish new mid- and high-end 4S dealerships in locations we believe are underserved and where we have competitive advantages. We believe that with improved capital following the Global Offering coupled with the track record that we have built with our automobile manufacturer partners, we will be able to secure new authorisations to accelerate the expansion of our network. In addition to organic growth, we will also actively seek out potential acquisitions of small- to medium-size dealership groups which we believe have been mismanaged or whose potential has not been fully developed. In particular, we will focus on acquiring dealerships in the mid- to high-end and luxury brand segments in the southeastern provinces of Guangdong, Hunan and Fujian, and adjacent provinces.

We offer our customers a comprehensive array of automobile-related products and services including the sale of new and used passenger vehicles, provision of after-sales repair and maintenance services, sale of spare parts and accessories and provision of other value-added services, such as the acquisition and sale of used vehicles and the distribution of extended product warranties and automobile insurance. We believe that our broad range of products and services allows us to provide a one-stop service to our customers and to generate a variety of profit streams from our customers.

During the Track Record Period, we experienced growth in our business. For the years ended 31 December 2010, 2011 and 2012, our turnover was approximately RMB2,279.6 million, RMB2,824.1 million and RMB2,949.5 million, respectively, representing a CAGR of 13.7% between 2010 and 2012. For the six months ended 30 June 2012 and 2013, our turnover was RMB1,476.5 million and RMB1,514.5 million, respectively. Passenger vehicle sales represented the majority of our turnover, accounting for approximately 94.3%, 92.8% and 90.3% of our total turnover for the years ended 31 December 2010, 2011 and 2012, respectively, and approximately 91.0% and 89.1% of our total turnover for the six months ended 30 June 2012 and 2013, respectively, with the remainder attributable to our after-sales services.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will help us continue to succeed and grow in the future, especially in light of market trends in the automobile market:

We have efficient and effective dealership-level operational expertise that we believe will help us achieve fast inventory turnover, increase gross profit margins and grow after-sales services

We believe a key factor in the ability to operate our Group successfully and profitably is our experience and expertise on the individual dealership-level. We have a proven track record in establishing and operating successful dealership stores. We have grown our business systematically and efficiently by developing and continually improving dealership-level business processes and operational procedures that emphasise efficiency and are standardised across our Group. We began operating our first two dealerships in Dongguan in 2004 and were able to achieve profitability on an annual basis for both dealerships by 2006. By the end of 2008, we had opened another three dealerships (including one operated by our Joint Venture).

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We believe our expertise and effective implementation of our operational procedures will enable us to perform strongly. In particular, we focus on three important aspects of dealership-level operations: achieving fast inventory turnover, increasing overall gross profit margin per vehicle sale and growing after-sales services.

Achieving fast inventory turnover

Our inventory turnover rates were, we believe, among the best of the PRC 4S dealership groups listed on the Main Board of the Stock Exchange during the Track Record Period. In the year ended 31 December 2012, we averaged inventory turnover days (as defined in “Financial Information — Inventories Analysis”) of 37.8 days across our Group. None of the other PRC 4S dealership groups currently listed on the Main Board Stock Exchange had average inventory turnover days lower than this in the same period. In each of the year ended 31 December 2011 and the six months ended 30 June 2013, we averaged inventory turnover days of 33.6 days and 44.2 days, respectively, across our Group. During this period, only one other PRC 4S dealership group listed on the Main Board of the Stock Exchange had fewer average inventory turnover days. Fast inventory turnover is vital in the automotive retail industry as it allows an efficient use of working capital and increases return on capital. Faster inventory turnover also increases our flexibility to react quickly to changing market pricing trends, which allows us to realize higher average prices in the long-term, to minimize obsolete stock and to sell the most up-to-date and in-demand models of passenger vehicles.

Our fast inventory turnover also allows us to sell more passenger vehicles in any given period with a limited amount of capital, thus enabling us to increase our sales volume more quickly. For example:

- Within two years after its opening, our Dongguan Dongbu dealership store became a top 10 ranked dealership in China for FAW Toyota in terms of overall performances in vehicle sales, after-sales services and customer satisfaction in 2006.
- In 2009, we acquired Beijing Zhongye, a 4S dealership in Beijing for FAW Toyota. Within nine months after our acquisition of Beijing Zhongye, our management was able to turn the dealership around from the 20th ranked dealership in 2009 into the second ranked dealership in 2010 in terms of sales volume among the 22 FAW Toyota dealerships in Beijing.
- Our BMW dealership in Zhuzhou, Hunan province, experienced rapid growth in sales after we opened it in November 2010. In 2012, sales of passenger vehicles in our Zhuzhou dealership grew by approximately 64% compared with 2011. In the first half of 2013, our Zhuzhou BMW dealership was ranked seventh among all BMW 4S dealerships in China in terms of overall performance.

Strengthening overall gross profit margin per vehicle sale

Overall gross profit margin per vehicle sale is a function of brand, market conditions, inventory turnover, sales management effectiveness and bundling of accessory products and services with vehicles at the time of sale. While an individual dealership selling a certain brand of automobile cannot control market conditions or readily choose a different brand, its managers do have strong influence over the inventory turnover rate, sales management effectiveness and the number and type of accessories sold with vehicles at such dealership. In addition, we improve gross profit margin per vehicle sale via bundling more accessory products with our vehicles at the time of sale. Examples of bundled accessory

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products include global positioning systems, tinted windows and interior decorations, among others. Sales of bundled accessory products are less price-sensitive than that of passenger vehicles, and provide us with higher, more stable margins. Our gross profit margin rates from the sale of bundled accessory products were approximately 38.9%, 38.8% and 40.7%, for the years ended 31 December 2010, 2011 and 2012, respectively, and 37.0% and 53.8%, for the six months ended 30 June 2012 and 2013, respectively. These gross profit margin rates were significantly higher and more consistent than our gross profit margin rates for the sales of passenger vehicles alone, which were 4.0%, 4.4% and 1.9%, for the years ended 31 December 2010, 2011 and 2012, respectively, and 2.9% and 0.6% for the six months ended 30 June 2012 and 2013, respectively. We have been able to steadily increase our sales of bundled accessory products, which has had a positive effect on our gross profit margins per vehicle sale, increasing such margins, or helping to offset decreases in such margins during the periods when there is a slowdown in the passenger vehicle market. Our turnover from sales of bundled accessory products was approximately RMB59.9 million, RMB76.3 million and RMB90.1 million for the years ended 31 December 2010, 2011 and 2012, respectively, and RMB40.9 million and RMB59.3 million for the six months ended 30 June 2012 and 2013, respectively. We expect to continue to emphasize selling more bundled products to increase our gross profit margin.

Growing after-sales services

The growth of after-sales services is another important aspect of our dealership-level operations. After-sales services generally have higher margins than passenger vehicle sales, and therefore provides a stable source of gross profit. We measure our dealership-level services operations by calculating an “absorption rate”, which we calculate as follows:

$$\text{absorption rate} = \frac{\text{gross profit of after-sales services}}{\text{distribution costs} + \text{administrative expenses}}$$

The absorption rate represent the recovery rate of a dealership’s operating costs solely from its after-sales services. An absorption rate of 100%, or close to 100%, indicates that the dealership’s operating costs can essentially be supported by after-sales services alone. For the years ended 31 December 2010 to 2012, our gross profit from after-sales service grew steadily from RMB44.8 million to RMB139.4 million, representing a CAGR of 76.4%, and our absorption rate grew from 50.3% to 94.2%, which we believe represents the highest absorption rate among the PRC 4S dealership groups publicly listed on the Main Board of the Stock Exchange in 2012. For the six months ended 30 June 2012 and 2013, our gross profit from after-sales services grew from RMB62.3 million to RMB90.1 million, and our absorption rate grew from 89.2% to 118.3% which we believe represents the highest absorption rate among the PRC 4S dealership groups publicly listed on the main board of the Stock Exchange in the first half of 2013. See “Industry Overview — The PRC 4S Dealership Sector — Turnover Mix of 4S Dealerships in the PRC”. As at 30 June 2013, our average absorption rate at our mature dealerships (those dealerships that have commenced operations for at least two years) was 150.2%.

Our dealership-level sales, after-sales services and other operational capabilities and expertise have earned us various awards from automobile manufacturers and media outlets. In 2012, one of our Dongguan dealerships was ranked fifth in terms of the number of new automobiles sold nationally under the Lexus brand. In 2011, we were recognized as one of the top ten “strategic partners” for FAW Toyota, due to our strong dealership-level performance. See “— Awards” below.

We provide high quality customer service across our Group

Our operational expertise is also encompassed by our high-quality customer service. Our business model relies on developing long-term relationships with our customers from whom we derive much of our turnover revenue from after-sales services and the sale of spare parts and accessories. We have a dedicated customer relations department that actively engages with our customers through the collection of customer feedback and the delivery of targeted communications and promotions to encourage return visits for vehicle maintenance and purchases of new vehicles.

In 2011, we began establishing direct call centres, and currently have such a centre in each of our 4S dealerships. The direct call centres generally consist of dedicated teams of three to seven full-time employees at each 4S dealership who handle incoming enquiries from potential customers, active outreach to existing customers and follow-up on new customer referrals with the goal of converting direct call centre activity into in-person dealership visits and ultimately completed sales. These activities support our Group's focus on increasing dealership store visits and increasing the conversion rate of these visitors into paying customers. Our direct call centre teams actively use our customer management systems to improve the efficacy of their outreach and their activities are entered into these systems to provide additional customer data to our front-line employees.

Our processes, systems and training programs, combined with our strong corporate culture help us replicate our dealership-level expertise and successes across our existing dealerships and into our new dealerships

A key factor allowing us to leverage our expertise on 4S dealership management and replicate our dealership-level successes is the ability to make available the right operational data to the right people at the right time. Our processes have been developed and refined based on a broad range of data that we collect, record and analyse. The collection of this data is aided by our customized information technology systems. See “— Information Technology” below. By gathering and analysing such data, we are able to identify key factors that affect our performance and develop efficient and replicable processes to improve results in our existing dealerships and to implement in our new dealerships. We believe that the systems and processes we have developed have improved our operational efficiencies and play a significant role in improving our gross profit margins.

Each of our dealerships provides us with data that we use to generate daily, weekly and monthly reports, all of which are shared with management at both the dealership and group levels. This data and reports allow us to identify trends at individual dealerships and across our Group and to optimise our sales and pricing targets for each model of automobiles on a timely basis in order to optimise inventory turnover. These reports summarize a variety of key operational data, including customer foot traffic, number of customer vehicle orders, inventory levels, delivery times for customer ordered vehicles, gross margin per vehicle sold, number of vehicles brought in for servicing, repair service completion rates, customer satisfaction rates and progress towards achieving certain key performance targets. Our customer management systems log every customer contact and action performed by our sales, after-sales and customer service staff. We provide this information via our ERP System to our front-line customer-facing employees to provide them with a clear snapshot of the history, such as shopping patterns and preferences, of our customers, and actionable data to improve customer service and increase customer turnover. The operational data we collect is analysed at the department, dealership and corporate levels. The results of the analysis are communicated via daily emails, conference calls, instant messages and

site visits. Our corporate headquarters staff, most of whom have strong dealership-level experience and are well-trained in our operational practices, serve an important role as a communications hub in facilitating this communication across our dealerships.

Another key factor for maintaining strong dealership-level performance across our Group is our commitment to develop internally capable retail managers through our human resources practices. The top priority of human resources is to identify junior personnel with potential to become future managers. We achieve this by reviewing employees' quantitative performance in areas such as achievement of key performance indicators, and qualitative performance in areas such as leadership, teamwork and cultural fit. Our human resources team will identify and place high performing employees into a managerial pool and to provide them with regular training. It is a dynamic pool, in that once an employee is placed in the managerial pool, such employee must continually maintain and demonstrate their qualifications to remain in the pool. Most of our current and future candidates for promotion into management positions have come and we expect will continue to come from this pool of employees. Through the regular training of individual in our managerial pool and in management, we have been able to maintain a high level of consistency in our operational philosophy and practices across our Group.

Our efforts to promote consistent, effective business practices and strengthen management on the dealership-level have allowed us to replicate our success as we add new stores into our dealership network. This has been the case both with dealerships we have acquired from other owners, such as the Beijing Zhongye dealership, as well as new dealerships we opened through organic growth, such as the Zhuzhou Meibaohang dealership, as mentioned above. With the strong data-driven management systems and human resources practices we have developed and continue to improve, we believe that our dealership-level success can continue to be replicated across our Group and into our future growth.

We have established strong relationships with a growing number of automobile manufacturer partners, allowing us to access and develop a balanced brand portfolio

We have developed strong relationships with certain leading international automobile manufacturers and their PRC joint ventures. Our proven ability to generate sales and to service our customers efficiently and to grow new markets for the automobile manufacturers with whom we deal helps strengthen our on-going relationships with these manufacturers and provides us credibility to attract new manufacturers and apply for dealerships selling their brands when such expansion is strategically desirable. Our first dealerships were dedicated to Toyota and Beijing Hyundai. After establishing a successful track record of operating dealerships for these mid- to high-end brands, we opened our first luxury brand dealerships for Lexus in 2008 and BMW in 2010. We currently have obtained preliminary authorisation to establish two ultra-luxury brand dealerships for Porsche, which we expect to open by the end of the third quarter of 2014 and the first quarter of 2015, respectively. The expansion of our brand portfolio from mid- to high-end Korean and Japanese brands, to luxury Japanese and European brands to a top-of-the-line ultra-luxury European brand has always been, in the first instance, through organic growth, rather than obtaining new brands through the acquisition of an existing dealership. We believe that the fact that we have been able to secure new dealership agreements with our existing automobile manufacturer partners and with new partners, even as automobile manufacturers become more selective in their criteria for authorising new dealerships in China, is validation of the strength of our relationships with manufacturers and reflects our potential to secure new dealership agreements and potentially new brands in the future.

We believe that the automobile brands that we sell are generally popular and enjoy good reputations and high demand among Chinese consumers, particularly in the regions in which we operate. For example, according to the ACMR Report, the number one regional market in China for Toyota and Lexus is Guangdong province, where, as at 30 June 2013, we operated six of our 14 existing dealerships (including one operated by our joint venture) and four of our 10 existing Toyota and Lexus dealerships. We believe that our mid- to high-end Korean and Japanese brands provide good value in terms of product quality and fuel economy, which make them attractive for practical-minded Chinese middle class consumers. On the other hand, we believe that our luxury Japanese and European brands and our top-of-the-line ultra-luxury European brand are attractive for the wealthier Chinese customers in our markets, and that demand for these vehicles increase as our customers gain more wealth and seek to upgrade their vehicles. Porsche in particular will expand our footprint in the ultra-luxury segment as, according to the ACMR Report, it has been the best-selling ultra-luxury automobile brand in China during the Track Record Period. According to the ACMR Report, sales of Porsche vehicles in China have represented over approximately 80% of annual sales of ultra-luxury passenger automobile segment in China each year from 2006 to 2012. Our ability to reach different market segments with different types of vehicles in our diverse brand portfolio has contributed to the growth of our high-margin after-sales service and spare parts and accessories business. Additionally, having a diverse brand portfolio allows us to sell different car models at different points of their respective model release cycles. This makes us less susceptible to normal fluctuations in sales volume of any particular model across its release cycle and allows us to maintain steady aggregate growth in sales volume at the group level, as well as decreasing reliance on any single brand or country of origin. This is particularly important as customer style preferences and other factors affecting brand selection can fluctuate. See the sections entitled “Risk Factors — Risks Relating to Our Business” and “Risk Factors — Risks Relating to Conducting Operations in the PRC”, which includes disclosures relating to political relations between the PRC and Japan and fluctuations in consumer spending, and the section entitled “Industry Overview — Development and Prospects of Key Automobile Brands in the PRC”.

We have experience establishing and growing markets for brands in cities with smaller and medium-sized populations

As at the Latest Practicable Date, of our 14 4S dealerships (including one operated by our Joint Venture), 13 4S dealerships (including one operated by our Joint Venture) were located in fast-growing second-, third- and fourth-tier cities. Furthermore, six of the seven new dealerships that we had obtained preliminary authorisations as at 30 June 2013 to establish new dealerships are located in second-, third- and fourth-tier cities. According to the ACMR Report, between 2006 and 2012, new automobile registrations in second-, third- and fourth-tier cities in China grew quickly at a CAGR of 16.6%, 19.5% and 20.2%, respectively, each more than twice the CAGR of 7.0% for first-tier cities during the same period. According to the ACMR Report, the average annual growth rates from 2007 to 2012 in second-, third- and fourth-tier cities in China also exceeded such annual growth rates in first tier cities in each market segment.

We believe that operating successfully in smaller markets requires a different set of management skills than operating in larger markets. One of the key advantages of operating in smaller markets is less competition. Gross profit margins, both in sales and in after-sales services, tend to be better. Furthermore we are able to be closer to the customers in these smaller markets and access untapped markets. There are challenges operating in small markets as well. One is the slower speed at which dealerships can ramp up of sales and after-sales services turnover and benefit from economies of scale,

given smaller potential customer bases. A second challenge is to identify sufficient number of capable managers and personnel from a smaller available pool. Successful small market operators, such as our Group, require experience to deal with and overcome these challenges effectively. We believe we have demonstrated our ability to do this. For example, our stores in Zhuzhou and in Quanzhou were both opened in the fourth quarter of 2010 and have each increased their gross profit from approximately RMB20.1 million and RMB8.0 million, respectively, in 2011 (the first full year of operation for these two dealerships) to RMB27.5 million and RMB10.7 million, respectively, in 2012. Furthermore, our rapid growth in Zhuzhou is a further indicator of our abilities in such smaller markets. According to the ACMR Report, by 2012, the number of BMW vehicles that we sold in our Zhuzhou dealership exceeded the number of luxury vehicles registered annually in the entire Zhuzhou market prior to our dealership's opening in 2010.

Our experience has provided us a better understanding of the unique operational challenges, needs and behaviour of customers in these markets, which we believe has allowed us to be better able to satisfy these customers and expand our market share. Our strategic expansion into these cities, particularly in areas that we have identified as having higher than average growth for brands that we sell, present opportunities for us to capture dominant positions as leading 4S dealers in the areas in and for the brands which we operate and to deepen our penetration in these growing markets.

Our established dealership network in, and local knowledge of, the southeastern provinces of China provides a solid foundation for our continued, stable growth within this region, as well as strategic expansion into other parts of China

We have strategically established a network of dealerships located in major automobile markets in affluent regions of the PRC, as well as in other regions with high growth potential. In particular, we have a strong presence in affluent areas in the southeastern provinces of China, particularly in Dongguan, Guangdong province. According to the ACMR Report, Dongguan is among the largest city-level markets outside of China's first-tier cities for automobiles in terms of new passenger vehicle sales and passenger vehicle ownership rate. As at the Latest Practicable Date, five of our 14 dealerships (including one operated by our Joint Venture) and our corporate headquarters were located in Dongguan. From our Dongguan base, we have been able to grow our business, refine our business model and develop management expertise to support our expansion into other markets, particularly within Guangdong province and the neighbouring provinces of Hunan and Fujian. In all, 12 of our 14 dealerships (including one operated by our Joint Venture) are located in the southeastern provinces of Guangdong, Hunan and Fujian, which are fast growing regional markets for each of the brands that we sell. Approximately 81.9%, 84.7% and 84.2% and 84.4% of our turnover was derived from dealerships located in this region in the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013, respectively. According to the ACMR Report, in Hunan and Fujian provinces in particular, between 2006 and 2012, new registrations for automobiles of nearly all of the brands that we sell grew at average annual rates in excess of China's national average annual growth rate for such brands. We believe our strong, concentrated base provides us the ability to expand to contiguous areas more easily. We expect that much of the expansion of our business will continue to be in clusters around existing dealerships particularly in southeastern and central China where the number of stores of the brands that we sell are growing rapidly and we are able to leverage our local expertise, such as new cities in Hunan, Fujian and Guangdong provinces. See also "— Our Strategies" below.

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Our experienced senior management team together with our stable pool of skilled employees supports the growth of our business

We are led by a capable management team with extensive industry experience and strong professional background. Our executive management team includes our Chairman and executive Director, Mr. Ye Fan, our executive Director and Chief Executive Officer, Mr. Ye Tao. Mr. Ye Fan has worked in China's automobile industry for over 14 years serving in various positions including sales, services, and general management of 4S dealerships and has comprehensive experience in both strategic formulation and store level operations. Mr. Ye Tao has extensive international business experience both in Asia and the United States. His professional experiences include chief executive of Objectiva Software Solutions (Beijing) Inc. and the general manager of Asian Operations of Document Sciences Corporation. Mr. Ye Tao's educational background included a Bachelor degree in Mechanics from Peking University, a Master of Science in Mechanical Engineering degree and a Master of Science in Management degree from the Massachusetts Institute of Technology.

The majority of our senior management has been with us for more than four years. We believe that in our business, company culture plays a vital role in our success, and the long tenure of our management team serves as a testament of the consistency of our culture. We also believe that management's operational experience with our Group have given them in-depth knowledge of our business and customers and contributed significantly to our success. As a retail business, the quality of our personnel is an essential part of our success.

The number of staff we employ has increased steadily over the Track Record Period to meet the requirements of our growing dealership network and business operations. A number of our employees have been awarded special prizes from automobile manufacturers. Vacant management positions open up in our expanding dealership network from time to time due to the opening of new dealerships. Our policy is to fill management vacancies primarily through internal promotions, which help us maintain and foster a consistent company culture, motivate higher employee performance due to the presence of a visible career track and reduce management turnover. We focus on systematically identifying and developing talented employees to fill our internal talent bank, which provides us with a ready source of personnel to promote to the management level as openings arise. As a result of the foregoing, we have a large and growing pool of skilled employees to support our expanding network and business.

OUR STRATEGIES

It is our Group's strategy to generate internal growth by improving operational efficiency and external growth through network expansion. Furthermore, it is our aim to both strengthen our market position as a leading 4S dealership group for mid- to high-end and luxury automobiles and to enter into the ultra-luxury automobile market, primarily in the southeastern provinces of China, and to capture growth opportunities in the PRC automobile market by using the following strategies:

Further expand our 4S dealership network through organic growth and acquisitions with a focus on fast growing regions in our strategic base

We plan to further expand our dealership network in Guangdong, Fujian and Hunan provinces to strengthen our market position in the region and increase market share. We will also pursue expansion opportunities in other regions with high growth potential within the PRC, including medium and

smaller-sized cities, as well as Beijing and its surrounding areas. In each case, we will seek to replicate our core strengths and expertise on a dealership-level in any new dealerships that we add to our network.

Organic growth

We expect a significant part of our future expansion will come from opening new dealerships we develop ourselves, including the seven dealership we intend to open by the end of the first quarter of 2015. A majority of our dealerships are in affluent southeastern provinces of China and we believe that these provinces will continue to provide us with significant growth opportunities. For example, we believe the region's rising wealth and the aging of its growing automobile fleet will present increased opportunities for us to earn profits from our customers over the life cycle of their vehicle ownership by providing after-sales services, selling accessories, selling more automobiles as vehicle replacement and upgrades and acquiring used car inventory for resales. We intend to use our local knowledge, relationships and presence in the areas in which we already operate to expand and deepen our coverage in adjacent and nearby areas, as well as in other parts of southeastern and north China with strong growth opportunities. We will particularly focus our expansion on second-, third- and fourth-tier cities adjacent or otherwise near the areas in which we currently operate that are underserved by dealerships for the automobile brands that we sell and that we expect will have significant growth potential in terms of demand for passenger vehicles and hence increase our market share. We expect that these areas will be ones in which competition tends to be less intense. In addition, we believe focusing on second-, third- and fourth-tier cities allow us to control the amount of capital required to open new dealerships and as a result of more modest overhead and reasonable sales targets set by the brands with which we partner for these smaller cities, such focus is more likely to result in more stable, dependable growth and returns in different market conditions. We believe that our established relationships and track record with our automobile manufacturing partners will enable us to secure additional authorisations from these manufacturers to open new dealerships.

Acquisitions

Acquisitions of existing dealerships will also be an important part of our growth strategy. Though we have historically primarily relied on organic growth to expand our Group, we believe that our experience with our successful acquisition of Beijing Zhongye, as mentioned above, has given us the skills and confidence to integrate acquired dealerships more rapidly. Prior to our acquisition of Beijing Zhongye, the dealership had recorded losses for several years and was ranked 20th among 22 FAW Toyota dealerships in Beijing in 2009. We quickly discovered opportunities and solutions for turning the dealership's performance around within a short period of time. During the initial stages of the acquisition, we worked on comprehensively integrating the Beijing Zhongye dealership into our Group's practices with respect to management, staff and culture, and began to implement our Group's standard operating procedures, including our data-driven management systems driven by key performance indicators. After the acquisition, our ability to successfully collect and analyse data relating to identified potential customers has helped us increase our sales and conversion rates with respect to such potential customers. The Beijing Zhongye dealership remains a profitable and a successful dealership in our Group.

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We are actively seeking opportunities to grow our dealership group through acquisition of other 4S dealership, to the extent we are able to identify acquisitions that would be consistent with our brand strategy and geographic focus. We believe that market conditions in the PRC, including the fragmented nature of the 4S dealership industry will present us with acquisition opportunities. According to the ACMR Report, currently China's 4S dealership industry largely consists of mid- to small-size dealership groups. These groups are facing increasing operational, financial, and competitive challenges, and they will need to either strengthen their performance on their own or join with stronger groups that have the expertise to help them. The nature of the automobile industry is highly cyclical, enabling groups with management and financial strength to acquire at the right economical cycle. Also, according to the ACMR Report as the industry matures, the ability of specific dealerships and dealership groups to grow their sales and profitability in challenging environments will rely more on strong management capabilities as opposed to capturing untapped customers in entirely new markets, increasing the likelihood that dealership owners with weaker management capabilities will seek to dispose their interests and become acquisition targets. This is especially true of the many dealerships that have owners whose core business is unrelated to 4S dealership operations.

We look for and speak with potential acquisition targets that we believe provide us with opportunities to strategically accelerate our growth in a manner consistent with our brand strategy and geographic focus. In particular, we expect to mainly focus on acquisition targets that are small to medium size dealership groups, are located in geographic areas within or near the regions where we currently operate, are selling passenger vehicles of brands manufactured by our existing automobile manufacturer partners and have high growth potential. We will in particular seek out groups with underperforming dealership store operations, with the goal of turning around their operations with our management personnel and core capabilities.

Focus on and expand our after-sales services and sales of other bundled products and services to maximize profits per customer and to complement our existing business

We generate comparatively high gross profit margins from the sale of accessories and services bundled with new vehicles at the time that are sold (see “— Our Competitive Strengths”) and from our after-sales offerings. Our after-sales services include repair, maintenance, and sale of spare parts while our bundled accessory products and services include, extended warranties, provision of car registration services and provision of automobile loan application services, and purchases and sales of used vehicles. By offering a variety of after-sales service, we seek to capture a range of recurring turnover from automobile owners over the life of their vehicle. Our new automobile sales represent a natural pipeline of customers to add to our growing after-sales customer base.

We will seek to continue to grow our after-sales services by devoting resources to improving the services that we currently provide. For example we plan to expand capacity to increase the number of vehicles we can service and continue to train our after-sales personnel and our customer relations personnel to increase efficiency and improve customer satisfaction. As the quality of our after-sales services increases, we will also be in a better position to encourage automobile insurance providers to refer their customers to our stores for insurance repairs. Expansion of our presence into new areas contiguous with our current operations will also help us to expand our pool of potential after-sales services customers. We also distribute extended warranty coverage products provided by automobile insurance companies, which provide further opportunities for higher gross profit margins and extended customer engagement.

Expand our sales of used vehicles

We will also seek to expand our other automobile-related offerings to extend our customer life-cycles, which enable us to capture additional turnover streams. For example, in late 2012 we began the sale of used vehicles through our establishment of a used vehicle store in Dongguan. While the sale of used vehicles is currently a small part of our business, we believe that the sale of used vehicles could become an increasingly important component of the overall market for automobile sales in China. In addition, the acquisition of used vehicles from our existing customers and from new customers provides us with opportunities to initiate or maintain our relationship with these customers and potentially generate additional sales and turnover from them. We believe that we will be able to secure significant supplies of used vehicles from our existing customer base and that integration of this new service into our overall line of business will provide an additional growing turnover stream and produce synergistic effects on our business.

In particular, we expect that we will expand our used vehicle business by (i) expanding capacity at our facilities at our used vehicle store in Dongguan to increase the sales volume of used vehicles, (ii) setting up additional used vehicles stores in other cities, (iii) working with automobile manufacturers or third-party providers to provide service warranties for the used vehicles that we sell in order to increase customer confidence in our used vehicles and (iv) improving our efforts to attract trade-in customers from whom we can both acquire used vehicles from and sell new vehicles to.

Speed up our investment in our IT systems, and continue to improve operational efficiency

We will continue to focus on increasing our operational efficiency in all areas of our business, including sales, after-sales repairs and customer conversion. Using our information technology systems, we will continue to collect and analyse a variety of data, including data and analysis relating to our services, marketing channels, closing of sales in our showrooms and new car sales margins, to identify inefficiencies and implement improvements in operational processes and strategies and decision support. We plan to further invest in such information technology systems with the primary goal of making our systems easier to use for first line employees and managers. In particular, we plan to focus on automating certain aspects of our data collection and analysis tools into a unified ERP system and information technology platform to enable more streamlined data collection, training, analysis and decision-making. We expect to apply approximately HK\$13.4 million or 3.2% of the proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$1.8 per Share) to upgrade our IT systems over the next two years.

We will systematically review key performance indicators and identify necessary changes and best practices and implement them across our dealership network as appropriate. By continually improving and refining our operational processes, we intend to develop improved operational models that are replicable in new dealerships and shorten the time needed to achieve profitability in such new dealerships.

Continue to focus on the recruitment, training, retention and promotion of our employees to support our continued growth

As a retail business, retaining quality personnel is an essential part of our success. We plan to continue to dedicate significant resources to personnel training, recruiting and promotion. We intend to continue to invest in our internal training programs as well as continue to cooperate with our automobile

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manufacturers to provide additional training opportunities. We plan to continue our emphasis on internal promotions into our management ranks and provide clear career paths for our employees. We will continue to regularly evaluate the performance of our employees to ensure that we maintain a meritocratic culture and merit-based incentives that reward performance that contributes to the success of our business. We will continue to develop talent to improve the performance of our existing dealerships and to staff new dealerships as we carry out expansion plans. To further incentivise key employees and to align their interests with those of our Group, our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

OUR BUSINESS

We are an established 4S dealer of automobiles with operations concentrated in the southeastern provinces of the PRC. Our 4S business model integrates the four automobile-related businesses: sales, spare parts, service and survey. We also provide other automobile-related services, including the distribution of extended product warranties, automobile insurance policies, and the acquisition and sales of used vehicles. Our balanced portfolio of luxury and mid- to high-end automobile brands includes BMW, Lexus, Toyota and Hyundai. As at the Latest Practicable Date, our sales network comprised a total of 14 dealerships, including one operated by our Joint Venture, covering ten cities in five provincial-level regions in the PRC. In addition, we have one standalone automobile showroom in Xiamen, which is authorised by one of our automobile manufacturers to display their latest models to attract potential customers and facilitate the sales of new motor vehicles.

We have obtained preliminary authorisations (including preliminary notices, non-binding approvals or letters of intent) from automobile manufacturers in relation to opening a total of seven additional dealerships, located across seven cities in five provincial-level regions in the PRC, as at 30 June 2013. These include two Porsche, three BMW, one Lexus and one Toyota dealership. We currently expect to commence operations in all seven of these new dealerships by the end of the first quarter of 2015.

Our dealership network

Geographical location

It is our strategy to locate our dealerships primarily in closely grouped second-, third- and fourth-tier cities in Guangdong, Hunan and Fujian provinces. We will occasionally also open dealerships in other locations, such as medium and smaller-sized cities, or other areas in which we have familiarity and we believe there is potential for rapid growth in consumer spending, such as the peripheral areas surrounding Beijing. We have developed well-established internal procedures for site selection. Before we open a new dealership, we will conduct site suitability analysis, which generally includes the following considerations:

- economic factors such as GDP, population, automobile ownership level and automobile sales trend;
- the level of market competition and the ability for the market to absorb additional dealerships;

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- whether a suitable location, for example a location that has convenient transportation or a location that is located in an automobile sales hub, is readily available;
- the strategy of the respective automobile manufacturer for expansion and development in that particular area;
- proximity to our existing successful dealerships and our own familiarity with the region;
- availability of internal management staffing.

When a potential new dealership location is identified, our new business development department will conduct site visits with the main purpose of securing a potential site for the dealership. After the site is identified, the new business development department compiles application materials to submit to the relevant automobile manufacturer whose brand of automobiles we intend to sell. Application materials required by automobile manufacturers typically include site location details, local automobile market analysis and a description of our Group. Once our proposal is accepted by the automobile manufacturer, we may be required to pay a deposit to the automobile manufacturer. Further, we will start planning construction in accordance with the automobile manufacturer's standards and requirements. We are typically required to complete the construction of the dealership within an agreed period of time and if we fail to do so, our preliminary notice, non-binding approval or letter of intent may be revoked and the automobile manufacturer may refuse to enter into an authorised dealership agreement with us. In our experience, revocations of preliminary notices, non-binding approvals or letters of intent by automobile manufacturers are rare. During the Track Record Period and up to the Latest Practicable Date, no automobile manufacturer has revoked a preliminary notice, non-binding approval or letter of intent granted to us.

To finance the opening of our new dealerships, we use a combination of internal operating cash and borrowings from banks and automobile manufacturers' captive finance companies. We centrally manage our working capital to support the opening of our new dealerships. Our treasury department creates monthly, quarterly and annual projections of working capital needs based on our current expansion plans and expected timetables. The treasury department then prepares reserves and manages disbursements for the various working capital needs of each of our new dealerships, according to its projections. We plan to use part of the net proceeds of the Global Offering for the seven dealerships for which we have obtained preliminary authorisations to construct and for additional new outlets in the future. See "Future Plans and Use of Proceeds".

To manage our expanding dealership network, we depend on our ability to deploy appropriate management resources to guide the successful development of our new dealerships. Once our proposal for a new dealership is accepted by the automobile manufacturer, our Group will assign a general manager to the new dealership, who will work with our projects department to begin planning and preparation work for the opening of the new dealership. Our Group has prepared an operating manual setting forth comprehensive and detailed standard operating procedures for the opening and operations of new dealerships, including milestones and deadlines relating to construction, staffing and recruitment, training, marketing and sales management. The management of each of our 4S dealerships use the operating manual as a reference for conducting the daily operations of their respective dealerships and we believe that the operating manual helps ensure that our Group's standard operating procedures and policies are replicated quickly and consistently in our new dealerships. We fill the staffing needs of our new dealerships by a combination of internal recruitment through our talent bank and external recruiting

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locally in the geographic area of the new dealership. The management team for new dealerships, including the general manager and the second-level managers (including finance, administration and human resources, marketing, sales and customer service managers) are typically filled by internal transfer or promotion. This helps ensure that the new dealership has experienced management to accelerate the dealership's development and integrate it into our network, as well as implement our standard operating procedures for management of inventory and service quality control. All managers in new dealerships undergo extensive training before they report to work at the new dealership. Our headquarters keeps track of the construction and development of new dealerships through review of the weekly reports submitted by the dealership's general manager and can optimise allocation of resources as needed.

In 2012, in accordance with the challenging automobile market conditions, we slowed down our expansion plans. In 2012 we only commenced construction on two of the nine new dealerships on which we had intended to commence construction during that period. The planned dates of commencement of operations for each of these nine new dealerships, all of which were originally expected to be during 2012 and 2013, were delayed to later dates in 2013 and 2014. Furthermore, we chose to not commence construction and to terminate our preliminary authorisations to open one Lexus and two Toyota dealerships, on which we had originally intended to commence construction in 2012. However, we have recommenced expansion activities and currently plan to open an additional seven new dealerships by the end of the first quarter of 2015 and further dealerships in the future both through acquisition of existing dealership stores and through development of new dealership stores.

The following map illustrates the geographical distribution of dealerships in operation or under construction or in planning within our dealership network as at 30 June 2013:



We began our 4S dealership business in Dongguan, Guangdong province in 2004. Since then, we have gradually expanded our geographical network to other parts of the PRC, but have retained Dongguan as our corporate headquarters and maintain a strong market position in the southeastern provinces of China. As at the Latest Practicable Date, we operated six dealerships (including one

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operated by our Joint Venture) in Guangdong province, including five dealerships selling motor vehicles of mid- to high-end brands (Toyota and Hyundai) and one dealership selling motor vehicles of a luxury brand (Lexus). In addition to Guangdong province, we have successfully expanded our network to other parts of southeastern China, including Hunan and Fujian provinces. As at the Latest Practicable Date, we operated 12 dealerships in the southeastern provinces of China (including one operated by our Joint Venture), seven dealerships selling motor vehicles of mid- to high-end brands (Toyota and Hyundai) and five dealerships selling motor vehicles of luxury brands (Lexus and BMW). For the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013, approximately 81.9%, 84.7% and 84.2% and 84.4% respectively of our turnover was derived from dealerships located in this region. In addition to southeastern China, we have also established dealership networks in other parts of China. As at the Latest Practicable Date, we operated two dealerships outside of southeastern China: one dealership in Beijing selling motor vehicles of a mid- to high-end brand (Toyota) and one dealership in Gansu province selling motor vehicles of a luxury brand (Lexus).

The following table sets forth a breakdown of dealerships operated by us and our Joint Venture by geographical location as at each of the dates indicated and movement during the year:

	Number of dealerships as at 1 January 2010			Movement during the year ended 31 December 2010			Number of dealerships as at 31 December 2010			Movement during the year ended 31 December 2011			Number of dealerships as at 31 December 2011			Movement during the year ended 31 December 2012		
	Newly opened	Closed		Newly opened	Closed		Newly Opened	Closed		Newly Opened	Closed		Newly Opened	Closed				
Provinces in southeastern China																		
Guangdong	5 ⁽¹⁾	0	0	5 ⁽¹⁾	1	0	5 ⁽¹⁾	1	0	6 ⁽¹⁾	0	0	6 ⁽¹⁾	0	0	6 ⁽¹⁾	0	0
Hunan	0	1	0	1	1	0	1	1	0	2	0	0	2	0	0	2	0	0
Fujian	1	1	0	2	0	0	2	0	0	2	0	0	2	0	0	2	0	0
Subtotal	6	2	0	8	2	0	8	2	0	10	0	0	10	0	0	10	0	0
Provinces and provincial level cities in north and northwest China																		
Beijing	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0
Gansu	0	0	0	0	1	0	0	1	0	1	0	0	1	0	0	1	0	0
Subtotal	1	0	0	1	1	0	1	1	0	2	0	0	2	0	0	2	0	0
Total	7	2	0	9	3	0	9	3	0	12	0	0	12	0	0	12	0	0

	Number of dealerships as at 31 December 2012			Movement during the six months ended 30 June 2013			Number of dealerships as at 30 June 2013			Movement from 30 June 2013 to the Latest Practicable Date			Number of dealerships as at the Latest Practicable Date
	Newly Opened	Closed		Newly Opened	Closed		Newly Opened	Closed		Newly Opened	Closed		
Provinces in southeastern China													
Guangdong	6 ⁽¹⁾	0	0	6 ⁽¹⁾	0	0	6 ⁽¹⁾	0	0	6 ⁽¹⁾	0	0	6 ⁽¹⁾
Hunan	2	2	0	4	0	0	4	0	0	4	0	0	4
Fujian	2	0	0	2	0	0	2	0	0	2	0	0	2
Subtotal	10	2	0	12	0	0	12	0	0	12	0	0	12
Provinces and provincial level cities in north and northwest China													
Beijing	1	0	0	1	0	0	1	0	0	1	0	0	1
Gansu	1	0	0	1	0	0	1	0	0	1	0	0	1
Subtotal	2	0	0	2	0	0	2	0	0	2	0	0	2
Total	12	2	0	14	0	0	14	0	0	14	0	0	14

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Note:

- (1) Number of existing dealerships includes one dealership (Dongguan Meidong) in which we own 49% equity interest and we jointly operate with our joint venture partner. The revenue and sales for this dealership are not included in our combined financial results. Information regarding our interests in this entity is set forth in Note 14 in Section B of the Accountants' Report in Appendix I to this prospectus.

Our brand portfolio

Our portfolio of mid- to high-end and luxury automobile brands includes BMW, Lexus, Toyota and Hyundai. As at the Latest Practicable Date, eight of our 14 existing dealerships (including one operated by our Joint Venture) were in the mid- to high-end automobile brand segments, including six Toyota and two Beijing Hyundai dealership stores; while the remaining dealerships were in the luxury automobile brand segment, including four Lexus (including one operated by our Joint Venture) and two BMW dealerships. Each of our dealerships is authorised to sell the products of a single brand of automobile.

The following table sets forth a breakdown of dealerships operated by us and our Joint Venture by automobile brands as at each of the dates indicated and movement during the year:

	Number of dealerships as at 1 January 2010			Movement during the year ended 31 December 2010			Number of dealerships as at 31 December 2010			Movement during the year ended 31 December 2011			Number of dealerships as at 31 December 2011			Movement during the year ended 31 December 2012		
	Newly opened		Closed	Newly Opened		Closed	Newly Opened		Closed	Newly Opened		Closed	Newly Opened		Closed			
Luxury brands																		
BMW	0	1	0	1	0	0	1	0	0	1	0	0	1	0	0			
Lexus	2 ⁽¹⁾	0	0	2 ⁽¹⁾	1	0	2 ⁽¹⁾	1	0	3 ⁽¹⁾	0	0	3 ⁽¹⁾	0	0			
Subtotal	2	1	0	3	1	0	3	1	0	4	0	0	4	0	0			
Mid- to high-end brands																		
Toyota ⁽²⁾	4	1	0	5	1	0	5	1	0	6	0	0	6	0	0			
Beijing Hyundai	1	0	0	1	1	0	1	1	0	2	0	0	2	0	0			
Subtotal	5	1	0	6	2	0	6	2	0	8	0	0	8	0	0			
Total	7	2	0	9	3	0	9	3	0	12	0	0	12	0	0			

	Number of dealerships as at 31 December 2012			Movement during the six months ended 30 June 2013			Number of dealerships as at 30 June 2013			Movement from 30 June 2013 to the Latest Practicable Date			Number of dealerships as at the Latest Practicable Date		
	Newly Opened		Closed	Newly Opened		Closed	Newly Opened		Closed	Newly Opened		Closed	Newly Opened		Closed
Luxury brands															
BMW	1	1	0	2	0	0	2	0	0	2	0	0	2	0	0
Lexus	3 ⁽¹⁾	1	0	4 ⁽¹⁾	0	0	4 ⁽¹⁾	0	0	4 ⁽¹⁾	0	0	4 ⁽¹⁾	0	0
Subtotal	4	2	0	6	0	0	6	0	0	6	0	0	6	0	0
Mid- to high-end brands															
Toyota ⁽²⁾	6	0	0	6	0	0	6	0	0	6	0	0	6	0	0
Beijing Hyundai	2	0	0	2	0	0	2	0	0	2	0	0	2	0	0
Subtotal	8	0	0	8	0	0	8	0	0	8	0	0	8	0	0
Total	12	2	0	14	0	0	14	0	0	14	0	0	14	0	0

Notes:

- (1) Number of existing dealerships includes one dealership (Dongguan Meidong) in which we own 49% equity interest and we jointly operate with our joint venture partner. The revenue and sales for this dealership are not included in our combined financial results. Information regarding our interests in this entity is set forth in Note 14 in Section B of the Accountants' Report in Appendix I to this prospectus.

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- (2) Unless otherwise specified, references to “Toyota” include vehicles supplied to us by FAW Toyota, GAC Toyota and Toyota China.

Our existing dealerships

Of our 14 existing dealerships, all of which are operated by our subsidiaries except for Dongguan Meidong, which is operated by our Joint Venture. We have 49% equity interest in Dongguan Meidong and their turnover and sales volume are not included in our combined turnover and sales volume. Information regarding our interests in this entity is set forth in Note 14 in Section B of the Accountants’ Report in Appendix I to this prospectus.

The following table sets forth further details of 4S dealership stores operated by us and our Joint Venture that were in operation as at the Latest Practicable Date:

Dealership	Location	Year of commencement of operation	Expiry date of dealership agreement for locally manufactured motor vehicles	Date of previous renewal of dealership agreement for locally manufactured motor vehicles	Expiry date of dealership agreement for imported motor vehicles	Date of previous renewal of dealership agreement for imported motor vehicles	Nature of property interest (Expiry of lease)
Luxury brands							
BMW							
Zhuzhou Meibaohang	Zhuzhou, Hunan	2010	December 2013 ⁽¹⁾	N/A ⁽²⁾	December 2013 ⁽¹⁾	N/A ⁽²⁾	Owned property
Hengyang Meibaohang	Hengyang, Hunan	2013	December 2016 ⁽¹⁾	N/A ⁽²⁾	December 2016 ⁽¹⁾	N/A ⁽²⁾	Owned property
Lexus							
Dongguan Meidong ⁽⁴⁾	Dongguan, Guangdong	2008	N/A	N/A	January 2014	January 2011	Owned property ⁽³⁾
Xiamen Meidong	Xiamen, Fujian	2008	N/A	N/A	April 2015	May 2012	Leased property ⁽³⁾ (8 September 2027)
Lanzhou Meidong	Lanzhou, Gansu	2011	N/A	N/A	December 2014	N/A ⁽²⁾	Owned property ⁽³⁾
Changsha Meidong	Changsha, Hunan	2013	N/A	N/A	May 2016	N/A ⁽²⁾	Leased property ⁽³⁾ (31 December 2026)
Mid- to high-end brands							
FAW Toyota							
Dongguan Dongbu	Dongguan, Guangdong	2004	March 2014	April 2012	December 2013 ⁽⁵⁾	December 2012	Owned property
Dongguan Dongmei	Dongguan, Guangdong	2008	March 2014	April 2012	December 2013 ⁽⁵⁾	December 2012	Leased property ⁽³⁾ (15 October 2026)
Beijing Zhongye	Beijing	2009 ⁽⁶⁾	March 2014	April 2012	December 2013 ⁽⁵⁾	December 2012	Leased property ⁽³⁾ (August 2022) ⁽⁷⁾
Quanzhou Meidong	Quanzhou, Fujian	2010	March 2014	April 2012	November 2013 ⁽⁵⁾	December 2012	Leased property ⁽³⁾ (29 July 2029)
GAC Toyota							
Dongguan Dongxin	Dongguan, Guangdong	2007	October 2015	October 2013	August 2014 ⁽⁵⁾	August 2013	Leased property ⁽³⁾ (15 October 2026)
Yiyang Dongxin	Yiyang, Hunan	2011	June 2015	June 2013	July 2014 ⁽⁵⁾	July 2013	Owned property

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<u>Dealership</u>	<u>Location</u>	<u>Year of commencement of operation</u>	<u>Expiry date of dealership agreement for locally manufactured motor vehicles</u>	<u>Date of previous renewal of dealership agreement for locally manufactured motor vehicles</u>	<u>Expiry date of dealership agreement for imported motor vehicles</u>	<u>Date of previous renewal of dealership agreement for imported motor vehicles</u>	<u>Nature of property interest (Expiry of lease)</u>
<i>Beijing Hyundai</i>							
Dongguan Guanfeng	Dongguan, Guangdong	2004	December 2013 ⁽⁸⁾	December 2012	N/A	N/A	Leased property ⁽³⁾ (31 May 2018)
Heyuan Guanfenghang	Heyuan, Guangdong	2011	December 2013 ⁽⁸⁾	December 2012	N/A	N/A	Leased property (27 December 2025)

Notes:

- (1) The agreement will be renewed for a period one year if the respective automobile manufacturer delivers written notice at least 90 days prior to the expiry date indicating its intention for renewal.
- (2) This dealership commenced operation during the Track Record Period and is in the initial term of the dealership agreement.
- (3) The property on which this 4S dealership is located was subject to title defects as at the Latest Practicable Date.
- (4) Dongguan Meidong is a joint venture. We own 49% equity interest of this 4S dealership and its turnover and sales volume are not included in our combined turnover and sales volume.
- (5) The agreement will be automatically renewed for a period of one year unless either party terminates the agreement by delivering written notice at least three months prior to the expiry date.
- (6) This represents the date that Beijing Zhongye was acquired by Dadong Group in 2009.
- (7) The property on which this 4S dealership is located is under three leases, one of which will expire on 13 August 2022 and two of which will expire on 14 August 2022.
- (8) The agreement will be automatically renewed for a period of one year unless either party terminates the agreement by delivering written notice prior to the expiry date.

Our expansion plans

Our strategy is to continue to expand our dealership network, focusing on areas which we believe we have strong local knowledge and which offer strong returns on our investment. As at 30 June 2013, we had received manufacturer's preliminary authorisations to open an additional seven 4S dealerships, six of which would be dedicated to ultra-luxury and luxury brands and one of which would be dedicated to a mid- to high-end brand. Of these dealerships, five are planned to be opened in the southeastern provinces of China and two are planned to be opened in other locations in the PRC.

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The following table sets forth a breakdown of the new 4S dealership stores for which we had obtained preliminary authorisations to establish as at 30 June 2013:

Dealership	Location	Construction commenced	Expected date of commencement of operations	Nature of Property (Expiry date of lease)
Ultra-luxury and luxury brands				
<i>Porsche</i>				
Foshan Dongbao	Foshan, Guangdong	Yes	3rd Quarter, 2014	Leased property ⁽¹⁾ (30 June 2031)
Shantou Dongbao	Shantou, Guangdong	No	1st Quarter, 2015	Leased property ⁽¹⁾ (31 December 2026)
<i>BMW</i>				
Chengde Meibaohang	Chengde, Hebei	Yes	1st Quarter, 2014	Owned property
Changde Meibaohang	Changde, Hunan	No	1st Quarter, 2014	Owned property
Beijing Meibaohang	Beijing	No	1st Quarter, 2015	Leased property (23 May 2032)
<i>Lexus</i>				
Longyan Meidong	Longyan, Fujian	No	2nd Quarter, 2014	Owned property
Mid- to high-end brands				
<i>FAW Toyota</i>				
Dongguan Dongmei Fenggang Branch	Fenggang, Guangdong	No	1st Quarter, 2014	Leased property ⁽¹⁾ (26 June 2032)

Note:

(1) The property on which this 4S dealership is located is subject to title defects. See “— Properties” for further details.

The typical estimated capital expenditure for each of the new dealership stores set forth above is approximately (i) RMB 20 million to 30 million for a dealership store in the mid- to high-end brand segment, (ii) RMB 40 million to 120 million for a dealership store in the luxury brand segment, (iii) RMB 140 million to 160 million for a dealership store in an ultra-luxury brand segment.

We intend to expand our dealership network into the ultra-luxury segment by opening new Porsche dealerships. We believe that we have the relevant expertise and resources to manage its expansion into the ultra-luxury segment, as:

- (i) the expertise and resources necessary for the operation and management of mid- to high-end and luxury brand dealerships are comparable to those necessary to operate an ultra-luxury brand dealerships;
- (ii) we have a track record of being able to manage its expansion from the mid- to high-end segment to the luxury segment, as demonstrated in the success of our expansion from Toyota and Beijing Hyundai dealerships into Lexus and BMW dealerships; and

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- (iii) we have obtained preliminary authorisations for opening two Porsche 4S dealership stores, which strongly indicates that we have satisfied the preliminary requirements of Porsche, and that Porsche believes we have the necessary expertise and resources to tap into the ultra-luxury segment.

As at the Latest Practicable Date, we had obtained land and/or premises for all of the new dealerships listed above. Furthermore, we had duly incorporated legal entities for all of the seven new dealerships. We are in various stages of negotiations and planning with respect to these new 4S dealerships. We expect to enter into legally binding dealership agreements with the automobile manufacturers pending conclusion of our negotiations with the automobile manufacturers. Our Directors expect that such dealership agreements will be entered into at or around the time of the expected commencement of operations of the 4S dealerships, as set out in the tables above. Under the preliminary authorizations and related arrangements, we are generally required to pay a deposit to the automobile manufacturers in relation to the development of a new 4S dealership. The amounts of such deposits vary by brand and by the expected scale of the new 4S dealership and, for our 14 dealerships (including one operated by our Joint Venture), have ranged from approximately RMB500,000 to under RMB10 million.

Under relevant laws and regulations in the PRC, companies who carry out the business of automobile brand distributor are required to be registered with the SAIC as an automobile brand distributor and companies engaging in motor vehicle maintenance and repair business are required to obtain a Road Transport License from the local road transport authority. See “Regulations — Applicable PRC Laws and Regulations — The PRC Automobiles Industry” for further details. Out of our seven new dealerships, as at 30 June 2013, three had been registered with the SAIC as an automobile brand distributor and four new dealerships were in the process of registering with the SAIC as an automobile brand distributor. For these four new dealerships, we expect to complete registration with the SAIC no later than one month prior to their respective expected dates of commencement of operations. In any case, we will not commence operations at any of these four dealerships prior to completing the registration with the SAIC. We have not yet commenced applications for Road Transport Licenses in respect of our seven new dealerships. We intend to make an application for a Road Transport License in respect of our seven new dealerships at a time closer to their expected date of commencement of operations. In accordance with the PRC Regulations on Road Transport (中華人民共和國道路運輸條例) and the Provisions on the Administration of Motor Vehicle Maintenance (機動車維修管理規定), individuals and institutions applying for a Road Transportation License shall make applications to the local road transport authority at the county level for approval and shall submit the relevant application materials as required in accordance with the laws and regulations. Once such materials are submitted and accepted, the county level road transport authority is required to complete its examination of the application materials and provide to the applicant written notice of approval or denial of the Road Transportation License within 15 days. As advised by our PRC Legal Advisors, there are no legal impediments for us to obtain Road Transport Licenses in respect of our seven new dealerships. As advised by our PRC Legal Advisors, we completed the relevant SAIC registrations and obtained the relevant Road Transport Licenses prior to the commencement of operations at each of the 4S dealerships that we opened during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, no automobile manufacturer has revoked a preliminary authorization granted to us.

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The total budgeted capital expenditure for establishing the above seven new dealerships and Hengyang Meibaohang and Changsha Meidong, which already opened earlier in 2013, is approximately RMB561.5 million of which approximately RMB131.9 million had been spent by 30 June 2013, and of the remainder a further RMB144.5 million is budgeted for 2013, RMB246.0 million is budgeted for 2014 and RMB39.1 million is budgeted for 2015. The budgeted amounts spent prior to 30 June 2013 include costs for acquiring interests in land or leases for the sites of each of these nine 4S dealerships (including Hengyang Meibaohang and Changsha Meidong). The remaining budgeted amounts are expected to be used towards the build out of these 4S dealerships. This estimation is based on various factors including site location, size of dealership and requirements of the automobile manufacturer. We currently intend to use approximately 50% of our total estimated net proceeds from the Global Offering, or approximately HK\$209.3 million based on the Offer Price of HK\$1.8 per Share, to finance the capital expenditures required in connection with our opening of new dealerships. The remaining amount is expected to be funded with cash generated from our operating activities and proceeds from bank and other borrowings. As at 30 September 2013, we had unutilised bank facilities of RMB315.5 million none of which contained any usage restrictions. In addition, we have obtained a confirmation from a PRC bank which confirmed that, where necessary, bank facilities of RMB850 million would be made available to us for working capital purposes and for the construction of new stores throughout 1 October 2013 to 30 September 2015. We estimate that the investment payback period to recoup the capital expenditures with respect to each of these 4S dealerships will be between three and five years after the date of commencement of operations of such dealership. Historically, the investment payback period for our 4S dealerships has averaged 48.6 months, ranging from approximately two to five years after the date of commencement of operations of such dealership, except for one of our earliest 4S dealerships, which had an investment payback period of approximately eight and a half years. We expect that in the future the investment payback period for each of our 4S dealerships will shorten to a range of approximately two to four years after the date of commencement of operations of such dealership, as we become more experienced in ramping up the sales of our newly established dealerships and as we expect our overall gross profit margin to increase in line with our continuing increase in gross profit margin from after-sales services, which we believe will allow us to recoup our investment more quickly. However, there can be no assurance that adverse effects on profitability will not increase the investment payback period. See “Risk Factors — Risks Relating to Our Business — The investment payback period of our 4S dealerships could increase if our profit margins decline”.

Sales and services

We offer a comprehensive range of automobile-related sales and services, including (1) sales of new passenger vehicles, both imported and domestically manufactured; (2) sales of spare parts and related items; (3) provision of repair and maintenance services; and (4) conducting of customer surveys. We also provide other automobile-related services, such as the acquisition and sales of used vehicles and

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the distribution of extended product warranties. The following table sets forth a breakdown of our turnover by types of sales and services during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	% of total		% of total		% of total		% of total		% of total	
	Turnover	turnover	Turnover	turnover	Turnover	turnover	Turnover	turnover	Turnover	turnover
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Sales of passenger vehicles										
Passenger vehicles (excluding										
bundled accessories)	2,089,132	91.7	2,544,220	90.1	2,572,323	87.2	1,302,811	88.2	1,290,757	85.2
Bundled accessories	59,851	2.6	76,255	2.7	90,094	3.1	40,933	2.8	59,300	3.9
Subtotal	<u>2,148,983</u>	<u>94.3</u>	<u>2,620,475</u>	<u>92.8</u>	<u>2,662,417</u>	<u>90.3</u>	<u>1,343,744</u>	<u>91.0</u>	<u>1,350,057</u>	<u>89.1</u>
After-sales services	130,614	5.7	203,583	7.2	287,080	9.7	132,729	9.0	164,469	10.9
Total turnover⁽¹⁾	<u><u>2,279,597</u></u>	<u><u>100.0</u></u>	<u><u>2,824,058</u></u>	<u><u>100.0</u></u>	<u><u>2,949,497</u></u>	<u><u>100.0</u></u>	<u><u>1,476,473</u></u>	<u><u>100.0</u></u>	<u><u>1,514,526</u></u>	<u><u>100.0</u></u>

Note:

- (1) In addition to the turnover set forth above, we generated other revenue and net income primarily consisting of commission income from the distribution of automobile insurance products, which is determined based on the amounts of automobile insurance products we distributed through our dealerships and the commission rates agreed with the relevant insurance companies, as well as interest income on bank deposits and net gain on disposal of property, plant and equipment.

Sales of new passenger vehicles

Our turnover is primarily generated from the sale of new passenger vehicles. Turnover attributed to the sale of new passenger vehicles also includes the sale of bundled accessories that are included in the sale of new passenger vehicles. The following table sets forth the volume and turnover breakdown by brand of our sales of new passenger vehicles during the Track Record Period:

	Year ended 31 December								
	2010			2011			2012		
	Turnover			Turnover			Turnover		
	Sales volume	Amount	% of total	Sales volume	Amount	% of total	Sales volume	Amount	% of total
units	RMB'000	%	units	RMB'000	%	units	RMB'000	%	
Luxury brands									
BMW	29	16,609	0.8	467	248,324	9.5	942	421,944	15.8
Lexus	857	425,785	19.8	988	493,311	18.8	1,200	532,056	20.0
Subtotal	<u>886</u>	<u>442,394</u>	<u>20.6</u>	<u>1,455</u>	<u>741,635</u>	<u>28.3</u>	<u>2,142</u>	<u>954,000</u>	<u>35.8</u>
Mid- to high-end brands									
Toyota ⁽¹⁾	8,475	1,534,603	71.4	9,863	1,702,025	65.0	9,304	1,501,153	56.4
Hyundai	1,736	171,986	8.0	1,627	176,815	6.7	2,124	207,264	7.8
Subtotal	<u>10,211</u>	<u>1,706,589</u>	<u>79.4</u>	<u>11,490</u>	<u>1,878,840</u>	<u>71.7</u>	<u>11,428</u>	<u>1,708,417</u>	<u>64.2</u>
Total	<u><u>11,097</u></u>	<u><u>2,148,983</u></u>	<u><u>100.0</u></u>	<u><u>12,945</u></u>	<u><u>2,620,475</u></u>	<u><u>100.0</u></u>	<u><u>13,570</u></u>	<u><u>2,662,417</u></u>	<u><u>100.0</u></u>

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	Six months ended 30 June						
	2012			2013			
	Sales volume	Turnover		Sales volume	Turnover		
		Amount	% of total		Amount	% of total	
units	RMB'000	%	units	RMB'000	%		
	(unaudited)						
Luxury brands							
BMW	387	186,134	13.9	533	219,059	16.2	
Lexus	630	288,855	21.4	579	239,495	17.8	
Subtotal	1,017	474,989	35.3	1,112	458,554	34.0	
Mid- to high-end brands							
Toyota ⁽¹⁾	4,670	789,843	58.8	5,291	759,987	56.3	
Hyundai	779	78,912	5.9	1,119	131,516	9.7	
Subtotal	5,449	868,755	64.7	6,410	891,503	66.0	
Total	6,466	1,343,744	100.0	7,522	1,350,057	100.0	

Note:

- (1) Unless otherwise specified, references to “Toyota” include vehicles supplied to us by FAW Toyota, GAC Toyota and Toyota China.

We have historically relied heavily on sales of Toyota branded passenger vehicles (and to a lesser extent Lexus branded passenger vehicles) for a significant portion of our turnover. In particular, our turnover from the sales of Toyota branded passenger vehicles, contributed to 71.4%, 65.0% and 56.4% of our turnover from new passenger vehicle sales for the years ended 31 December 2010, 2011 and 2012, respectively, and contributed to 58.8% and 56.3% of our turnover from new passenger vehicles for the six months ended 30 June 2012 and 2013, respectively. Consequently, any decline in demand for Toyota branded vehicles or any termination of our dealership agreements with Toyota could have a material adverse affect on our business, financial condition, results of operation and growth prospects. However, since our inception, no automobile manufacturer has terminated any of our authorised dealership agreements, nor has any automobile manufacturer refused to renew any of our dealership agreements. Sales of Japanese-branded vehicles, including Toyota and Lexus, did experience a temporary decline in China during the second half of 2012 as a result of, as our Directors believe, the flare-up in September 2012 of the territorial dispute between China and Japan over the Diaoyu Islands, which impacted sales in our Toyota and Lexus dealerships. We are actively diversifying our brand portfolio, which will decrease our reliance on the sales performance of any particular brand of passenger vehicles. Of the seven additional 4S dealership stores that we intend to open by the end of the first quarter of 2015, five of these 4S dealership stores will be selling German branded vehicles (BMW and Porsche). Two of these additional stores that we currently intend to open will be selling Japanese-branded vehicles (Toyota and Lexus).

Sales of used motor vehicles

In late 2012, we started retail sales of used motor vehicles. In the year ended 31 December 2012, turnover from the sale of used motor vehicles amounted to approximately RMB0.5 million accounting for approximately 0.02% of our total turnover during this period. In the first six months of 2013, turnover from the sale of used motor vehicles amounted to approximately RMB0.3 million and continued to account for approximately 0.02% of our total turnover during this period.

Pricing policy

In general, our retail prices for particular motor vehicles are set with reference to the automobile manufacturer's suggested retail price. However, we have certain flexibility to determine the retail prices of our motor vehicles, which allows us to adjust our pricing strategy according to the market environment as well as the number of motor vehicles in our inventory. In addition, our ability to sell vehicles bundled with accessories in packages we determine, and a greater degree of control, in pricing accessories, increases our pricing flexibility. From time to time, we may offer purchase discounts, complimentary automobile accessories, assistance to obtaining automobile financing loans and extended product warranties to attract customers.

Arrangement with our customers

Written contracts are entered into with our customers in respect of the sale of new motor vehicles. Our customers are generally required to pay an advance upon signing sales contracts with us, the amount of which is determined based on the brands and models. We generally then deliver the passenger vehicle to the customer upon full cash payment of the balance of the sales price. For customers who are financing the purchase of the vehicle through loans arranged by us with the automobile manufacturers' captive finance company, we deliver the vehicle upon confirmation of approval of the loan by such captive finance company. During the Track Record Period, we did not provide guarantees to any banks or financial institutions against loans extended to our customers for vehicle purchases.

Incentive rebates from automobile manufacturers

As is common in the automobile dealership industry, automobile manufacturers often provide us with incentive rebates, which are generally determined based on the purchase volume, sales volume, customer satisfaction and other performance indicators at the dealership-level set by the relevant automobile manufacturers, depending on their policies. Incentive rebates received from automobile manufacturers reduced our cost of sales by approximately RMB54.9 million, RMB73.6 million and RMB116.0 million for the years ended 31 December 2010, 2011 and 2012, respectively, and RMB42.1 million and RMB77.4 million for the six months ended 30 June 2012 and 2013, respectively. The rates of incentive rebates offered vary greatly among automobile manufacturers. During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the aggregate amount of such incentive rebates receivable from each automobile manufacturer during each reporting period represented a range of 0.6% to 10.1% of our aggregate cost of purchasing passenger vehicles from such automobile manufacturer in the same reporting period.

Generally, automobile manufacturers provide us with specific details regarding their incentive rebate policies on a monthly, quarterly and annual basis. At the start of each period, the automobile manufacturers will set specific targets with reference to which the rebates will be calculated on a per dealership basis. See “— Our Business — Key terms of our dealership agreements — Sales targets”. The specific targets set by the automobile manufacturers vary from time to time, but a majority of such targets are calculated with reference to sales volume. Common examples include targets based on the sales volume of a specific vehicle model/specification, sales volume to a specific type of customer, and ranking of the dealership according to sales volume and market share. Generally, sales volume is the primary performance indicator that affects the amounts of rebate that we receive, while purchase volume is another common performance indicator that affects the amounts of rebate that we receive. In each of

the three years ended 31 December 2010, 2011 and 2012, incentive rebates attributable to sales volume and purchase volume targets made up at least 90% of our total incentive rebates received from automobile manufacturers.

Automobile manufacturers also offer certain types of incentive rebates that are not purely based on sales volume. For example, manufacturers may offer special rebates for specific vehicle models for various purposes including promoting the manufacturer's model rollout strategy, reacting to market conditions and encouraging the reduction of inventory of a specific vehicle model at the end of its product life cycle. Manufacturers may also offer incentives based on metrics measuring dealership quality. There are a wide range of quality metrics and different manufacturers may emphasize different metrics. Some examples of such quality metrics include our performance in manufacturer audits of customer care and service processes, our scores in manufacturer-conducted "mystery shopper" programs, which involves evaluations of dealership performance through visits by unidentified and unannounced evaluators, and our scores in customer satisfaction surveys.

For most of our automobile manufacturers, other performance indicators are relatively less significant in determining the amount of rebate that we receive. However, for automobile manufacturers of one of our brands, rebates relating to other performance indicators relating to quality metrics can range from 10% to 25% of the incentive rebates offered by the automobile manufacturers of this brand. In 2012, two of our newly established dealerships, which were in their initial stages of operations, did not meet the sales targets set by their respective automobile manufacturers. We estimate that we would have received additional incentive rebates of approximately RMB3.2 million for the year ended 31 December 2012 if these two dealerships had met their sales targets based on the difference between the target annual sales volume and the actual sales volume of new passenger vehicles for each of these two dealerships multiplied by the average incentive rebate granted per vehicle in 2012 at each respective dealership.

We recognise the accrual of incentive rebates at the end of each month based on each manufacturer's announced incentive rebate policy in effect for that month. These rebate amounts are settled periodically, generally on a monthly basis (with some also settled on a quarterly or annual basis), by payments in cash or by deducting the amounts from the aggregate purchase price payable by us in subsequent orders of passenger vehicles. At the end of each month, any rebate amounts that are accrued, but not yet settled, are booked as rebate receivables.

Sales to 4S dealerships and distributors

During the Track Record Period, our Group has sold passenger vehicles to other 4S dealerships to provide flexibility in operations. Vehicles were sold to other 4S dealerships when a particular dealership did not have a car of a particular model, type or colour in stock. This allowed dealerships to meet the specific orders of a customer more quickly and provide dealerships with more flexibility in managing their inventory and results in better customer satisfaction. Such inventory transfers were facilitated by the systems or reporting procedures of the automobile manufacturers. As advised by our PRC Legal Advisors, as such inventory transfers are known to the automobile manufacturers through our Group's communication with the relevant automobile manufacturers or the inventory transfers were facilitated by the systems of the automobile manufacturers, such activities do not constitute a breach of the relevant dealership agreements.

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During the Track Record Period, our Group has also sold passenger vehicles of each of our brands to distributors other than 4S dealerships. Our turnover from such sales constituted less than 5% of our total turnover in each period during the Track Record Period. According to the ACMR Report, and consistent with the understanding of our Directors, sales to distributors are common practice within the industry. Furthermore, it is the understanding of our Directors that the automobile manufacturers are aware of the situation and have not imposed any penalty on our Group for sales to distributors in the past. Furthermore, our Directors believe that the automobile manufacturers will not impose any penalty, but are also unlikely to grant formal consent for such sales as generally they would seek to retain their right to enforce contractual restrictions on dealerships against sales to distributors in the event that such sales reach a degree of volume that would be deemed by a particular automobile manufacturer to be disruptive to their brand in a particular local market. As advised by our PRC Legal Advisors, in accordance with the relevant dealership agreements, while sales to other distributors are technically a breach, they do not constitute a material breach of the dealership agreements and will not give rise to a right of an automobile manufacturer to immediately terminate the dealership agreements. However, the terms of our dealership agreements with one of the automobile manufacturers specifically provide that the automobile manufacturer may terminate its dealership agreement with a particular dealership if such dealership continues to sell to other distributors even after the automobile manufacturer has served a written warning on the dealership of the breach. As at the Latest Practicable Date, we have not received any notices or complaints or warnings regarding our sales to 4S dealerships and other distributors and we have no plans to seek formal consent from the automobile manufacturers for such sales. However, if the automobile manufacturers request our Group's dealerships to rectify such actions, our Group shall rectify such actions within the stipulated period of time.

Effect of weaker market conditions and Diaoyu Islands incident

The passenger vehicle market in the PRC has been affected by weaker market conditions in the PRC as well as the territorial dispute between the PRC and Japan over the Diaoyu Islands, which occurred in the second half of 2012. We experienced a decrease in the average selling price of both our mid- to high-end passenger vehicles and our luxury passenger vehicles over the Track Record Period. The decrease in the average selling price of all market segments of passenger vehicles for the year ended 31 December 2012 was primarily due to generally weaker market conditions in the PRC. The Diaoyu Islands incident had a further negative impact on demand of our Japanese-branded passenger vehicles, Toyota and Lexus. For further details, see "Financial Information — Description of Major Components of Our Results of Operation — Turnover" and "Financial Information — Factors Affecting Our Financial Conditions and Results of Operations — Demand for passenger vehicles in the PRC".

We increased our sales volume of passenger vehicles by 1,848 units, or approximately 16.7%, from 11,097 units for the year ended 31 December 2010 to 12,945 units for the year ended 31 December 2011. Further growth of our sales volume of passenger vehicles slowed with an increase of 625 units, or approximately 4.8%, from 12,945 units for the year ended 31 December 2011 to 13,570 units for the year ended 31 December 2012. This slower growth in sales volume for the year ended 31 December 2012 was, as our Company believes, primarily attributable to weaker market conditions and the Diaoyu Islands incident, which led to a decrease in sales volume of Toyota passenger vehicles and the slower than expected increase in sales volume of Lexus vehicles despite the benefit of the full year effect of operating the Lanzhou Meidong Lexus dealership, which opened in the fourth quarter of 2011. We also increased our sales volume of passenger vehicles by 1,056 units, or approximately 16.3%, from 6,466

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units for the six months ended 30 June 2012 to 7,522 units for the six months ended 30 June 2013, mainly due to increased sales of Hyundai vehicles due to the introduction of new Hyundai models and Toyota vehicles due to improved performance at certain of our Toyota dealerships.

Our turnover increased during the Track Record Period from approximately RMB2,279.6 million for the year ended 31 December 2010 to approximately RMB2,824.1 million for the year ended 31 December 2011, representing a 23.9% year-on-year increase in turnover, and further to approximately RMB2,949.5 million for the year ended 31 December 2012, representing a year-on-year increase in turnover of 4.4%, and increased from approximately RMB1,476.5 million for the six months ended 30 June 2012 to approximately RMB1,514.5 million for the six months ended 30 June 2013, representing a period-on-period increase of 2.6%. This overall growth was primarily due to the increase in sales of passenger vehicles, as we increased the number of our subsidiary dealerships (excluding our Joint Venture) in operation from eight to 13 during the Track Record Period, and partially due to an increase in after-sales services resulting from our growing customer base, however the slower growth of turnover in 2012 was, as our Company believes, primarily attributable to the Diaoyu Islands incident, which led to a decline in turnover in 2012.

Our gross profit fluctuated during the Track Record Period. Our overall gross profit increased by approximately RMB78.7 million, or 52.1%, from approximately RMB151.0 million for the year ended 31 December 2010 to approximately RMB229.7 million for the year ended 31 December 2011, due to increases in gross profit both from sales of passenger vehicles and after-sales services. Our overall gross profit declined by approximately RMB4.9 million, or 2.1%, from approximately RMB229.7 million for the year ended 31 December 2011 to approximately RMB224.8 million for the year ended 31 December 2012, mainly due to a decrease in gross profit derived from our sales of passenger vehicles primarily due to a general decrease in average selling prices of our mid- to high-end and luxury passenger vehicles, resulting from weaker market conditions as well as, as our Company believes, the Diaoyu Islands incident. Our overall gross profit increased by approximately RMB15.3 million, or 13.4%, from approximately RMB114.6 million for the six months ended 30 June 2012 to approximately RMB129.9 million for the six months ended 30 June 2013, mainly due to increases in gross profit from after-sales services and partially offset by a decrease in gross profit derived from our sales of passenger vehicles.

Our net profit fluctuated during the Track Record Period. Our overall net profit increased by approximately RMB27.8 million, or 55.3%, from approximately RMB50.3 million for the year ended 31 December 2010 to approximately RMB78.1 million for the year ended 31 December 2011. Our overall net profit declined by approximately RMB30.3 million, or 38.8%, from approximately RMB78.1 million for the year ended 31 December 2011 to approximately RMB47.8 million for the year ended 31 December 2012, mainly due to a decrease in gross profit as described above and increased finance costs, distribution costs and administrative expenses. Our overall net profit increased by approximately RMB17.9 million, or 64.2%, from approximately RMB27.9 million for the six months ended 30 June 2012 to approximately RMB45.8 million for the six months ended 30 June 2013, mainly as a result of increased gross profit margin, increased other revenue and net income and decreased finance costs. See “Financial Information — Period to Period Comparison — Six months ended 30 June 2013 compared to six months ended 30 June 2012 — Profit for the period”.

We slowed down our expansion plans in 2012 in accordance with the challenging automobile market conditions. For example, in 2012 we only commenced construction on two of the nine new dealerships on which we had intended to commence construction during that period. The planned dates

of commencement of operations for each of these nine new dealerships, all of which were originally expected to be during 2012 and 2013, were delayed to later dates in 2013, 2014 and 2015. Furthermore, we chose to not commence construction and to terminate our preliminary authorisations to open one Lexus and two Toyota dealerships on which we had originally intended to commence construction in 2012. However, we expect to speed up our growth both through acquisition of existing dealership stores and through development of new dealership stores, including opening seven new dealerships by the end of the first quarter of 2015.

After-sales services

We consider our after-sales services, to be an essential part of our business as we believe this segment has a relatively high gross profit margin and stable demand. Turnover from after-sales services consists principally of sales of spare parts and the provision of repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related services such as fees from vehicle registration services and commission income from mortgage loan application services. We had a gross profit margin of approximately 34.3%, 43.5% and 48.6% for these services in the years ended 31 December 2010, 2011 and 2012, respectively, and 46.9% and 54.8% for the six months ended 30 June 2012 and 2013, respectively.

We perform in-warranty repair and out-of-warranty repair services, covering an extensive range from simple motor oil changes to complex engine replacements. In-warranty repair represents coverage for certain types of repairs offered by automobile manufacturers when a customer purchases a new motor vehicle, such as repairs to damage from defects in parts or workmanship. Out-of-warranty repair mainly represents replacement of parts due to wear and tear or repair of damage resulting from collisions or other accidents, which is generally not covered by automobile manufacturers. With each service order we strive to complete it quickly and to “do it right the first time”. We aim to have rapid turnover on each service order and strive to have automobiles serviced and delivered back to our customers on the same day whenever possible.

Warranty terms for each automobile brand differ and are predetermined by the relevant automobile manufacturer. The warranty period for each motor vehicle typically begins on the date that the tax invoice with respect to the purchase of the vehicle is issued, and the warranty generally only covers defects in materials and workmanship.

In addition to the standard warranty terms offered by automobile manufacturers, we also work with major insurance providers in the PRC to offer extended product warranties to our customers. Under such policies warranty periods can be extended for one to two years. We receive a commission from the insurance providers for the sales of such products at our dealerships.

As required by our agreements with our manufacturer partners, each of our dealerships accepts for servicing all motor vehicles of the automobile manufacturer of the brand that dealership sells, regardless of whether the vehicle was originally purchased from our 4S dealerships or from dealerships unrelated to our Group. As the warranty terms offered by automobile manufacturers only cover a limited range of defects, we have technicians in each of our 4S dealerships who are trained by automobile manufacturers to assess the cause of the defects and determine whether such defects fall within its warranty coverage. When a potentially defective motor vehicle is brought into our dealership, our technicians conduct careful examinations to determine the cause of the problem as well as any hidden defects before commencing any repair work. If the defect falls within the warranty terms offered by automobile

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manufacturers, our technicians will commence in-warranty repair work immediately. However, if the defect falls outside the warranty terms offered by automobile manufacturers, our service centre staff will first notify the customer to seek consent on the commencement of out-warranty repair services. In-warranty services we provide are normally reimbursed by automobile manufacturers within one month following the submission of a claim form. Our Company has fully recovered from automobile manufacturers the cost of in-warranty repair service performed during the Track Record Period. The payment for the out-of-warranty services we provide are usually collected from our customers immediately following the completion of our services and prior to delivery of the repaired vehicle to the customer.

We charge our repair and maintenance services based on the prices of the spare parts used, if any, and the hourly rates of our technicians. The hourly rates of our technicians are set with reference to our automobile manufacturers' pricing guidelines.

Under the 3R Provisions, we are not required to provide customers with any warranty on any motor vehicles, except for household automobiles. Pursuant to the 3R Provisions, household automobiles are defined to be passenger vehicles purchased and used by the consumer for living and consumption needs. See "Regulations — Applicable PRC Laws and Regulations — The PRC Automobiles Industry — The Guarantees for Household Automobile". The warranty repair period of household automotive products is the earlier of three years or the time it takes to travel 60,000 kilometers, whereas the validity period of three guarantees (the liability for guaranteeing repair, replacement and return of household automotive products) of household automotive products shall be the earlier of two years or the time it takes to travel 50,000 kilometers. The warranty period and the validity period of three guarantees of household automotive products commences on the date of issuance of purchase invoices. We are required to provide a service warranty for the repair services that we perform under the applicable PRC laws and regulations, which commences on the date which the automobile leaves our dealership. Under the Provisions on the Administration of Motor Vehicle Maintenance (機動車維修管理規定), automobile repairs are divided into several categories and the mandatory warranty period from each repair ranges from the shorter of 10 days or 2,000 kilometers (in the case of basic repairs) to the shorter of 100 days or 20,000 kilometers (in the case of major repairs). Accordingly, our Group is required to provide warranty services for household automobiles to its customers, but the costs of such warranty services are borne by automobile manufacturers in accordance with the dealership agreements and the automobile manufacturer's warranty policies.

Surveys

In order to obtain feedback on our customer service and collect market information on consumer preferences, we conduct customer surveys for randomly selected visitors to our 4S dealerships and customers of after-sales services. The results of our customer surveys are processed and analysed so that market intelligence and customer feedback is gathered and reflected to the relevant departments for follow-up.

Key terms of our dealership agreements

We have entered into legally-binding dealership agreements with automobile manufacturers for each of our existing 4S dealerships. The operations of each of our 4S dealerships are primarily governed by its respective dealership agreements. The specific terms of each of the dealership agreements vary for each automobile manufacturer, and there are no particular distinguishable differences between the dealership agreements for mid- to high-end brands and luxury brands.

Some of our dealerships, such as those for BMW and Toyota, sell both locally manufactured and imported vehicles, and each such dealership will enter into two dealership agreements, one dealership agreement for locally manufactured vehicles and another for imported vehicles.

Our dealership agreements are non-exclusive and typically granted for an initial term of one to three years. Some of our dealership agreements are automatically renewed unless either party tenders written notice to terminate the agreement. Some of our other dealership agreements are not subject to automatic renewal, and are renewed upon written notice by the automobile manufacturers, or upon entering into a new dealership agreement by both parties upon the expiry of the initial term. See “— Our dealership network — Our existing dealerships” for more details. For the dealership agreements that are subject to automatic renewal, we generally will not have to conduct discussion with the relevant automobile manufacturer regarding their renewal. For dealership agreements that are not subject to automatic renewal, we generally will conduct discussions with automobile manufacturers to renew the dealership agreement or to enter into a new dealership agreement around one month before its expiration date. As at the Latest Practicable Date, we had not received any notices of termination from the relevant automobile manufacturers for any of our dealership agreements expiring in 2013. With regard to our Zhuzhou Meibaohang dealership agreements with BMW Brilliance and BMW China that are both due to expire at the end of December 2013 and are not subject to automatic renewal, we had not received, nor expected to receive, formal renewal notices as at the Latest Practicable Date. However, we expect to receive formal renewal notices in due course prior to the scheduled expiration dates of the agreements. Furthermore, Zhuzhou Meibaohang has received communications from BMW Brilliance, on behalf of itself and BMW China, that BMW Brilliance and BMW China are in the process of preparing renewal notices for Zhuzhou Meibaohang’s dealership agreements. Our Directors expect that the aforementioned dealership agreements for Zhuzhou Meibaohang will be timely renewed in due course.

The Sole Sponsor is of the view that our Group can continue to renew our dealership agreements with automobile manufacturers in the future due to our past record of success in obtaining renewals of our dealership agreements and our ability to obtain authorisations for new dealerships with the same automobile manufacturers. In particular, (i) during the Track Record Period, none of our authorised dealership agreements were terminated by any automobile manufacturer, nor did any automobile manufacturer refuse to renew any of the dealership agreements, nor has our Group received any written notice for the termination of any of the dealership agreements; (ii) our Group has not received any notice or complaint of breach of or non-compliance with our obligations under the dealership agreements from any automobile manufacturer; (iii) there was no material adverse change in respect of the terms of the dealership agreements during the Track Record Period; (iv) there were no material breach of the dealership agreements by our Group during the Track Record Period; and (v) our Group has maintained good relationships with automobile manufacturers as reflected by our ability to enter into new dealership agreements with automobile manufacturers to open new dealerships during the Track Record Period.

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Our dealerships are restricted to serve customers within a designated area. Generally, the designated area of our 4S dealerships will include the entire city in which such dealership is located. Automobile manufacturers may allow a third party to operate another dealership of the same brand in the same designated area where our dealerships operate. Our Directors understand that, generally, automobile manufacturers will consider the establishment of a new dealership in an area where an existing dealership is operating in cases when there is increasing demand and market potential for the automobile brand in the designated area. According to the ACMR Report, the automobile manufacturer would usually require that the new dealership be established at a location that is at a certain distance from the existing dealership and grant standard dealership agreement terms to the new dealership. The following table, to the best of the knowledge, information and belief of our Directors, sets forth the number of dealership stores (including dealership stores of our Group) selling the same brands in each designated area where our Company currently operates as at the Latest Practicable Date:

Brand	Designated Area	Number of Our Dealership Stores of the Same Brand	Total Number of Dealership Stores of the Same Brand ⁽¹⁾
BMW	Zhuzhou, Hunan	1	1
	Hengyang, Hunan	1	1
Lexus	Dongguan, Guangdong	1 ⁽²⁾	3
	Xiamen, Fujian	1	2
	Lanzhou, Gansu	1	1
	Changsha, Hunan	1	3
FAW Toyota.	Beijing	1	24
	Dongguan, Guangdong	2	11
	Quanzhou, Fujian	1	3
GAC Toyota.	Dongguan, Guangdong	1	6
	Yiyang, Hunan	1	1
Beijing Hyundai	Dongguan, Guangdong	1	6
	Heyuan, Guangdong	1	1

Notes:

- (1) Total number of dealership stores is based on publicly available lists of dealership stores maintained on the official website of each automobile manufacturer as at the Latest Practicable Date and includes dealership stores of our Group.
- (2) Dongguan Meidong is a joint venture. We own 49% of equity interest of this 4S dealership.

In the event that the automobile manufacturer allows the establishment of another 4S dealerships of the same brand in the designated area in which any of our 4S dealerships are located in, our turnover may be affected due to increased competition. Our Group will deal with such competition by increasing the marketing efforts of our dealerships, developing long-term relations with our existing customer base and further improving the quality of our services. We strive to develop and maintain long-term relations with our customers primarily through our provision of after-sales services throughout the life of our customers' vehicles including in-warranty and out-of-warranty repair and maintenance services, sales of

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spare parts and sales of extended warranties. Our provision of these services provides us with opportunities for regular, ongoing contact with our customers beyond our initial sale to them of passenger vehicles. See “— Our Business — After-sales services”.

Separately, under some of our dealership agreements, automobile manufacturers have the right to redefine and adjust the geographic coverage of the designated area under the dealership agreement. In the event that the designated area is amended, the target market of our 4S dealerships may be restricted and our turnover may be affected. Our Directors are of the belief that it is highly unlikely that we will be required to relocate our dealerships as a result of a change to the designated area or opening of another dealership in the designated area. During the Track Record Period, we have not experienced any change to the designated area under our dealership agreements.

Set forth below is a summary of the key terms that are common to most of our dealership agreements.

Target market. The dealership agreements impose certain restrictions on the target market of each dealership. Our dealerships are generally restricted to serve only end users and may not engage as a distributor of passenger vehicles except with consent of the automobile manufacturers.

Branding. We are prohibited from retailing more than one brand of automobile in any of our 4S dealerships. Further, we are authorised to use the trade names, trademarks and other forms of branding as specified by automobile manufacturers.

Sales and inventory. Under the dealership agreements, we are required to display and sell motor vehicles of the relevant automobile manufacturers and/or their respective joint ventures. We are also required under certain of our dealership agreements to maintain reasonably appropriate quantities of certain motor vehicles in our inventory and generally such agreements do not contain any specific inventory levels or guidelines. However, in practice, when our dealerships place orders for new passenger vehicles, the relevant automobile manufacturers will typically require us to adjust our order, in terms of quantity and models of vehicles, before they approve the final order. Such adjustments take into account the manufacturers desired inventory levels for the dealership, among other factors such as recent and projected dealership sales performance and projected demand. Also, the dealership agreements of one automobile manufacturer do expressly provide that we must maintain an appropriate and specific level of inventory as specified by this manufacturer from time to time. Retail prices of motor vehicles that we sold are set with reference to the manufacturer’s suggested retail price and pricing guidelines. Under the dealership agreements, the automobile manufacturer may set a manufacturer’s suggested retail price. However, we retain flexibility to determine the actual retail price, and the dealership agreements do not impose a specific price adjustment range from the manufacturer’s suggested retail price.

Service and spare parts. We are required to provide after-sales services to all motor vehicles manufactured by the relevant automobile manufacturer and, in some cases, their joint ventures. Spare parts are to be purchased from the relevant automobile manufacturer or their authorised suppliers.

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Surveys and marketing. We are required to conduct surveys of our customers, and to provide periodic sales, inventory and other relevant information to the relevant automobile manufacturers. Further, we are required to organise sales and marketing activities and also to assist in sales and marketing activities arranged by the relevant automobile manufacturer.

Credit terms. Our dealership agreements generally do not explicitly provide for details of credit or payment terms. Rather, most of our dealership agreements provide that the purchase price shall be settled in accordance with the instructions given by the automobile manufacturer at the time of the placement of order or in accordance with its policy in effect at the relevant time. In practice, we are generally required to settle the purchase price before delivery by the automobile manufacturer either with cash or with bills for which we are typically granted a credit period of one to six months. See “Financial Information — Trade and Other Payables”.

Sales targets. Our dealership agreements generally do not contain any specific minimum purchases or sales requirement for each dealership. However, the relevant automobile manufacturers will typically set a sales target or ask us to agree to a sales target for each dealership. On occasion, automobile manufacturers may reduce the sales targets that had been set for a particular period in response to unusual market conditions. Generally, the failure to meet the sales target will result in reduced incentive rebates provided by automobile manufacturer. In some cases, we may be required to give a written explanation to the automobile manufacturer with the reason for our failure to meet the sales target, and the automobile manufacturer may request us to take certain steps to improve sales.

Termination. Automobile manufacturers may terminate our agreements by written notice if the dealership fails to abide by the terms of the dealership agreement in any material aspect, including but not limited to failure to rectify deficiencies, engaging in unapproved business relationships with other automobile manufacturers, loss of control over the site and facilities necessary of the operation of the relevant 4S dealership, unauthorised changes in our ownership or management structure, or the dealership becomes insolvent. For dealerships in which we have entered into a separate dealership agreement for imported motor vehicles and locally manufactured motor vehicles, some of these agreement explicitly provide that the termination of one agreement will lead to the automatic termination of the other agreement in relation to the same dealership, while in other agreements, the terms of the agreements do not explicitly provide that the termination of one agreement will automatically affect the other agreement. Nonetheless, it is the understanding of our Directors that generally, whether explicitly provided for or not in the dealership agreements, the termination of a dealership agreement for locally manufactured vehicles will lead to termination of the corresponding dealership agreement for imported motor vehicles dealership agreement and vice versa.

During the Track Record Period, most of our dealerships fulfilled the annual sales targets set by the automobile manufacturers. In 2012, two of our newly established dealerships, which were in their initial stages of operations, did not meet the sales targets set by their respective automobile manufacturers. All of our other dealerships achieved their respective sales targets during the Track Record Period. We have not received any warnings or requests for rectification from the automobile manufacturers in relation to the dealerships that did not meet their sales targets, however the incentive rebates for these dealerships were reduced. See “— Our Business — Sales and Services — Incentive rebates from automobile manufacturers”.

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During the Track Record Period and up to the Latest Practicable Date, none of our authorised dealership agreements were terminated by any automobile manufacturer, nor did any automobile manufacturer refuse to renew any of our dealership agreements, nor have we received any written notice for the termination of any of our dealership agreements. There was no material adverse change in the terms of our dealership agreements during the Track Record Period and up to the Latest Practicable Date. Furthermore, during the Track Record Period and up to the Latest Practicable Date, we have not received any notice or complaint of breach of or non-compliance with our obligations under our dealership agreements from any automobile manufacturer. Accordingly, for the reasons set out above, our Directors believe that we will be able to renew all of our dealership agreements or to enter into new dealership agreements upon their expiry.

Awards

Our 4S dealerships have received numerous awards and recognitions from automobile manufacturers, industry associations and the media, including the following received over the Track Record Period:

- Dongguan Dongmei was awarded the “Gold Dealership Award” in 2012 by Toyota
- Dongguan Meidong was ranked fifth in 2012 in terms of the number of new automobiles sold under the Lexus brand in the PRC
- Dongguan Meidong was awarded the “2011 Excellent Dealership Award” by Lexus
- Beijing Zhongye was awarded the “2010 Special Improvement Award” in the north China region by FAW Toyota

Vehicle recalls

We may be requested by our automobile manufacturers to assist in handling vehicle recalls, which may be conducted from time to time by automobile manufacturers to remedy problems with one or more automobile models. While automobile manufacturers vary in their procedures for conducting recalls, we are typically notified by an automobile manufacturer prior to the commencement of a recall and provided with the details with regard to the recall, such as instructions in repairing or otherwise resolving the problem and responses to expected inquiries from customers. After being notified of a recall, we typically send a notice or make other contact to our customers who may be affected and ask them to bring their automobiles to our dealership stores to settle the problem in accordance with the automobile manufacturer’s instructions. The services we provide in connection with recalls are reimbursed by automobile manufacturers. In addition to servicing affected automobiles purchased from us, we also service the affected automobiles purchased from other dealership groups. Moreover, we will repair the affected automobiles in our inventory that are subject to the recall prior to their sale.

As advised by our PRC legal advisor, Jingtian and Gongcheng, we are not liable under PRC laws and regulations for any costs associated with general vehicle recalls. During the Track Record Period and up to the Latest Practicable Date, none of the vehicle recalls with which we assisted involved any return of vehicles by affected customers, refund of purchase price by us or personal injury claims against us by affected customers. In addition, during the Track Record Period and up to the Latest

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Practicable Date, we did not receive any customer complaints in connection with vehicle recalls with respect to any issue that would have a material adverse effect on our business and operations, and we were not subject to any legal, regulatory or administrative proceedings as a result of any vehicle recalls.

The following table sets forth the major recalls that affected the models of new motor vehicles that we sold during the Track Record Period for which we were notified by the respective automobile manufacturers as at the Latest Practicable Date:

Brand	Model	Affected component(s)	Recall date
Toyota manufactured by FAW Toyota . . .	RAV 4 (domestic) manufactured between 19 March 2009 and 25 January 2010	Accelerator pedal	February 2010
Toyota manufactured by FAW Toyota . . .	Crown (domestic) manufactured between 21 February 2005 and 28 February 2006	Rear brake calliper/master brake cylinder	November 2010
Toyota manufactured by FAW Toyota . . .	Reiz manufactured between 21 February 2005 and 28 February 2006	Rear brake calliper/master brake cylinder	November 2010
Toyota manufactured by FAW Toyota . . .	Corolla manufactured between 13 September 2010 and 8 December 2010	Continuously viable transmission	May 2012
Toyota manufactured by FAW Toyota . . .	HIACE (TRH213) manufactured between 31 March 2005 and 14 December 2007	Drive shaft clamp	July 2012
Toyota manufactured by FAW Toyota . . .	HIACE (TRH223) manufactured between 6 May 2005 and 9 June 2010	Drive shaft clamp	July 2012
Toyota manufactured by FAW Toyota . . .	RAV 4 (domestic) manufactured between 6 February 2009 and 31 October 2010	Adjustment lever of the rear suspension arm	September 2012
Toyota manufactured by FAW Toyota . . .	RAV 4 (imported) manufactured between 12 June 2006 and 28 November 2008	Adjustment lever of the rear suspension arm	September 2012
Toyota manufactured by FAW Toyota . . .	Corolla manufactured between 30 October 2012 and 20 November 2012	Positioning hole of tail-lights	November 2012
Toyota manufactured by FAW Toyota . . .	RAV 4 (imported) manufactured between 21 July 2005 and 28 November 2008	Windows master switch	November 2012
Toyota manufactured by FAW Toyota . . .	Vios manufactured between 18 February 2008 and 31 May 2010	Windows master switch	November 2012
Toyota manufactured by FAW Toyota . . .	Corolla manufactured between 4 April 2007 and 31 May 2010	Windows master switch	November 2012
Toyota manufactured by FAW Toyota . . .	RAV 4 manufactured between 6 February 2009 and 31 May 2010	Windows master switch	November 2012

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Brand	Model	Affected component(s)	Recall date
Toyota manufactured by FAW Toyota . . .	Coaster manufactured between 1 February 2010 and 22 August 2012	Steering spindle	December 2012
Toyota manufactured by FAW Toyota . . .	Prius manufactured between 17 November 2005 and 22 April 2009	HV electric water pump and steering intermediate shaft	December 2012
Toyota manufactured by FAW Toyota . . .	Corolla manufactured between 30 October 2012 and 15 January 2013	Front right drainage holes of the sliding sunroof	January 2013
Toyota manufactured by FAW Toyota . . .	Corolla (imported) manufactured between 5 October 2001 and 23 February 2003	Passenger airbags	May 2013
Toyota manufactured by FAW Toyota . . .	Vios (imported) manufactured between 23 October 2002 and 15 April 2003	Passenger airbags	May 2013
Toyota manufactured by GAC Toyota . . .	Camry manufactured between 15 May 2008 and 30 April 2010	Windows master switch	November 2012
Toyota manufactured by GAC Toyota . . .	Camry HV manufactured between 8 March 2010 and 30 April 2010	Windows master switch	November 2012
Toyota manufactured by GAC Toyota . . .	Yaris manufactured between 15 May 2008 and 30 April 2010	Windows master switch	November 2012
Toyota manufactured by GAC Toyota . . .	Highlander (imported) manufactured between 15 May 2008 and 30 April 2010	Windows master switch	November 2012
Toyota manufactured by GAC Toyota . . .	Highlander (domestic) manufactured between 26 May 2009 and 30 April 2010	Windows master switch	November 2012
Toyota manufactured by GAC Toyota . . .	FJ Cruiser manufactured between 14 September 2007 and 25 February 2013	Reinforcement of seatbelts	April 2013
Toyota manufactured by GAC Toyota . . .	Venza manufactured between 20 June 2012 and 15 May 2013	Air conditioning condenser unit housing	November 2013
Lexus.	LS460 manufactured between September 2006 and July 2008	Compression springs and valve clearance adjustment	July 2010
Lexus.	LS460L manufactured between September 2006 and August 2008	Compression springs and valve clearance adjustment	July 2010
Lexus.	LS600HL manufactured between July 2007 and August 2008	Compression springs and valve clearance adjustment	July 2010
Lexus.	LX470 manufactured between July 2005 and August 2007	Assembly package of the steering intermediate shaft	August 2010
Lexus.	GS300 manufactured between December 2004 and December 2005	Seal of the brake master pump	November 2010

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Brand	Model	Affected component(s)	Recall date
Lexus.	RX300 manufactured between May 2003 and November 2005	Seal of the brake master pump	November 2010
Lexus.	RX300 manufactured between February 2003 and September 2003	Carpet platen next to the driver	August 2011
Lexus.	RX350 manufactured between September 2005 and July 2006	Carpet platen next to the driver	August 2011
Lexus.	RX300 manufactured between June 2004 and March 2005	Crankshaft pulley, tensioner pulley, timing belt and its cover, V-belt	December 2011
Lexus.	ES240 manufactured between 26 August 2009 and 6 June 2012	Trunk door lock release lever	February 2012
Lexus.	ES250 manufactured between 22 June 2012 and 3 October 2012	Trunk door lock release lever	February 2012
Lexus.	ES350 manufactured between 31 May 2005 and 27 September 2012	Trunk door lock release lever	February 2012
Lexus.	ES300h manufactured between 24 February 2012 and 29 November 2012	Trunk door lock release lever	February 2012
Lexus.	IS250 manufactured between 12 April 2010 and 6 July 2011	Swing arm nut of the front windshield wiper	February 2012
Lexus.	IS250C manufactured between 28 April 2010 and 29 September 2011	Swing arm nut of the front windshield wiper	February 2012
Lexus.	IS300 manufactured between 26 January 2006 and 2 August 2010	Swing arm nut of the front windshield wiper	February 2012
Lexus.	IS300C manufactured between 5 March 2009 and 2 August 2010	Swing arm nut of the front windshield wiper	February 2012
Lexus.	IS250 manufactured between April 2010 and July 2011	Shaft serration and arm of windshield wiper	February 2013
Lexus.	IS250C manufactured between April 2010 and September 2011	Shaft serration and arm of windshield wiper	February 2013
Lexus.	IS300 manufactured between January 2006 and August 2010	Shaft serration and arm of windshield wiper	February 2013
Lexus.	IS300C manufactured between March 2009 and August 2010	Shaft serration and arm of windshield wiper	February 2013
Lexus.	IS F manufactured after October 2010	Shaft serration and arm of windshield wiper	February 2013
Lexus.	RX400h manufactured between 3 April 2006 and 1 December 2008	Hybrid system inverter assembly	September 2013

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Brand	Model	Affected component(s)	Recall date
BMW	All E60, E61, E63 and E64 models	Plastic protective cover of the battery cable	June 2012
BMW	All E7x, F0x and F1x models as well as models that installed the N63, S63 or N74 engines	Coolant pump of exhaust gas turbocharger	June 2012
BMW	All E7x and F0x models as well as models that installed the N63, S63 or N74 engines	Coolant pump of exhaust gas turbocharger	June 2012
BMW	All E84, E89, E90, E92 and E93 models	Electronic steering machine	July 2012
BMW	E70 models that are manufactured between May 2006 and March 2010 and installed the N62T engine	Brake vacuum pipe and brake booster	February 2013
BMW	Certain E46 models	Front passenger airbag	August 2013
BMW	Certain F18 models	EPS power line plug	August 2013
BMW	E60 models manufactured since 2013	Tail lamp assembly	November 2013
Beijing Hyundai	Certain Moinca manufactured between 1 August 2010 and 31 October 2010	Temperature sensor of engine coolant	June 2011
Beijing Hyundai	Certain Elantra manufactured between 16 March 2008 and 25 January 2010	Airbag control module software	July 2012
Beijing Hyundai	Certain IX35 manufactured between 9 April 2010 and 8 March 2013	Brake pedal switch assembly	May 2013
Beijing Hyundai	Certain Santa Fe manufactured between 19 November 2010 and 8 March 2013.	Right front axle assembly	September 2013

SALES AND MARKETING

We staff each of our 4S dealerships with sales associates who are trained to identify the preferences and needs of potential customers, recommend automobile models that potential customers may be interested in and explain the features of each automobile model offered in such dealership. To make our services more user-friendly and convenient, we normally assign a dedicated service associate to each customer, who then serves as the customer's primary point of contact regardless of the type of service this customer requires. We also maintain a database of information on our potential and existing customers, including history and contents of telephone calls, records of visits to our dealerships and attendance at our promotional activities, which we use to help identify sales prospects.

In order to increase brand awareness in the geographical regions served by our dealerships and sell the models of automobiles that are available in our dealerships, we engage agents to display our advertisements on billboards, newspapers, automobile internet platforms or through short message services. We also organise sales and marketing initiatives, including lucky draws, service coupons and

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complimentary gifts. In addition to our own sales and marketing campaigns, certain of our authorised dealership agreements stipulate that we have to coordinate with the relevant automobile manufacturers and participate in the sales and marketing events that are organised by them.

With the aim of proactively attracting customers to visit our 4S dealerships, we began to set up direct call centres (“DCC”) in each of our dealerships in 2011. Our DCCs are mainly responsible for handling enquires from potential customers, encouraging potential customers to visit our dealerships in person and seeking customer referrals. Our DCCs also actively communicate with potential customers that have visited our 4S dealerships but have not made follow-up visits or contacts.

Our distribution costs amounted to approximately RMB50.0 million, RMB71.0 million and RMB89.4 million for the years ended 31 December 2010, 2011 and 2012, respectively, and RMB42.8 million and RMB41.9 million for the six months ended 30 June 2012 and 2013, respectively.

CUSTOMER SERVICE

As we believe quality customer service and support is essential to maintaining long-term customer relationships and attracting new customers, we have established a customer relationship department in each of our 4S dealerships. Our customer relationship department at each dealership reports directly to the customer relationship manager at our headquarters. Each such department is responsible for conducting satisfaction surveys via telephone after their initial purchase of motor vehicles or repair and maintenance services, ensuring that our sales personnel have followed sales guidelines as required by automobile manufacturers as well as our internal standards and making courtesy reminders to customers for regular maintenance, expiry and renewal of insurance and automobile safety inspections. Customer relationship staff are also responsible for management of customer complaints and ensuring their final resolution. Feedback from our customers provided by our customer relations staff to our sales personnel on a daily basis in order to improve customer satisfaction and sales techniques.

OUR CUSTOMERS

Our customers primarily include individual automobile buyers and owners as well as a limited number of corporations. Our top five customers during the Track Record Period were Independent Third Parties and accounted for less than 1% of our total turnover in each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

Our new vehicle sales customers are generally required to pay a deposit or advance upon signing sales contracts for new automobiles with us, the amount of which is determined based on the brand and model. In most cases the balance due must be settled in cash, by bank transfer, by credit card or secured by an approved automobile financing loan before the automobile can be collected by or delivered to the customer.

SUPPLIERS AND PROCUREMENT

Our suppliers

Suppliers of our Group are mainly automobile manufacturers and their authorised suppliers of spare parts. We have long-term relationships with many of our suppliers. We have cooperated with three of our major suppliers, namely Toyota China, FAW Toyota, and Beijing Hyundai, for over eight years.

All of our five largest suppliers are Independent Third Parties. The five largest suppliers of our Group together accounted for approximately 92.1%, 89.7% and 87.0% of our total purchases in the years ended 31 December 2010, 2011 and 2012, respectively, and 85.4% for the six months ended 30 June 2013. The largest supplier of our Group accounted for approximately 47.3%, 43.2% and 37.9% and 40.0%, respectively, of our total purchases over the same periods. None of our Directors, their associates, or any shareholders who, to the knowledge of our Directors owns more than 5% of our issued share capital (without taking into account any exercise of the Over-allotment Option), had any interest in any of our top five suppliers during the Track Record Period.

Cooperation with automobile manufacturers

We work closely with each of our automobile manufacturer suppliers to help implement their various dealership-level strategies. For example, according to the ACMR Report, the PRC is a strategic market for our automobile manufacturer suppliers and each of them is seeking to expand their dealership networks in the PRC. See “Industry Overview — Development and Prospects of Key Automobile Brands in the PRC”. We believe that the trend is for automobile manufacturers to continue developing retail channels in second-, third- and fourth-tier cities in China, which are experiencing strong growth in new passenger vehicle registrations and passenger vehicle penetration rates, have high growth potential and have under-developed dealership networks. See “Industry Overview — Rapid Growth in Second-, Third- and Fourth-tier Cities”. This is in line with our own strategy to focus our expansion in these areas. Also from time to time, each automobile manufacturer will use various methods to encourage dealerships to promote the sales of certain models in line with the manufacturer’s strategies to rollout new models and to retire older models at the end of their product lifecycles. Such methods may include providing incentive rebates to dealerships for certain models and organizing sales and marketing activities that dealerships participate in. Furthermore, we believe that there is a trend towards promoting further development of higher margin after-sales and other value-added services such as repair services and provision of automobile loans. We typically procure spare parts used in repair services from the manufacturers or their authorised suppliers and offer automobile mortgage loans to customers that are provided by automobile manufacturers’ captive finance companies.

We keep in close communication with automobile manufacturers in a variety of ways in order to cooperate with them to execute strategies and determine target sales volumes and pricing guidelines. Some examples of such communication include the following:

- Our attendance at various regional and national meetings organized periodically by each automobile manufacturer to discuss issues relating to dealerships, including without limitation, strategy, new models, sales targets (or adjustments to sales targets), special incentives, quality of products and services, customer satisfaction, etc.
- As discussed below, each dealership’s annual discussions with its respective brand manufacturer to set annual targets. The initial targets become confirmed targets once they pass the manufacturer’s central approval and the approval of our Group. These targets are then reviewed constantly, and may potentially be adjusted on a quarterly or a monthly basis depending on market conditions, subject to mutual approval of the automobile manufacturer and our Group.

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- At the dealership level, our management team maintains regular communications with the automobile manufacturer's regional sales, marketing and other staff regarding various operational issues, including sales progress, pricing fluctuations, customer service, etc.
- Automobile manufacturers set wholesale pricing of vehicles that they supply to us. The automobile manufacturers also provide suggested retail prices for their vehicles. However we have the ultimate decision on how to price the vehicles at the retail level. As further discussed below, we sell vehicles at various prices ranging above and below manufacturers' suggested retail prices.

Procurement of new motor vehicles

Our new motor vehicles are primarily procured via the automobile manufacturers' procurement system directly from automobile manufacturers. Our purchases are made in the PRC, regardless of whether the motor vehicles are manufactured locally or imported. As we do not import motor vehicles from outside the PRC, our PRC legal advisor, Jingtian & Gongcheng, confirms that we are not subject to any import tariffs or custom duties for our motor vehicles. In addition, we do not conduct any parallel import of motor vehicles into the PRC.

Each of our 4S dealerships is responsible for its own purchases of motor vehicles. We typically place orders for new passenger vehicles with automobile manufacturers on a monthly basis. Automobile manufacturers typically set an annual sales target for motor vehicles that are sold in each 4S dealership. Such annual sales target is set at the dealership-level in accordance with a number of factors, typically including the market size of the coverage area of such dealership, actual sales performance and projections of overall market growth. Generally, the failure to meet the sales target will not result in any penalties, but may result in reduced incentive rebates provided by automobile manufacturers.

Our dealerships are not subject to a fixed quota for the number of vehicles that we may procure, whether imported or locally-manufactured vehicles. However, our orders for new passenger vehicle are subject to the manufacturing and logistical capacity of the automobile manufacturer. Accordingly, the automobile manufacturers may not be able to fully satisfy our orders, and will allocate vehicles to us based on their internal policies.

Automobile manufacturers, such as BMW and Toyota, which sell both locally manufactured and imported vehicles, will generally have their own policies on whether locally manufactured or imported products should be supplied for a specific model in the PRC, and there is generally no overlap of motor vehicles of the same model and specification that are both locally manufactured and imported. Accordingly, our decision to procure locally manufactured or imported vehicles is primarily determined by the specific vehicle models available and the market demand for each of these models. Pricing and profitability of locally manufactured and imported vehicles differ according to specific vehicle model and the market demand and supply of each specific vehicle model. During the Track Record Period, the sales price of our imported vehicles ranged between RMB200,000 and RMB2.5 million, whereas the sales prices of our locally manufactured vehicles ranged between RMB70,000 and RMB800,000. Also, during the Track Record Period, we sold imported vehicles at prices ranging from 36% below to 28% above the relevant manufacturers' suggested retail price and locally manufactured vehicles at prices ranging from 38% below to 44% above the relevant manufacturers' suggested retail price.

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Generally, the automobile manufacturers will bear the cost of transportation. Further, the automobile manufacturers will generally bear the risks of damages and losses before delivery to us at the designated warehouse or agreed place of delivery, but such risks are transferred to us upon delivery at the designated warehouse or agreed place of delivery. In general, the lead time required for new motor vehicles to be delivered to our dealerships ranges from one to two months, depending on the location of the manufacturer and logistics. Once motor vehicles are delivered to our dealerships, they may not be returned to the automobile manufacturer, unless defects caused by the manufacturer are present. If any defects are caused during transport, we may claim damages from the logistics companies.

Procurement of spare parts

Pursuant to the authorised dealership agreements signed with automobile manufacturers, we are required to procure our spare parts directly from the manufacturers or their authorised suppliers. Our procurement of spares parts is conducted at the dealership-level.

INVENTORY MANAGEMENT

We actively monitor the inventory levels of motor vehicles and spare parts at our dealerships. It is our policy to keep inventory levels as low as possible, while still maintaining reasonably appropriate inventory, as required under certain of our dealership agreements, and generally as needed to fulfil customer demand. See “— Our Business — Key terms of our dealership agreements — Sales and Inventory”. Our average inventory turnover days (as defined and further discussed in the section entitled “Financial Information — Inventories Analysis”) were 28.2 days, 33.6 days and 37.8 days in 2010, 2011 and 2012, respectively and 44.2 days in the six months ended 30 June 2013. Our average inventory turnover days increased during the Track Record Period primarily as a result of the opening of three new dealerships during the year ended 31 December 2011, due to a decrease in market demand for passenger vehicles for the year ended 31 December 2012 and due to our expectations of increased demand in the second half of 2013, including due to the opening of two new dealerships (one BMW and one Lexus), for which we increased our inventory balance to cope with the expected increase in sales of new passenger vehicles, during the six months ended 30 June 2013. See “Financial Information — Inventories Analysis”. In light of the increase of inventory turnover days, we will incentivize each of dealerships to closely monitor our inventory levels. Due to weaker market conditions and the Diaoyu Islands incident, we will encourage each of our dealerships to pay attention to current events and market conditions, and to amend our procurement and sales policies accordingly.

Our sales plan is set with reference to the levels of inventory at each of our dealerships. General managers of our dealerships are responsible for monitoring the inventory levels of each model of our motor vehicles on a daily basis. They are also required to submit weekly sales reports to our headquarters and meetings are held between the general managers and their staff to discuss the sales performance of each model of motor vehicles being sold. Based on the information provided by our dealerships, general managers of our dealerships evaluate and plan for procurement and sales on a weekly basis and propose measures specific to each dealership to improve our inventory turnover. For example, promotional activities and the types and levels of incentives offered to our sales personnel is determined with reference to the level of inventories of each model.

The balance of our inventory as at 31 December 2010, 2011 and 2012 and 30 June 2013 accounted for approximately 30.2%, 28.7%, 27.6% and 45.3% of our total current assets, respectively.

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INFORMATION TECHNOLOGY

We believe that our information technology systems play an important role in our operations. All of our 4S dealerships have installed designated information technology systems provided by the relevant manufacturer of automobiles of which they sell. Such system is mainly used for the procurement of motor vehicles.

We have also developed our own ERP system, which is installed in all 4S dealerships. Aided by our ERP system, each of our dealerships provides us with data that we use to generate daily, weekly and monthly reports, all of which are shared with management at both the dealership and group levels. This data and reports allow us to identify trends at individual dealerships and across our Group and to optimise our sales and pricing targets for each model of automobiles on a timely basis in order to optimise inventory turnover. These reports summarize a variety of key operational data items including customer foot traffic, number of customer vehicle orders, inventory levels, delivery times for customer ordered vehicles, gross margin per vehicle sold, number of vehicles brought in for servicing, repair service completion rates, customer satisfaction rates and progress towards achieving certain key performance indicators. Our customer management systems log every customer contact and action performed by our sales, after-sales and customer service staff. We provide this information via our ERP system to our front-line customer-facing employees to provide them with a clear snapshot of the history (e.g. shopping patterns, preferences) of our customers, such as shopping pattern and preferences, and actionable data to improve customer service and increase customer revenue. The operational data we collected is analysed at the department, dealership and corporate levels. The results of the analysis are communicated via daily emails, conference calls, instant messages and site visits.

EMPLOYEES

We believe that our employees are an essential component of our continued success. We are committed to recruiting, training and promoting skilled personnel at all levels of our organisation.

The following table sets forth the number of full-time employees by function as at the Latest Practicable Date:

Function	Number of Employees
Senior management	6
Dealership managers	18
Sales	360
After-sales operations.	737
Direct call centre.	67
Marketing.	68
Customer service.	74
Finance and accounting	114
Administration and human resources	200
Total	1,644

We enter into separate labour contracts with our employees in accordance with the PRC labour law. During the Track Record Period, we have not been subject to any penalties in relation to any violation of PRC labour laws and regulations.

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Under the relevant PRC laws and regulations, we are required to make contributions to mandatory social security funds, including pension, work-related injury insurance, maternity insurance, medical insurance and unemployment insurance. Furthermore, under the relevant PRC laws and regulations, we are required to register with the relevant authorities and maintain relevant accounts with designated banks for making contributions to the housing provident fund for our employees.

We regularly review the salary and benefits packages we offer to our employees to ensure that they are competitive and facilitate our recruitment and retention of talented personnel. Employee performance is being evaluated regularly and such evaluation results are used to determine compensation and promotion. We also offer bonuses to incentivise our sales and marketing personnel as well as our repair and maintenance staff. Such bonuses are typically determined based on sales performance and management of the inventory level of particular models or the rate of turnover of motor vehicles that are brought into our dealerships for repair and maintenance services.

We offer training on a diverse range of topics to our employees. All newly joined employees are required to attend an orientation programme that introduces them to our corporate culture, basic policies and skills relevant to such employee's position. We also offer internal training courses for our dealership managers, who are crucial to the success of our 4S dealerships. Each year we hold at least four joint management meetings among our dealership managers to provide training and conduct performance evaluations. Additionally, employees may be required to attend external training programmes on topics relevant to their positions that are organized by our automobile manufacturer partners or other third-parties.

We emphasise promotion from within. We identify and maintain a talent bank of employees who we consider to have potential to become dealership managers. When a vacancy for dealership manager arises, we will typically give priority to those within the talent bank, instead of hiring from the outside.

We believe that we have good relations with our employees and we have been able to achieve a high rate of employee retention in the face of intense competition for quality human resources. During the Track Record Period, we did not experience any strikes, work stoppages or significant labour disputes, nor did we experience any significant difficulties in recruiting and retaining qualified staff. We believe that we have also maintained a stable workforce and high level of employee loyalty.

COMPETITION

The automobile dealership industry in the PRC is highly competitive and fragmented. According to the ACMR Report, there are approximately 26,000 authorised automobile dealers in the PRC as at 31 December 2012, and the top five authorised dealership groups in the PRC combined accounted for only 11.5% and 9.6% of the total revenue and sales volume, respectively, of all authorised automobile dealers in the PRC in 2012. We compete against other dealership groups for dealership authorisation rights, prime dealership locations, capital to finance expansion, customers of motor vehicles of a specific brand, customers of after-sales services and human capital. We also compete with other independent companies that sell spare parts or offer repair and maintenance services. Our business is also affected by competition among automobile manufacturers and their brands in terms of quality, design and price.

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INTELLECTUAL PROPERTY RIGHTS

Under our dealership agreements, we are typically entitled to use the trade names, trademarks and other branding materials in a manner consistent with the standards set by automobile manufacturers to promote the automobiles we sell in our dealerships.

Our Directors confirm that we have not knowingly infringed any other third parties' intellectual property rights during the Track Record Period that would have a material adverse impact to our operation and financial position. As at the Latest Practicable Date, we did not have any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any intellectual property rights owned by third parties.

PROPERTIES

We occupy certain properties in the PRC for our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they primarily used for automobile sales and services, office and ancillary purposes. As at the Latest Practicable Date, we owned eight properties and leased 18 properties; and our joint venture, Dongguan Meidong, owned one property, together having an aggregate site area (*note 1*) of approximately 196,911.25 sq.m., and a total gross floor area (“GFA”) of approximately 78,848.31 sq.m., all in the PRC.

Properties we own

As at the Latest Practicable Date, we owned eight properties, having an aggregate site area of approximately 90,902.48 sq.m., and an aggregate GFA of approximately 30,399.26 sq.m.

The table below sets forth certain background information, as at the Latest Practicable Date, for each of the properties our Group own:

No	Subsidiary	Current use	Designated use
1.	Dongguan Dongbu	4S dealership store	Commercial
2.	Lanzhou Meidong	4S dealership store	Factory, storage, residential
3.	Zhuzhou Meibaohang	4S dealership store	Commercial
4.	Yiyang Dongxin	4S dealership store	Commercial and financial
5.	Hengyang Meibaohang	4S dealership store	Commercial services
6.	Changde Meibaohang	Vacant land planned for establishment of 4S dealership store	Commercial
7.	Longyan Meidong	Vacant land planned for establishment of 4S dealership store	Commercial services
8.	Chengde Meibaohang	4S dealership store under construction	Commercial services

Among these, we have obtained land use right certificates for seven properties and we are in the process of acquiring land use right certificate for a vacant land with a site area of 10,101.87 sq.m. owned by Changde Meibaohang (“**Changde Meibaohang Land**”). We have entered into state-owned land use rights grant contract with the Changde Bureau of Land (常德市國土資源局) for the Changde

Note 1: This does not include the respective site area of our leased properties which are used as offices or showroom.

Meibaohang Land, and our Directors confirm that our Group paid all land premium in relation to this land. As advised by our PRC Legal Advisors, the process for our Group to obtain the necessary land use rights certificate is essentially completed and we have no legal impediments to obtaining the land use right certificate for this land.

Among our owned properties, as at the Latest Practicable Date, only the property occupied by Lanzhou Meidong was subject to title defects. This property has a GFA of approximately 8,484.24 sq.m., accounting for 27.9% of the aggregate GFA of our owned buildings, we had not obtained the building ownership certificate and its use did not conform with its designated usage. This property is located in the Designated Site and it is identified by the Management Committee of the Jiuzhou Economic Development Zone of Lanzhou City (蘭州九州經濟開發區管理委員會) (the “**Lanzhou Authority**”) as part of its investment promotion schemes. The Lanzhou Authority was also a party to the tripartite land use transfer contract. Our Directors believe that it is not unusual for properties acquired to have designated usage that are different from the intended use of the acquirer (the “**Usage Difference**”) and application for change of Usage Difference is required in order to ensure that the designated usage is in line with the intended usage of the properties. We were aware of the Usage Difference at the time when we acquired the land, and understand from the Lanzhou Authority that it will assist us to effect the change in the Usage Difference. The Lanzhou Authority has submitted applications on our behalf to the Chengguan District People’s Government (蘭州市城關區人民政府) who has then submitted applications to the Lanzhou City People’s Government (蘭州市人民政府) to rectify the Usage Difference. Pending the decision of Lanzhou City People’s Government, we will submit applications to the Lanzhou Bureau of Planning (蘭州市城鄉規劃局) to rectify the Usage Difference. As advised by our PRC Legal Advisors, the Lanzhou Bureau of Land (蘭州市國土資源局) has the discretion to determine the relevant fees payable in relation to the change of Usage Difference, if any. At present, we are unable to ascertain the amount of expenses, if any, to be incurred by our Group in relation to the application for the change of the Usage Difference. Our Group has not commenced the application procedures for the building ownership certificate because the application to rectify the Usage Difference remains underway. Our Group will apply for the building ownership certificate once the Lanzhou Bureau of Planning (蘭州市城鄉規劃局) has approved our application to rectify the Usage Difference. As advised by our PRC Legal Advisors, there are no legal impediments to obtaining the building ownership certificate upon our rectification of the Usage Difference and the completion of the application reporting and inspection procedures in accordance with the relevant laws and regulations.

For the above owned property, we have obtained confirmation letters (“**Usage Confirmations**”) from the relevant authorities including the local land bureau, the construction bureau and/or the planning bureau (together, the “**Usage Confirmation Authorities**”), pursuant to which, our Group may continue to use the property as 4S dealership store and the Usage Confirmation Authorities will not impose any penalty on our Group for our use of the property as 4S dealership store. The respective names of the Usage Confirmation Authorities are set out on page 167 of this prospectus.

For the year ended 31 December 2010, no revenue was generated from the above property. For the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, the revenue generated from our operations on the above owned property was approximately RMB6.1 million and RMB126.1 million and RMB71.1 million, respectively, which accounted for approximately 0.2%, 4.3% and 4.7% of our total revenue, respectively.

The following table summarizes certain information of the property occupied by Lanzhou Meidong as at the Latest Practicable Date:

Subsidiary	Current use	Designated use	Nature of and reasons for title defects	Latest status	Identity and position of senior management involved ⁽¹⁾	Date of application for rectification	Issue date of Usage Confirmations ⁽²⁾	Maximum Penalty ⁽³⁾ (in RMB)	Expected timing for completion of rectification process ⁽⁴⁾	Expected cost and time for relocation ⁽⁵⁾ (in RMB)
Lanzhou Meidong . . .	4S dealership store	Factory, storage, residential	Current use does not conform with the designated usage. We understood from the Lanzhou Authority (which is a party to the tripartite land use transfer contract) that it would assist us to effect the change in the Usage Difference.	We have not commenced the application procedures for the building ownership certificate as the application to rectify the Usage Difference remains underway. We will apply for the building ownership certificate once the change of Usage Difference is approved.	Liu Jing and Chen Saijin	January 2011	Lanzhou Bureau of Construction, Chengguan sub-branch (蘭州市城關區住房和城鄉建設局); 24 May 2013	2,245,728	December 2014 ⁽⁵⁾	6,300,000 Three months
							Lanzhou Bureau of Planning (蘭州市城關區劃局); 24 May 2013			

Notes:

- (1) Liu Jing was our ex-project manager who was responsible for our non-compliance incidents relating to properties since commencement of the Track Record Period up to May 2013 and Chen Saijin is our vice president of purchasing and projects department (one of our senior management members) who has been responsible for such non-compliance incidents since May 2013.
- (2) We have obtained Usage Confirmations from the Usage Confirmation Authorities, pursuant to which, our Group may continue to use the relevant property as 4S dealership store.
- (3) As advised by our PRC Legal Advisors, our Group will not be penalized for such title defects.
- (4) The expected timing for completion of rectification process is based on the best estimation of our Company following communications with the relevant government departments.
- (5) The expected timing for completion of rectification process with respect to Lanzhou Meidong includes the estimated time for both the rectification of Usage Difference and the obtaining of building ownership certificate.
- (6) As advised by our PRC Legal Advisors, in accordance with the Usage Confirmations, our Group will not be forcibly required to relocate our operations on the above property.

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Four of our Group's owned properties, occupied by Dongguan Dongbu, Zhuzhou Meibaohang, Yiyang Dongxin and Hengyang Meibaohang, respectively, were subject to certain title defects in the past. Our Group has rectified these non-compliances.

- For the property occupied by Dongguan Dongbu, our Group operates a 4S dealership store on a parcel of land that is designated for commercial usage. Due to incomplete reporting and inspection procedures, Dongguan Dongbu did not obtain the building ownership certificate prior to operation. As Dongguan Dongbu was required to complete the construction of the 4S dealership store within a relatively short timeframe pursuant to the contract entered into with the Management Authorities (defined below), we commenced construction notwithstanding the reporting procedures before construction remained underway. Our Group subsequently commenced application to rectify the non-compliance in September 2009. On 13 May 2013 and 16 May 2013, we have respectively obtained Usage Confirmations from the Dongguan Bureau of Construction and Dongguan Bureau of Planning, pursuant to which Dongguan Dongbu may continue to use the relevant property as 4S dealership store. On 15 August 2013, Dongguan Dongbu obtained the building ownership certificate.
- For the property occupied by Zhuzhou Meibaohang, our Group operates a 4S dealership store on a parcel of land that is designated for commercial usage. Due to incomplete reporting and inspection procedures, Zhuzhou Meibaohang did not obtain the building ownership certificate prior to operation. As Zhuzhou Meibaohang was required to complete the construction of the 4S dealership store within a relatively short timeframe pursuant to the contract entered into with the Management Authorities and also due to the fact that the relevant local authorities gave us allowance to rectify the breaches by accepting our applications and confirmed to us that they would assist us to obtain the relevant certificates, we commenced construction notwithstanding the reporting procedures before construction remained underway. Our Group subsequently commenced application to rectify the non-compliance in June 2011. On 29 April 2013 and 23 May 2013, we have respectively obtained Usage Confirmations from Zhuzhou Bureau of Construction and Zhuzhou Bureau of Planning, pursuant to which Zhuzhou Meibaohang may continue to use the relevant property as 4S dealership store. On 24 September 2013, Zhuzhou Meibaohang obtained the building ownership certificate.
- For the property occupied by Yiyang Dongxin, our Group operates a 4S dealership store on a parcel of land that is designated for commercial and financial usage. Due to incomplete reporting and inspection procedures, Yiyang Dongxin did not obtain the building ownership certificate prior to operation. As Yiyang Dongxin was required to complete the construction of the 4S dealership store within a relatively short timeframe pursuant to the contract entered into with the Management Authorities and also due to our understanding that the relevant authority was informed of, and consented to, the 4S dealership store construction plans, we commenced construction notwithstanding the reporting procedures before construction remained underway. Our Group subsequently commenced application to rectify the non-compliance in May 2013. On 24 May 2013 and 23 May 2013, we have respectively obtained Usage Confirmations from Yiyang Bureau of Construction and Yiyang Bureau of Planning, pursuant to which Yiyang Dongxin may continue to use the relevant property as 4S dealership store. On 14 October 2013, Yiyang Dongxin obtained the building ownership certificate.

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- For the property occupied by Hengyang Meibaohang, our Group operates a 4S dealership store on a parcel of land that is designated for commercial services. Due to incomplete reporting and inspection procedures, Hengyang Meibaohang did not obtain the building ownership certificate prior to operation. As Hengyang Meibaohang was required to complete the construction of the 4S dealership store within a relatively short timeframe pursuant to the contract entered into with the Management Authorities and also due to the fact that the relevant local authorities gave us allowance to rectify the breaches by accepting our applications and confirmed to us that they would assist us to obtain the relevant certificates, we commenced construction notwithstanding the reporting procedures before construction remained underway. Our Group subsequently commenced application to rectify the non-compliance in August 2013. On 30 April 2013 and 28 April 2013, we have respectively obtained Usage Confirmations from Hengyang Bureau of Construction and Hengyang Bureau of Planning, pursuant to which Hengyang Meibaohang may continue to use the relevant property as 4S dealership store. On 11 October 2013, Hengyang Meibaohang obtained the building ownership certificate.

Liu Jing was our ex-project manager who was responsible for our non-compliance incidents relating to properties since commencement of the Track Record Period up to May 2013. Chen Saijin is our vice president of purchasing and projects department (one of our senior management members) who has been responsible for such non-compliance incidents since May 2013.

Properties we lease

As at the Latest Practicable Date, we leased 18 properties with an aggregate GFA of approximately 42,379.65 sq.m. for the building portion and an aggregate site area (*note 1*) of approximately 98,199.80 sq.m. for the land portion. Except for Dadong Group (See “Connected Transaction — Exempt Continuing Connected Transaction” for details of the lease agreement between our Group and Dadong Group), all our landlords are Independent Third Parties.

Note 1: This does not include the respective site area of our leased properties which are used as offices or showroom.

The following table sets forth certain information of our leased properties as at the Latest Practicable Date:

No.	Subsidiary	Current use	Designated Use	Nature of and reasons for title defects ⁽¹⁾	Identity and position of senior management involved ⁽²⁾	Issuing authority and date of Usage Confirmations ⁽³⁾	Expected cost and time for relocation of 4S dealership stores already in operation (in RMB)	Expected timing for completion of rectification process ⁽⁵⁾
1.	Dongguan Meixin	Office	Commercial	Not subject to title defects ⁽⁶⁾	N/A	N/A	N/A	N/A
2.	Dongguan Dongmei	4S dealership store	Industrial	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Dongguan Bureau of Land (東莞市國土資源局): 15 May 2013 Dongguan Bureau of Planning (東莞市城鄉規劃局): 17 May 2013	2,500,000 three months	December 2014
3.	Dongguan Dongmei (Fenggang Branch)	Vacant land planned for establishment of 4S dealership store	Collectively-owned land	Property situated on collectively-owned land exclusively for agricultural use and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Dongguan Bureau of Land (東莞市國土資源局): 30 April 2013 Dongguan Bureau of Planning (東莞市城鄉規劃局): 22 May 2013	N/A ⁽⁴⁾	N/A
4.	Dongguan Dongxin	4S dealership store	Industrial	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Dongguan Bureau of Land (東莞市國土資源局): 11 May 2013 Dongguan Bureau of Planning (東莞市城鄉規劃局): 26 April 2013	2,400,000 three months	December 2014
5.	Dongguan Guanfeng	4S dealership store	Collectively-owned land	The relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Dongguan Bureau of Land (東莞市國土資源局): 14 May 2013 Dongguan Bureau of Planning (東莞市城鄉規劃局): 15 May 2013	1,800,000 three months	December 2014
6.	Quanzhou Meidong	4S dealership store	Industrial	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Quanzhou Bureau of Land (泉州市國土資源局): 23 May 2013 Quanzhou Bureau of Planning (泉州市城鄉規劃局): 23 May 2013	3,500,000 three months	December 2014
7.	Xiamen Meidong	4S dealership store	Storage	Current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Xiamen Bureau of Land (廈門市國土資源局): 16 May 2013 Xiamen Bureau of Planning (廈門市城鄉規劃局): 28 April 2013	5,100,000 three months	December 2014
8.	Xiamen Meidong	Showroom	Commercial	Not subject to title defect ⁽⁶⁾	N/A	N/A	N/A	N/A
9.	Beijing Zhongye	4S dealership store	Industrial	Property situated on state-owned allocated land and current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	No Usage Confirmations requested	4,000,000 three months	December 2014
10.	Heyuan Guanfenghang	4S dealership store	Commercial and Residential	Landlord's failure to duly rectify the title defects.	N/A	N/A	N/A	N/A
11.	Beijing Meibaohang	Vacant land planned for establishment of 4S dealership store	Green Segregation	Not subject to title defect ⁽⁶⁾	N/A	N/A	N/A	N/A

No.	Subsidiary	Current use	Designated Use	Nature of and reasons for title defects ⁽¹⁾	Identity and position of senior management involved ⁽²⁾	Issuing authority and date of Usage Confirmations ⁽³⁾	Expected cost and time for relocation of 4S dealership stores already in operation (in RMB)	Expected timing for completion of rectification process ⁽⁵⁾
12.	Changsha Meidong	4S dealership store	Collectively-owned land	Property situated on collectively-owned land exclusively for agricultural use and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Changsha Bureau of Land (長沙市國土資源局岳麓區分局): 15 May 2013 Changsha Bureau of Planning (長沙市城鄉規劃局岳麓區分局): 20 May 2013 Changsha Bureau of Construction (長沙市岳麓區住房和城鄉建設局): 17 May 2013	7,000,000 three months	December 2014
13.	Foshan Dongbao	Office	Commercial	Not subject to title defect ⁽⁶⁾	N/A	N/A	N/A	N/A
14.	Foshan Dongbao	4S dealership store under construction	Commercial	Property situated on collectively-owned land exclusively for agricultural use and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Foshan Bureau of Construction (佛山市順德區國土城建和水利局): 16 May 2013	N/A ⁽⁴⁾	December 2014
15.	Shantou Dongbao	Vacant land planned for establishment of 4S dealership store	Transportation	Property situated on state-owned allocated land and current use does not conform with the designated usage. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	Shantou Bureau of Land (汕頭市國土資源局): 14 May 2013 Shantou Bureau of Planning (汕頭市城鄉規劃局): 13 May 2013	N/A ⁽⁴⁾	N/A
16.	Longyan Meidong	Office	Office premises	Not subject to title defect ⁽⁶⁾	N/A	N/A	N/A	N/A
17.	Dongguan Dongyue	Used vehicle store	Storage	Current use does not conform with the designated usage and the relevant title certificates have not been obtained. Landlord's failure to duly rectify the title defects.	Liu Jing and Chen Saijin	No Usage Confirmation requested	20,000 one month	December 2014
18.	Chengde Meibohang	Office	Commercial and Residential	Not subject to title defect ⁽⁶⁾	N/A	N/A	N/A	N/A
Total:							26.3 million	

Notes:

- (1) As advised by our PRC Legal Advisors, our Group (as lessee) will not be subject to any penalty for our operation on the leased properties that are subject to defects according to the relevant laws and regulations.
- (2) Liu Jing was our ex-project manager who was responsible for our non-compliance incidents relating to properties since the commencement of the Track Record Period up to May 2013. Chen Saijin is our vice president of purchasing and projects (one of our senior management members) who has been responsible for such non-compliance incidents since May 2013.
- (3) We have obtained Usage Confirmations from the Usage Confirmation Authorities, pursuant to which, our Group may continue to use the relevant properties as 4S dealership stores.
- (4) Not applicable as the relevant properties are vacant land/land under construction.
- (5) This represents the expected timing that each of the landlords targets to complete the rectification process.
- (6) As advised by our PRC Legal Advisors, the relevant lease agreements are legal, valid and binding on the parties to the agreements, and our Group has the right to occupy and use the relevant properties.

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Among these leased properties, as at the Latest Practicable Date, the following properties were subject to certain title defects:

- For one property occupied by Dongguan Guanfeng, our landlord (being Dadong Group) has not obtained the land use right certificate and the building ownership certificate. This is a 4S dealership store with a GFA of approximately 3,386.00 sq.m., accounting for approximately 7.9% of the aggregate GFA of our leased buildings. According to our communications with Dadong Group, it has commenced the applications for obtaining the relevant title certificates and will use its best endeavors to complete the rectification process with respect to both the land use right certificate and the building ownership certificate by December 2014. As advised by our PRC Legal Advisors, there are no legal impediments for Dadong Group to obtain the land use right certificate and the building ownership certificate if it can complete the applicable procedures required by the Dongguan Bureau of Land (東莞市國土資源局), Dongguan Bureau of Planning (東莞市城鄉規劃局), Dongguan Bureau of Construction (東莞市住房和城鄉建設局) and the Dongguan Bureau of Building Management (東莞市房產管理局) in accordance with the relevant laws and regulations.
- For three properties, our landlords have not obtained the relevant title certificates and the properties are situated on collectively-owned land which may not be leased to another party for any non-agricultural use, among which: (i) a vacant land is occupied by Dongguan Dongmei Fenggang Branch; (ii) a parcel of land under construction is occupied by Foshan Dongbao, both properties are planned for the operation of 4S dealership stores and together with an aggregate site area of approximately 29,291.00 sq.m., accounting for approximately 29.8% of the aggregate site area of our leased land; and (iii) a 4S dealership store is occupied by Changsha Meidong with a GFA of approximately 8,840.67 sq.m., accounting for approximately 20.9% of the aggregate GFA of our leased buildings.
- Two properties are situated on state-owned allocated land, in which the lease has not been approved by the relevant authorities and their uses did not conform with their designated usages. They comprise (i) a vacant land occupied by Shantou Dongbao planned for operation of 4S dealership store, it has a site area of approximately 7,686.39 sq.m., accounting for approximately 7.8% of the aggregate site area of our leased land; and (ii) a 4S dealership store occupied by Beijing Zhongye with a GFA of approximately 3,001.80 sq.m., accounting for approximately 7.1% of the aggregate GFA of our leased buildings.
- For four properties, their uses did not conform with their designated usage. All of them are 4S dealership stores and are occupied by Dongguan Dongmei, Dongguan Dongxin, Quanzhou Meidong and Xiamen Meidong, respectively, together with an aggregate GFA of approximately 21,063.00 sq.m., accounting for approximately 49.7% of the aggregate GFA of our leased buildings.
- For one property, our landlord has not obtained the relevant title certificates and its uses did not conform with its designated usage. This is occupied by Dongguan Dongyue as a used vehicle store with a GFA of approximately 970.00 sq.m., accounting for approximately 2.3% of the aggregate GFA of our leased buildings.

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All of these properties (except for the vacant land occupied by Dongguan Dongmei Fenggang Branch) are located in the Designated Sites (as defined below). We became aware of the title defects or non-compliance matters at the time when we first leased the properties. Before the lease agreements were entered into, our Group has informed the relevant landlords the intended use of the properties and the relevant lease agreements have provided for such uses. Our Directors confirm that at or about the time when the lease agreements were entered into, our Group liaised with the relevant landlords and procured them to rectify the non-compliances. Our Directors have sought advice from the outset from J. Tongue Law Office GD (廣東金唐律師事務所), a qualified PRC Law firm (the “**Special Counsel**”) engaged for each relevant transaction to advise on, among other things, the lease agreements and risk for using the relevant properties notwithstanding the incidents of non-compliances. According to its website, among other legal services, the Special Counsel specializes in offering legal advice on matters concerning construction and property development. As advised by our PRC Legal Advisors, the landlords of these leased properties are the proper applicant for relevant certificates and approvals, and our Group (as lessee) will not be liable for any of these title defects. Pursuant to the relevant lease agreements, the landlords had warranted that the relevant leased properties could be utilized for 4S dealership operations and, we have no reason to doubt that the relevant landlords will not proceed with the applicable procedures to ensure that our use of the properties as 4S dealerships will be free from challenge. During the Track Record Period and up to the Latest Practicable Date, our Group has never been challenged by any party as to the legality of its 4S operations on the relevant leased properties with defective titles, or penalized for our operation or in relation to the title defects. See “— Further background information” for further details of the industry norm.

For the above 11 leased properties (save for the exceptions set out below), we have obtained Usage Confirmations, pursuant to which, our Group may continue to use the relevant properties as 4S dealership stores and the Usage Confirmation Authorities will not impose any penalty on our Group for our use of the relevant properties as 4S dealership stores. The respective names of the Usage Confirmation Authorities are set out on pages 170 and 171 of this prospectus.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the revenue generated from our operations on the above leased properties for which we have obtained Usage Confirmations was approximately RMB1,271.8 million, RMB1,471.3 million, RMB1,404.4 million and RMB747.3 million, respectively, which accounted for approximately 55.8%, 52.1%, 47.6% and 49.3% of our total revenue, respectively.

Exceptions

Our Group has not applied for similar confirmations set forth above from the relevant authorities for the properties occupied by Dongguan Dongyue (as used vehicle store) and Beijing Zhongye (as 4S dealership store), respectively. As advised by our PRC Legal Advisors, the lease agreements in connection with these properties may be invalidated if any of them is challenged for the defects mentioned above, as such we may encounter difficulties in continuing to lease and use the properties. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the revenue generated from our operations of Beijing Zhongye and Dongguan Dongyue was approximately RMB412.4 million, RMB427.2 million, RMB324.8 million and RMB135.2 million, respectively, which accounted for approximately 18.1%, 15.1%, 11.0% and 8.9% of our total revenue, respectively.

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We did not apply for the relevant confirmations as (1) our Directors are of the view that it is not necessary to obtain the confirmations for Dongguan Dongyue as the scale of its current store is relatively small and our Group has been actively seeking a new property that is capable to perform additional functions that are not practicable to be performed on the current property and we expect to relocate to a new property before July 2014; and (2) the landlord of Beijing Zhongye was unwilling to cooperate with us to obtain the relevant confirmations as it was of the view that the indemnity given to us was already sufficient to protect our interest.

In addition, the indemnity provided by the Controlling Shareholders covers the costs, expenses and losses which our Company may suffer as a result of Beijing Zhongye and Dongguan Dongyue's title defects. For more details of the Deed of Indemnity given by our Controlling Shareholders, see "Appendix V — Statutory and General Information — E. Estate duty, tax and other indemnities".

Properties our Joint Venture own

As at the Latest Practicable Date, our Joint Venture, Dongguan Meidong owned a property with a site area of approximately 7,808.97 sq.m. occupying a completed building with a GFA of approximately 6,069.40 sq.m. Dongguan Meidong had not obtained title certificates for this property. This property is located in the Designated Site. Similar to the properties owned by our Group, Dongguan Meidong sought advice from the outset from the Special Counsel engaged for this transaction to advise on, among other things, the proper procedures for obtaining relevant title ownerships for this property. Dongguan Meidong has commenced the application procedures with the relevant authorities for the issuance of the title certificates. Dongguan Meidong has obtained a Usage Confirmation, pursuant to which, Dongguan Meidong may continue to use the property as 4S dealership store and the Usage Confirmation Authorities will not impose any penalty on Dongguan Meidong for its use of the property as 4S dealership store.

Further background information

According to the ACMR Report, the PRC local governments play a significant role in the development of local automobile industry parks or automobile dealership cities, including developing plans for land usage and allocating land for the establishment of automobile dealership cities. It is generally believed that these automobile dealership cities can stimulate the growth of local economy, promoting the continuous development of the city, and creating job opportunities. To attract dealerships to move in, local governments sometimes agree to assist the operators to obtain property title certificates. However, the process for obtaining the relevant title certificates generally takes a relatively long time. Therefore, according to the ACMR Report, it is fairly common for industry players to operate on properties subject to title defects, such as properties for which the relevant property title certificates have not been obtained.

In selecting an appropriate site for a proposed 4S dealership, we have generally focused on selecting properties which are located in either automobile dealership cities promoted and/or designated by local authorities or in key development areas identified by the investment promotion schemes of the local authorities ("**Designated Sites**"). The Designated Sites were usually selected for one or more of the following reasons:

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- the development of these Designated Sites is generally supported by the local authorities, and we had the understanding that we would receive assistance from (i) the relevant local authorities or corporations controlled and/or approved by such authorities or (ii) the management authorities of the automobile dealership cities or key development zones (“**Management Authorities**”) to obtain the required approvals and certificates (including those related to property) for the establishment and/or operation of 4S dealerships;
- the Designated Sites have been identified and/or acknowledged by the local authorities for operation of automobile dealerships, which allows our Directors to believe that there is a higher degree of certainty that the planning for the area will not be changed causing it to be unsuitable for the operation of automobile dealerships; or
- the Designated Sites are generally equipped with various surrounding infrastructure and facilities which are beneficial for the operation of automobile dealership store; and, therefore, the Designated Sites often attracted quite a number of dealerships to move in.

After the sites have been selected, we would take the necessary steps to ensure whenever possible that we have titles to the properties we own. There were cases where we had commenced construction work and/or operation of the 4S dealership stores on the relevant owned properties notwithstanding that the reporting procedures before construction remained underway, because:

- we were required to complete construction of the relevant 4S dealerships within a relatively short timeframe pursuant to the relevant contracts entered into between our Group and the relevant local authorities or Management Authorities; or the relevant authorities were informed of, and either consented to/did not object to, our Group’s construction plan and our intention to apply for the necessary construction permits or building ownership certificates; and
- the relevant local authorities gave our Group allowance to rectify the breaches by accepting our applications and that they would assist us to obtain the required certificates, or our Directors were verbally informed that there would be no impediment to obtaining the required certificates.

In consideration that the site chosen are located on Designated Sites, and under the mistaken assumption that the acknowledgement by the local authorities to be sufficient legal basis for commencing construction and/or operation, we inadvertently believed that the procedures for the application to comply with the relevant laws and regulations could be carried out thereafter. We have taken active steps towards rectifying the non-compliances following our commencement and operation of the dealership stores, which included submitting the application for the issuance of the building ownership certificates to the relevant authorities and we are currently in the process of passing various completion inspections of construction work (including obtaining the relevant construction works planning permit and construction works commencement permit).

For the properties we leased, pursuant to the relevant lease agreements, the landlords had warranted that the relevant leased properties could be utilized for 4S dealership operations and we have no reason to believe that the relevant landlords will not proceed with the applicable procedures to ensure that our use of the properties as 4S dealerships will be free from challenge. During the Track Record Period and up to the Latest Practicable Date, our Group has never been challenged by any party as to

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the legality of its 4S operations on the relevant leased properties with defective titles, or penalized for our operation or in relation to the title defects. Our Group has liaised with the relevant landlords before entering into the lease agreements and, as necessary, from time to time thereafter procure them to rectify the non-compliances, including obtaining the relevant title certificates. As a result of these continued communications, the respective landlords of Foshan Dongbao, Xiamen Meidong and Quanzhou Meidong have commenced and partially completed the reporting and inspection procedures by obtaining the relevant construction works planning permits and construction works commencement permits.

As mentioned above, we were subsequently issued with the Usage Confirmations confirming the continued use of the relevant properties as 4S dealership stores and the authorities will not impose any penalty on our Group for our use of the relevant properties as 4S dealership stores. Our Directors believe that, the securing of the Usage Confirmations by us is a clear indication of the tacit approval of the relevant authorities towards our 4S dealership operations and, together with the reasons summarised below, including:

- the development of the Designated Sites is generally supported by the local authorities and they have been identified and/or acknowledged by the local authorities for operation of automobile dealerships;
- the assurance that our Group obtained from the authorities (including the understanding that the relevant authorities were informed of, and either consented to/did not object to, our construction plan; and that the authorities gave our Group allowance to rectify the breach subsequently) in relation to our owned properties;
- in reliance on the warranty offered by the relevant landlords that the leased properties could be utilized for 4S dealership operations;
- as advised by our PRC Legal Advisors, we can rely on the Usage Confirmations. See “— Latest status and implications” below for legal advice on the Usage Confirmations given by our PRC Legal Advisors; and
- to the best knowledge of our Directors, and in accordance with the ACMR Report as discussed above, the practice of operating on defective properties by many industry players appears to correspond to industry norms;

our Directors are of the view that the establishment and operation of the 4S dealerships on the relevant properties are justified.

Latest status and implications

As at the Latest Practicable Date, neither our Group nor our Joint Venture had been subject to any claim, fine, penalty or administrative action arising from or in connection with any defect in our interest in any of the aforementioned properties. In addition, our Group did not close any dealership during the Track Record Period.

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Our Directors are of the view that these defects in our properties (individually or collectively) would not have any material and adverse impact on our business and operations because:

- (i) as advised by our PRC Legal Advisors, (1) each of the Usage Confirmation Authorities is authorized by relevant laws and regulations of the PRC in the administration of land, planning and construction of the relevant properties, hence each has the authority to issue the relevant Usage Confirmations; (2) as each of the Usage Confirmation Authorities issued the relevant Usage Confirmations within its power granted by the laws and regulations, there are no signs that any of the Usage Confirmations will be challenged or revoked by higher authorities; (3) in accordance with the Usage Confirmations, (x) of the dealerships owned by our Group or our Joint Venture, our Group or our Joint Venture may continue to use the relevant properties as 4S dealership stores; (y) our Group or our Joint Venture will not be liable for any non-compliances in relation to the properties and will not be retrospectively penalised for the relevant title defects; (z) it is unlikely that our Group or our Joint Venture will be forcibly required to relocate or demolish buildings with title defects, due to orders or directions by a governmental authority; (4) the profits derived from the operation on the relevant properties will not be subject to confiscation. As at the Latest Practicable Date, to the best knowledge of our Directors, no higher authority has challenged or revoked such Usage Confirmations;
- (ii) our Group was not entitled to favourable acquisition cost or rental for the above properties, and our Directors are of the view that it is unlikely that there would be significant financial impacts on our Group if the relevant remedial actions were taken during the Track Record Period;
- (iii) comparable properties at comparable rents are available to our Group, in the unlikely event that we are required to relocate the relevant dealership stores and we do not anticipate any material practical difficulties in relocating the relevant dealership stores if such happen to occur. Due to the availability of comparable properties and that the relocation costs and maximum potential penalty are expected to be not substantial, our Directors do not consider the properties with title defects (whether leased or owned) to be individually or collectively crucial to the operation of our Group;
- (iv) in accordance with the relevant laws and regulations, our PRC Legal Advisors advised that the maximum potential penalty that our Company may be subject to would be in the sum of approximately RMB2.2 million in association with the title defects of the property occupied by Lanzhou Meidong mentioned above. However, in light of the Usage Confirmations, as advised by our PRC Legal Advisors, our Group will not be retrospectively penalized for such title defects;
- (v) it is unlikely that such relocation will cause substantive financial effect to our Group as all landlords of our leased properties subject to title defects (other than the one used by Dongguan Dongyue as used vehicles store) have agreed, and each of our Controlling Shareholders has jointly and severally agreed, to indemnify us against any costs, expenses and losses (including any relocation costs, operating losses, penalties and rental difference between new lease and the existing ones) which we may suffer as a result of any dispute as

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to our rights to lease and/or use any of these properties for our business operations. For more details of the Deed of Indemnity given by our Controlling Shareholders, see “Appendix V — Statutory and General Information — E. Estate duty, tax and other indemnities”; and

- (vi) we have submitted to automobile manufacturers documents (including title documents) relating to our ownership or leases of the premises for our dealership stores prior to the execution of any dealership agreement. We believe that automobile manufacturers were aware of the title defects mentioned above before they entered into the relevant dealership agreements with us. As advised by our PRC Legal Advisors, (1) save for our dealership agreements with one automobile manufacturer, the existing title defects of the relevant properties would not constitute any breach of the relevant dealership agreements; (2) for the dealership agreements in which title defects could constitute breaches, since the relevant automobile manufacturer was aware of such title defects before entering into dealership agreements with us, (x) our operations on these properties would not constitute a material breach that could trigger any termination of any dealership agreement by the relevant automobile manufacturer; and (y) although under the terms of these dealership agreements our Group may be liable to pay damages to the automobile manufacturer to compensate any losses caused by such title defects, it is unlikely that these terms will be enforced; and (3) in accordance with the dealership agreements, our Group is required to seek consent from the automobile manufacturers if any relocation of store is to take place. Therefore, our PRC Legal Advisors advised that any potential relocation of the dealership store will not constitute a breach of the terms of the relevant dealership agreements if our Group seeks consent from the relevant automobile manufacturers before relocation.

During the Track Record Period and up to the Latest Practicable Date, none of our dealership agreements were terminated by any automobile manufacturer due to these defects in our properties mentioned above.

Our Directors are of the view that it is unlikely that the leases of Beijing Zhongye and Dongguan Dongyue (for which we have not obtained Usage Confirmations) would be terminated as a result of being challenged. In the unlikely event that such terminations indeed take place, please refer to the table on pages 170 and 171 for the expected cost and time of relocation.

Our internal control policies relating to properties

Specific internal control practices adopted in connection with acquisition and leasing of land and/or properties during the Track Record Period

We have adopted internal control measures in connection with acquisition and leasing of land and/or properties for our business operations, such measures were adopted as our standard practice since the commencement of the Track Record Period.

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Policies adopted to refine and enhance internal control policies in connection with acquisition and leasing of land and/or properties in the future

To protect our interests in future properties, we have established appropriate policies and procedures in handling acquisition and/or leasing of properties, including (i) Ms. Chen Saijin (a member of our senior management and whose expertise and relevant experiences are set out in the paragraph below) and the projects department will, according to our standard practice, continue to supervise the process of acquisition and/or leasing of properties to ensure central oversight at the highest level; (ii) we will, according to our standard practice, continue to systemically review the venue for dealership as part of our new dealership opening plan; and (iii) we will, according to our standard practice, continue to seek professional legal advice to examine if the land use rights held by the potential seller or landlord are subject to any defects or third party rights and make decision on an informed basis.

Our Directors consider that Ms. Chen Saijin has the necessary experience and expertise to manage our Company's compliance matters taking into accounts the fact that:

- (a) Ms. Chen has over 13 years' working experience in finance, audit and internal control. She joined our Group for approximately 9 years and has been responsible for finance and internal control matters. Since May 2009, she has been at the management level and is now our Group's vice president of purchasing and projects. Ms. Chen is familiar with the finance, internal control, operation, development, structure and culture of our Group;
- (b) Ms. Chen is responsible for inspecting and supervising the implementation of our property management policies and other internal control measures (including those internal control measures in connection with land and properties);
- (c) Ms. Chen supervises the projects department, and the main function of this department includes monitoring the entire construction project on the land, applying for relevant title documents and following up with the progress of such applications;
- (d) in connection with performing her function on internal audit and internal control, Ms. Chen participates in regular internal meetings in connection with, among other matters, site selection and construction of new project(s) and monitors the compliance issues from financial and internal control perspectives;
- (e) Ms. Chen has been involved and has offered her advice and comment in the formulation and enhancement of the internal control report and policies of our Group; and
- (f) Ms. Chen has attended training which covered, among other subjects, internal control and corporate governance.

For details of Ms. Chen Saijin's qualification and experience, please see the paragraph headed "Senior Management" in the section headed "Directors and Senior Management" of this prospectus.

Further, policies have been formulated aiming at refining and enhancing such internal control measures for acquisition and leasing of land and/or properties in the future. The internal control adviser engaged by our Company since the preparation of the Listing has reviewed the sufficiency of the internal control measures and the risk management practices adopted by our Group in connection with

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assessing, mitigating, and monitoring key risks, including risks related to acquisition and leasing of land use rights and/or properties since the commencement of the Track Record Period (“**Risk Management Practices**”) and has made advice and recommendations to us, and we have enhanced our Risk Management Practices accordingly. Details of the enhanced internal control policies for (i) operation on existing properties and (ii) for acquisition and leasing of land and properties in the future are set out below:

For our existing properties

To better protect the ongoing interests of our Shareholders against the risks of our operations on leased properties with title defects mentioned above (including the four leased properties planned for the establishment of Foshan Dongbao, Shantou Dongbao, Dongguan Dongmei Fenggang Branch and Beijing Meibaohang), we will use our best effort and take all reasonable steps to request and assist the landlord(s) to arrange for title rectification so as to avoid the need for relocation. In view of the possibility that title rectification may not be completed by the designated timeframe, we have started discussion with other stakeholders or interested parties (including without limitation the Management Authorities/local government, the landlords and the automobile manufacturers) to obtain their consent to our relocation of dealership stores situated on those leased properties with defective title. Should the relevant landlords fail to achieve title rectification by the designated timeframe, but we are able to get consent from the relevant stakeholders, we will proceed with relocation. Our Directors are of the view that, if we are able to secure a new location that in turn can minimise the disruption to the business and workforce, as well as protect the interest of the relevant stakeholders, the Directors anticipate that there should not be any significant legal or commercial impediments to us getting the required consents.

For our three 4S dealership stores on owned properties (namely, the stores to be operated under Chengde Meibaohang, Changde Meibaohang and Longyan Meidong) where we have obtained preliminary authorization for establishment, we undertake that we will only commence operation after we have obtained the relevant valid title certificates.

For Lanzhou Meidong, if the relevant title defects cannot be rectified by 31 December 2014, we will dispose of the said property and find an alternative site with no title defects to relocate our dealership store situated thereon upon consulting the relevant automobile manufacturer and the local government.

We will disclose in our annual/interim reports the updated status of the rectification of title defects with respect to the owned and leased properties mentioned above. In addition, we will disclose in our annual/interim reports and by separate announcements the updated status regarding the consent from automobile manufacturers, local government and landlords for our potential relocations.

For our future properties

For acquisition and leasing of properties in the future, we undertake that only land designated for commercial usage or is considered to be capable of convertible into commercial usage will be chosen for acquisition or leasing, as the case may be; and we will only commence operation after we or the relevant landlords (as the case may be) have obtained the relevant title certificates.

This set of manual and policies has been fully formulated and adopted to ensure on-going compliance and to prevent reoccurrence of the non-compliance incidents.

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Taking into consideration our enhanced internal control measures and Risk Management Practices, our Directors are of the view that such measures are sufficient and effective to avoid and/or reduce the risk exposed to our Group going forward in connection with its operation on defective land and properties. Further, our Directors believe that such measures are able to ensure that we will only commence operation after we or the relevant landlords (as the case may be) have obtained the relevant title certificates. Following its review of the enhanced internal control measures and the Risk Management Practices, the Sole Sponsor is satisfied that these measures are effective in monitoring the formulation and the implementation of practices in connection with the acquisition and leasing of properties for our Group.

Material properties

Among properties we owned and leased, we consider two of them to be material to our Group for the purpose of Rule 5.10 of the Listing Rules as they are used for automobile sales and services purposes and contributed a significant portion of our turnover during the Track Record Period. Further details of these properties are set out below:

<u>Subsidiary</u>	<u>Location</u>	<u>Interest</u>	<u>Property</u>	<u>Description and Tenure</u>	<u>Use</u>	<u>Encumbrances, liens, pledges and mortgages against the property</u>
Dongguan Dongbu	Dongguan/ Guangdong	Owned land	No. A-02-01 Dongguan International Automobile City, Liaobu Town, Dongguan City, Guangdong, Province, PRC	A parcel of land with a site area of approximately 12,535.57 sq.m. granted to Dongguan Dongbu expiring on 12 August 2044 for commercial use, and a building with a GFA of approximately 5,985.94 sq.m. is erected thereon.	4S dealership	The property is subject to a mortgage in favour of Industrial and Commercial Bank of China Limited Dongguan Liaobu Sub-branch, with the security term to 31 March 2017.
Zhuzhou Meibaohang .	Zhuzhou/ Hunan	Owned land	No. 688, Zhuzhou Avenue, Liyu Industrial Park, Tianyuan District, Zhuzhou City, Hunan Province, PRC	A parcel of land with a site area of approximately 16,376.98 sq.m. granted to Zhuzhou Meibaohang expiring on 25 May 2051 for commercial use, and a building with a GFA of approximately 5,121.02 sq.m. is erected thereon.	4S dealership	The property is subject to a mortgage in favour of Guangfa Bank Zhuzhou Sub-branch, with the security term to 21 September 2015.

For the purpose of Chapter 5 of the Listing Rules, no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, hence, we are not required by Chapter 5 of the Listing Rules to value or include in the prospectus any valuation report of our property interests.

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Accordingly, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our Company's interests in land or buildings.

INSURANCE

We maintain insurance underwritten by national insurance carriers in the PRC which covers certain of our fixed assets and inventories, from losses arising from fires and explosions, as well as certain foul weather conditions such as storms, tornados and flooding. We have not maintained, and our PRC legal advisors, Jingtian & Gongcheng, have advised that we are not required to maintain, general product liability insurance or third-party liability insurance for all of our 4S dealerships. We believe that it is not the normal industry practice in the PRC to maintain such insurance. We believe that our insurance coverage is in line with industry practice. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. Furthermore, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any product liability lawsuits. We do receive product complaints from time to time, which we direct to the relevant automobile manufacturer for further handling. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been obligated to pay any compensation regarding such complaints.

PRODUCT LIABILITY

We are responsible for the inspection of motor vehicles, spare parts and accessories when they are delivered to our dealerships. Our authorised dealership agreements provide that the automobile manufacturer is responsible for defects in the design or production of the automobiles, as long as we notify such automobile manufacturer shortly after motor vehicles are delivered to and inspected by us. Most of our dealership agreements do not specify a particular timeline pursuant to which we need to communicate to the automobile manufacturers any defects we discover upon delivery and inspection. However, under our dealership agreements with one of the automobile manufacturers, we must notify the automobile manufacturer of any such defects within three business days after completion of inspection. Some authorised dealership agreements specify that we bear the responsibility for any defects determined by the automobile manufacturer to be caused by us while the motor vehicles are under our possession.

Our PRC Legal Advisors confirm that the product liability for motor vehicles sold in the PRC is governed by mandatory provisions of the PRC laws and regulations, namely the Product Quality Law (產品質量法) and the 3R Provisions. Under these laws and regulations, any consumer who purchased a defective product may seek compensation from either the manufacturer or the retailer. The retailer may seek reimbursement from the manufacturer where the defect is attributable to the manufacturer unless any agreement between the manufacturer and the retailer provides otherwise. See “Regulations — Applicable PRC Laws and Regulations — Product Quality” and “Regulations — Applicable PRC Laws and Regulations — The PRC Automobiles Industry — The Guarantees for Household Automobile”. Most of our dealership agreements do not contain explicit provisions regarding the allocation of responsibilities arising out of product liability claims. Our dealership agreements with one of the automobile manufacturers, however, provide that we will be responsible for the losses caused to

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customers if we fail to carry out the inspections of vehicles in manners specified by the automobile manufacturer. Our Group has, from time to time, been subjected to product liability claims, as is common in the industry and in line with the after-sales services that we provide. In connection with the 3R Provisions, which took effect on 1 October 2013, we have made changes in our supplier contracts with suppliers other than automobile manufacturers and customer sales contracts to comply with or address issues arising from the 3R Provisions. For example, in our customer sales contracts, we have added provisions to clarify the scope of our liability to consumers under certain sections of the 3R Provisions and to describe the situations where the 3R Provisions specifically provide that we are exempt from its provisions. Also, in our supplier contracts with suppliers other than automobile manufacturers we have added provisions to clarify procedures in line with the 3R Provisions relating to our return of products to suppliers that are found to have manufacturing defects. We expect that automobile manufacturers may also seek to adjust the terms of their dealership agreements in order to comply with or address issues arising from the 3R Provisions. Our Directors are of the view that it is unlikely that the 3R Provisions will have a material adverse effect on our results of operation since the automobile manufacturer warranty terms for the vehicles that we provided during the Track Record Period were generally in line with or exceeded the requirements of the 3R Provisions and based on our experience of handling customer warranty claims, we do not expect a material change in the volume and nature of claims of repairs, replacements and returns from the 3R Provisions. We expect to be able to seek and receive reimbursement from automobile manufacturers for most of the claims for repairs, replacements and returns of automobile products from our customers that may arise due to the 3R Provisions.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Our PRC Legal Advisors are of the opinion that up to the Latest Practicable Date, our Group has complied with all relevant PRC laws and regulations, including, without limitation, environmental, labour and safety laws and regulations, in all material aspects, and that we have obtained all relevant approvals and certificates which are necessary for our operations in the PRC.

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We have obtained all of the environmental and work safety permits necessary to conduct our business. During the Track Record Period, we were, and we currently are, in compliance with all applicable environmental and work safety laws and regulations in all material aspects. Our operations are subject to regulations and periodic examinations by local environmental and work safety authorities. If we fail to comply with present or future laws and regulations, we will be subject to fines, or cessation of operations. During the Track Record Period, no administrative sanctions or penalties has been imposed upon us for the violation of safety laws or regulations. We have not incurred and do not expect to incur material cost in connection with the compliance of safety laws and regulations.

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OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, Apex Sail will directly hold 75% of the issued share capital of our Company. Apex Sail is a wholly-owned subsidiary of Apex Holdings, whose entire issued share capital is held by Fiducia Suisse, the trustee of the Ye Family Trust where Mr. Ye Fan is the settlor and the Ye Brothers and some of their family members are discretionary objects. For the purpose of the Listing Rules, Mr. Ye Fan, Apex Holdings (being a trust asset of the Ye Family Trust) and Apex Sail are deemed as the Controlling Shareholders of our Company as at the Latest Practicable Date.

Information on other companies owned by our Controlling Shareholders

As at the Latest Practicable Date, other than the businesses of 4S dealership in the PRC carried out by our Group, our Controlling Shareholders and their associates also had controlling interest in other companies as mentioned below (collectively, the “**Excluded Business**”). These companies are engaged in businesses of different sectors from our Group. Brief details of each of the companies under the Excluded Business are as follows:

<u>Name of company</u>	<u>Percentage equity-holding of our Controlling Shareholders and their associate</u>	<u>Principal activities under the scope of business licence</u>
Dadong Group	100%	Property investment, construction and decoration projects
Yulin Meidong	100%	Corporate management services, investment planning services, construction and renovation projects

Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include the Excluded Business in our Group for the purpose of Listing in order for our Group to focus on the principal business of 4S dealerships in the PRC.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section and “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Ye Fan, one of our executive Directors, is one of the Controlling Shareholders of our Company.

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Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Apart from the Ye Brothers who oversee the daily operations of our Group, we have an independent management team to carry out the business decisions of our Group independently and to perform all essential management functions (such as operating the 4S dealership stores, invoicing and billing, and human resources and information technology) without unduly requiring the support of our Controlling Shareholders. Our independent non-executive Directors have sufficient and competent industry knowledge and experience, and will bring independent judgment to the decision making process of our Board, taking into account the advice of the senior management of our Group.

Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Business independence

Save for the related party transactions disclosed in note 27 of the accountants' report set out in Appendix I to this prospectus and the connected transactions disclosed in "Connected Transactions" in this prospectus, there were no material business dealings between our Group and the Controlling Shareholders during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group and our Controlling Shareholders did not have any common or shared facilities or resources. Our Group has independent access to the sources of supplies for the provision of our 4S dealership services. Neither our Controlling Shareholders nor any of their respective associates is a supplier or an intermediary for our Group's supplies. We have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholders or their respective associates to carry on its business during the Track Record Period.

Financial independence

During the Track Record Period, we principally financed our operations through a combination of (i) borrowings from banks; and (ii) cash generated from our operations, as well as (iii) borrowings from our Controlling Shareholders and their respective associates. As at the year/period-end during the Track Record Period:

- (a) RMB45.4 million, RMB85.6 million, RMB58.6 million and RMB122.2 million were respectively borrowed by us from our Controlling Shareholders and their respective associates, in respect of which no interest was carried; and

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- (b) our loans and borrowings of RMB293.5 million, RMB347.7 million, RMB568.6 million and RMB481.8 million were secured by guarantees and/or collaterals given by our Controlling Shareholders or their respective associates.

As of the date of this prospectus, all loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled. All security and guarantees provided by them in connection with our Group's borrowings will be fully released upon Listing.

Save as mentioned above, our source of funding is independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting and internal control systems, independent treasury function for receiving cash and making payments and we had independent access to third party financing. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders and their respective associates.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective associates by virtue of their provision of financial assistance.

Operational independence

Our Group has our own management team to carry out our business and operations, including business development, marketing and sales operations, which will operate separately and independently from the Controlling Shareholders. Such management team comprises managers who have considerable experience in the 4S dealership business in the PRC. Our Group does not rely on referral of business opportunities from the Controlling Shareholders, the management team of our Group will be able to seek business opportunities for our Group. The capability of our Group to operate independently from the Controlling Shareholders should not be a concern.

COMPETITION AND CONFLICT OF INTERESTS

Undertakings given by Controlling Shareholders

Each of our Controlling Shareholders has confirmed that currently he/it is neither engaged, nor interested in, and has undertaken to us that subject to certain exceptions as set out on pages 188 and 190 below, he/it shall not and shall procure that his/its associates at any time during the Relevant Period (as defined below) not to engage or interest in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

To protect our Group from any potential competition, the Controlling Shareholders have given a deed of non-competition and other undertakings (the “**Non-Compete Undertakings**”) in favour of our Company on 13 November 2013, pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably undertaken to us on a joint and several basis that, each of our Controlling Shareholders shall, and shall procure that his/its associates and/or companies controlled by him/it (other than our Group):

- (i) at any time during the Relevant Period (as defined below) not, directly or indirectly, alone or jointly with another person, in any form be interested, involved, engaged in or assist or support any third party in the operation of, or invest, participate, acquire or hold any right or interest (in each case whether for its own account or for that of any person, firm or company (other than any member of our Group) and whether through medium of any company which is its associate or as a principal, shareholder, partner, director, employee, consultant, agent or otherwise and whether for profit, reward or otherwise (“**Relevant Capacity**”)) in any business (other than the Group) or is about to be engaged in any business (other than the Group) which is the same or similar to that carried on by our Group and/or which competes or may compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the engagement of 4S dealership business and businesses ancillary thereto including the sale of new and used passenger vehicles, provision of after-sales repair and maintenance services, sale of spare parts and accessories and provision of other value-added services, such as the acquisition and sales of used automobiles and the distribution of extended product warranties and automobile insurance) in the PRC and any other country or jurisdiction (the “**Restricted Activity**”);
- (ii) unless and until the Shares cease to be listed on the Stock Exchange, at any time during which securities of our Company are listed on the Stock Exchange and for so long as the Controlling Shareholders and/or their respective associates directly or indirectly hold, whether individually or taken together, 30% or more of the issued shares in our Company or are regarded as the controlling shareholders of our Company under the Listing Rules and for a period of two years thereafter, in any Relevant Capacity:
 - (A) not directly or indirectly solicit, interfere with, employ or endeavour to entice away from any members of our Group any person who, to its and/or his knowledge, is now, or has during the 12 months preceding the date of the Non-Compete Undertakings been, a client, customer, supplier or employee of our Group for employment by or otherwise dealing with it/him or its/his associates (excluding our Group); and/or
 - (B) other than for the purpose of conducting business of or relating to our Group, at any time, not use the name or trading style of any member of our Group, or any trademarks, patents or logos or device or intellectual property rights similar in appearance to those of any member of our Group, in the PRC, Hong Kong or any other part of the world, or represent itself and/or himself as carrying on or continuing or being connected with any member of our Group or our business for any purposes whatsoever.
- (iii) not, without prior consent from our Company, disclose to any person or make use of any information pertaining to the business, accounts or finances of our Group or any of our clients, suppliers’ or customers’ transactions or affairs, which may, or may have come to its/

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his knowledge in its/his capacity as a shareholder and/or a Director (as the case may be) for any purpose and shall use its/his best endeavours to prevent the publication or disclosure of such information; and

- (iv) at any time during the Relevant Period if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Company within a reasonable period of time for consideration.

The above undertaking (i) is subject to the exception that any of the Controlling Shareholders and/or his/its associates (excluding our Group) is entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity containing or for the pursuit of the Restricted Activity, regardless of value, which project or business opportunity has been offered or made available to our Group and rejected by the Board only after step of careful scrutiny and approval from the Board will have been taken, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors.

The steps to be taken by the Board include that the relevant Board meeting shall be participated by our independent non-executive Directors who should have been allowed a reasonable period of time to consider the subject matters and without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors that our Group has rejected such project or business opportunity and/or otherwise not to be involved or engaged, or not to participate, in the relevant Restricted Activity and that the principal terms on which that relevant Controlling Shareholder and/or his/its associate(s) invest, participate or engage in the Restricted Activity are substantially the same as or not more favourable than those disclosed to and considered by our Company. Subject to the above, if the relevant Controlling Shareholder and/or his/its associate(s) decide to be involved, engaged, or to participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The factors which our Directors would take into account when deciding whether or not our Group shall take up such new projects or business opportunities include, among others, the costs and risks involved, the short-term and long-term benefits expected to be brought to our Group, possible compliance issues and whether such opportunities are in the interests of our Group and Shareholders as a whole.

Notwithstanding his taking up of the new projects or business opportunities (if any), Mr. Ye Fan shall, as a Director, always perform his duties in good faith and in the interest of our Company, and shall not allow his commitment to devote substantially all of his time to our Group be undermined in any way.

Pursuant to the Non-Compete Undertakings, the Controlling Shareholders, jointly and severally, have also granted an option and/or first rights of refusal to our Group for acquiring from the relevant Controlling Shareholder and/or its/his associates any new business (not being the Restricted Activity) then engaged or invested by such Controlling Shareholder and/or its/his associates, which option and/or rights may be exercisable by us at any time when we engage or start engaging in any such business.

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Each of our Controlling Shareholders has also undertaken under the Non-Compete Undertakings that he or it shall:

- (i) provide or procure the provision to us and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertakings by the relevant Controlling Shareholder and his/its associates;
- (ii) allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of the relevant Controlling Shareholder and his/its associates to ensure their compliance with the terms and conditions under the Non-Compete Undertakings;
- (iii) issue an annual declaration to our Company on compliance with the terms of the Non-Compete Undertakings, setting out therein their interests (if any) in any projects or business opportunities (including any changes thereof) and consenting to the disclosure of such declaration in our annual reports or the announcements published by our Company regarding the decisions of the independent non-executive Directors on matters referred to in the Non-Compete Undertakings;
- (iv) supply to our Company upon signing of the Non-Compete Undertakings with full and accurate details of any business or interest (if any) which the relevant Controlling Shareholder and/or its/his associates have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interests (if any) which the relevant Controlling Shareholder has or may have with our Group and whether the relevant Controlling Shareholder and/or its/his associates intend or do not intend to inject such business or interest into our Group;
- (v) at any time during which the Shares of our Company are listed on the Stock Exchange and for so long as the relevant Controlling Shareholder and/or his/its associates are regarded, whether individually or taken together, as controlling shareholders of our Company within the meaning of the Listing Rules, notify our Company forthwith of any changes of the details and information referred to in paragraph (iv) above so as to enable our Company to, if so required by the Stock Exchange or pursuant to the Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules;
- (vi) procure any Director from time to time nominated by the relevant Controlling Shareholder:
 - (a) to disclose to our Company upon signing of the Non-Compete Undertakings and at any time during which the Shares of our Company are listed on the Stock Exchange full and accurate details of any business or interest (if any) which such Director and/or his associates have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interest (if any) which such Director has or may have with our Group;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) to notify our Company forthwith of any changes of the details and information referred to in paragraph (vi)(a) above, including any such business or interest acquired by such Director and/or his associates after the Listing so as to enable our Company to, if so required by the Stock Exchange or pursuant to the Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules.

The Controlling Shareholders acknowledge that and, if so required by our Company, procure such Director(s) referred to in paragraph (vi) above to acknowledge that the information supplied to our Company pursuant to paragraphs (iv), (v) and/or (vi) above will or may be disclosed by our Company in this prospectus, circulars, reports, announcements and other statements to the Stock Exchange and/or any regulatory authorities and their respective officers and employees from time to time issued by our Company and that such disclosure is required by our Company in order to comply with the requirements of the Stock Exchange and/or other regulatory bodies.

In connection with the above Non-Compete Undertakings, where the equity capital in our Company, Apex Sail and/or Apex Holdings form the whole or part of the trust asset of the Ye Family Trust (or any subsequent replacement trust arrangement) which is managed by any professional trust company, the Non-Compete Undertakings shall not be applicable to the following persons (notwithstanding their being deemed to be the associates of Apex Holdings under the Listing Rules):

- (a) the corporate directors of Apex Holdings who are nominated by the said professional trust company who are represented by employees or officers of such professional trust company; and
- (b) any holding company, subsidiaries or fellow subsidiaries of the professional trust company,

provided that any person falling under (a) or (b) above who is a discretionary object of the Ye Family Trust or a family member of the Ye Brothers shall not be entitled to the above exclusion.

Notwithstanding the undertakings given under the Non-Compete Undertakings, the non-competition undertaking given by the Controlling Shareholders are subject to the exception that any of the Controlling Shareholders and their respective associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which (i) are the direct or indirect investments of the relevant Controlling Shareholder and/or his/its associates (excluding our Group and any associated companies of our Company) in any member of our Group or such associated companies (ii) and/or any other companies which the relevant Controlling Shareholder does not hold more than 5% interest and does not participate in the management of such company and at all times there is a holder of such shares or securities holding (together, where appropriate, with its associate(s)) a larger percentage of the shares or securities of such company than the Controlling Shareholder and his/its associate(s) together hold.

The provisions contained in the Non-Compete Undertakings are conditional on the conditions stated in the paragraph “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

this prospectus, or such later date as the parties under the Non-Compete Undertakings may agree, the Non-Compete Undertakings shall become null and void and cease to have effect.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) the date on which our Controlling Shareholders and their respective associates (individually or taken as a whole) cease to own at least 30% of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules and do not have power to control our Board and there is at least one other Shareholder holding more Shares than the Controlling Shareholders and their associates then taken together; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange.

Confirmation given by Directors

Each Director confirms that he/she does not have any competing business with our Group.

Corporate governance

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Compete Undertakings, we have adopted the following corporate governance measures:

- (a) the independent non-executive Directors would review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Compete Undertakings by our Controlling Shareholders and if any, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders and/or their respective associates on their existing or future competing businesses. Such options, pre-emptive rights or first rights of refusals relate to business which our Group may engage in the future (and, in such context, does not mean the 4S dealership business currently engaged by our Group);
- (b) our Company shall disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to non-compliance and enforcement of the Non-Compete Undertakings (including whether to take up the options, pre-emptive rights or first rights of refusals) either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the Listing Rules;
- (c) our Company shall disclose in the corporate governance report of the annual reports on how the terms of the Non-Compete Undertakings are complied with and enforced;
- (d) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Compete Undertakings or other proposed transactions in which such Directors and/or their respective associates have material interest, he/they may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles; and

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- (e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTION

Overview

The following table sets out the transaction between our Group and our connected person which will continue and constitute an exempt continuing connected transaction of our Group under the Listing Rules after Listing:

PRC Tenancy Agreement (as defined below)

<u>Parties Involved</u>	<u>Nature of Transaction</u>
Dadong Group as landlord and Dongguan Guanfeng as tenant (Dadong Group is solely owned by Mr. Ye Fan (an executive Director) and is therefore an associate of Mr. Ye Fan and a connected person of our Company under Rule 14A.11(4) of the Listing Rules)	Agreement in respect of the lease of the land No. C-01-01 and the property above the said land of Dongguan International Automobile City* (東莞國際汽車城) to Dongguan Guanfeng as its 4S dealership store

EXEMPT CONTINUING CONNECTED TRANSACTION

Details

Upon Listing, the following transaction will constitute continuing connected transaction exempt from the reporting, annual review, announcement and independent approval requirements under Rule 14A.33 of the Listing Rules.

PRC Tenancy Agreement

Dongguan Guanfeng as tenant entered into a tenancy agreement (the “**PRC Tenancy Agreement**”, which term shall include the supplemental tenancy agreement dated 20 June 2013) with Dadong Group as landlord in May 2013 with respect to the tenancy of the following property. The principal terms of the PRC Tenancy Agreement are set out below:

Date:	20 May 2013 and 20 June 2013
Parties:	(1) Dadong Group as landlord and owner of the PRC Property (as defined below) (2) Dongguan Guanfeng as tenant
Location of the property subject to the PRC Tenancy Agreement:	No. C-01-01 and the property above the said land of Dongguan International Automobile City* (東莞國際汽車城) with a site area of approximately 6,331.8 square metres (the “ PRC Property ”). The PRC Property is situated on a Designated Site (as defined and referred to in the paragraph headed “Properties” in the section headed “Business” of this prospectus).
Term:	For a period of 5 years commencing from 1 June 2013

CONNECTED TRANSACTIONS

Monthly rent payable by the tenant: RMB38,000 (exclusive of water, electricity, telephone line, property management and cleaning fees in respect of the PRC Property which shall be borne by Dongguan Guanfeng).

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant has reviewed the rent payable under the PRC Tenancy Agreement and is of the opinion that the rent payable by Dongguan Guanfeng under the PRC Tenancy Agreement is lower than the prevailing market rates for similar property situated in the location that are used for similar purposes in the PRC at the relevant date of lease.

Use: The PRC Property shall be used as the 4S dealership store of Dongguan Guanfeng.

The PRC Property has been used by Dongguan Guanfeng as its 4S dealership store and will continue to be so used after Listing. Our Directors, after taking into account the view of the independent property valuer that the rent payable by Dongguan Guanfeng under the PRC Tenancy Agreement is lower than the prevailing market rates for similar properties situated in the locations that are used for similar purpose in the PRC at the relevant date of lease, consider that entering into the PRC Tenancy Agreement could provide Dongguan Guanfeng with an established operation base without the need to acquire the relevant property and incurring additional capital expenditure and cost of removal and renovation.

The PRC Property was owned by Dongguan Guanfeng during Track Record Period and Dadong Group only acquired the PRC Property in May 2013 at the consideration of approximately RMB4.6 million, which amount represented the aggregate amount of the land premium, construction costs and other expenses actually expended by Dongguan Guanfeng for the acquisition of the land use rights in respect of the PRC Property and the construction of the 4S dealership store on the land site. The said consideration was fully settled in September 2013 by way of cash.

In light of the above, no historical figures for this transaction for the Track Record Period are available.

The sale-and-lease back arrangement of the PRC Property was implemented after consultation with our PRC Legal Advisors. Our Directors are of the view that the disposal of the PRC Property to Dadong Group and the lease back arrangement are in the interests of our Group given that:

- (a) Dongguan Guanfeng had not obtained the relevant land use right certificate for commercial usage for the land on which the PRC Property was erected and the relevant building ownership certificate of the PRC Property, the valued amount of the PRC Property could not reflect its market and commercial value. From financial perspective, the sale of the PRC Property could allow more efficient use of our Group's working capital as our Group was repaid with the full costs it incurred in acquiring the PRC Property by selling it to Dadong Group. From risk-control perspective, the PRC Property was disposed of by our Group due to the uncertainties of rectifying the title defects of the PRC Property in the short run; and

CONNECTED TRANSACTIONS

- (b) our Group would be able to continue using the relevant property without relocation, as well as enjoying long-term lease arrangement of the PRC Property held by Dadong Group.

Our Directors have considered the terms of the disposal of the PRC Property to Dadong Group, and the terms of the leaseback arrangement with Dadong Group under the PRC Tenancy Agreement, and believe that the disposal of the PRC Property will not have any adverse impact on the operations of Dongguan Guanfeng.

Given that the annual rental payable by our Group under the PRC Tenancy Agreement is RMB456,000 (equivalent to approximately HK\$576,300) which is less than HK\$1 million and the highest of the applicable percentage ratios for such annual rental under the Listing Rules is less than 5% on an annual basis, the transaction contemplated under the PRC Tenancy Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules on the basis that it falls with the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of three executive Directors and three independent non-executive Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of first becoming a Director</u>	<u>Roles and responsibilities</u>
Mr. Ye Fan (葉帆先生) (Note)	42	Chairman Executive Director	24 February 2012	Supervising the operations of our Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners
Mr. Ye Tao (葉濤先生) (Note)	47	Chief Executive Officer Executive Director	24 February 2012	Overseeing the daily operations and management of our Group, planning its business and marketing strategies, supervising investor relationship and serving on the remuneration committee and the nomination committee
Ms. Liu Xuehua (劉雪華女士)	50	Executive Director	13 November 2013	General administration of our Group, focusing principally on accounting, treasury, administrative and human resources management
Mr. Li Lin (李林先生)	71	Independent non-executive Director	13 November 2013	Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be)
Mr. Pan Lu (潘路先生)	53	Independent non-executive Director	13 November 2013	
Mr. Jip Ki Chi (葉奇志先生)	43	Independent non-executive Director	13 November 2013	

Note: Mr. Ye Fan and Mr. Ye Tao are brothers to each other.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ye Fan (葉帆先生), aged 42, founder of our Group. He is the younger brother of Mr. Ye Tao, and is our Chairman and an executive Director. He is primarily responsible for supervising the operations of our Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. Ye Fan was awarded a Bachelor degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

As the founder of our Group, Mr. Ye Fan started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as a general manager from 1995 to 1998. In 1999, he set up Dongguan Jucheng (a private company based in Dongguan, Guangdong which was principally engaged in the automobile distribution business) with a partner. In April 2003, Mr. Ye Fan set up Dongguan Guanfeng, which is the first member of our Group. This 4S dealership store was opened in May 2004 and held 4S distributorship for Beijing Hyundai vehicles. Before the establishment of Dadong Group in 2007, he made investments in a few enterprises (including members of our Group) which were principally engaged in automobile distribution of various brands. Following the establishment of Dadong Group in 2007, which has been solely and ultimately owned by Mr. Ye Fan. Before the Reorganisation, Dadong Group made investments in 4S dealership stores of various brands.

Since 2003, Mr. Ye Fan has been acting as a director of Dongguan Guanfeng and various PRC members of our Group and has been responsible for supervising their daily operations and planning their business strategies. Mr. Ye Fan is currently a director of each of the subsidiaries of our Company. Mr. Ye Fan is the settlor of the Ye Family Trust, which trustee is Fiducia Suisse and is the sole shareholder of Apex Holdings which holds the entire issued share capital of Apex Sail. Apex Sail is a Controlling Shareholder and will hold 75% of the issued share capital of our Company immediately following completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Mr. Ye Tao (葉濤先生), aged 47, the elder brother of Mr. Ye Fan. He is an executive Director and the Chief Executive Officer of our Company. He is primarily responsible for overseeing the daily operations and management of our Group, planning its business and marketing strategies, supervising investor relationship and serving on the remuneration committee and the nomination committee. Mr. Ye Tao was awarded a Bachelor degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

DIRECTORS AND SENIOR MANAGEMENT

Before he joined our Group, Mr. Ye Tao worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of time</u>	<u>Name of employer/entity</u>	<u>Office</u>	<u>Principal functions</u>
October 2001 to February 2008 (<i>Note</i>)	Objectiva Software Solutions (Beijing) Inc. (奧博杰天(北京) 軟件公司)	Chief executive and legal representative	Overseeing the overall operations of the company
October 2005 to February 2008 (<i>Note</i>)	Document Sciences Corporation	General manager of Asian operations	Overseeing the management and operations in the Asian region

Note: Following the acquisition of the holding company of Objectiva Software Solutions (Beijing) Inc. by Document Sciences Corporation (whose principal business activities includes provision of document output management services and customer communication management solutions), he assumed both the above offices between October 2005 and February 2008.

In 2008, Mr. Ye Tao was invited by Mr. Ye Fan to work in our Group as the chief executive officer (行政總裁). Since then, he has been working together with Mr. Ye Fan closely in the expansion of our Group's business. Mr. Ye Tao is currently a director of the BVI Subsidiary and the HK Subsidiary. He is a discretionary object of the Ye Family Trust.

Ms. Liu Xuehua (劉雪華女士), aged 50, is an executive Director. Ms. Liu is the spouse of Mr. Yu Bin, one of our senior management members. She is primarily responsible for general administration of our Group, focusing principally on accounting, treasury, administrative and human resources management of our Group. She is the key person-in-charge of the formulation, implementation and enhancement of the internal control policies of our Group. Ms. Liu obtained a Bachelor degree in Administration Management from Peking University (北京大學), through long distance learning in July 2002. She is an accountant by profession, and her accounting qualification was conferred by the Ministry of Finance of the PRC in 1994.

Ms. Liu joined our Group in February 2008 as the chief financial officer and was then in charge of financial and treasury management matters of our Group.

Ms. Liu has over 12 years working experience in accounting and finance. Between October 2001 and February 2008, before she joined our Group, Ms. Liu worked in Objectiva Software Solutions (Beijing) Inc. (奧博杰天(北京)軟件公司) as financial controller, and was in charge of financial management of such company.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Li Lin (李林先生), aged 71, was appointed as an independent non-executive Director with effect from November 2013. Mr. Li graduated from the Jilin University (吉林大學) (formerly Jilin University of Technology (吉林工業大學)) in July 1964 and studied in Chassis Engineering (底盤專業) at its automobile faculty.

Before his retirement in 2000, Mr. Li worked as a civil servant of the PRC Government for over 20 years, specializing mainly in the automobile, mechanical and electrical functions and his last office with the PRC Government is director at the bureau level (正局級司長) in the National Development and Reform Commission of the PRC (國家發展和改革委員會). During the period from April 2007 to May 2013, he has been an independent director in Zhejiang Asia-pacific Mechanical and Electronic Co., Ltd. (“**Zhejiang APME**”) whose shares are listed on Shenzhen Stock Exchange and whose principal business includes development, production and sale of automotive braking system and supply of auto parts. He acts as a member at the board of directors and brings an independent judgment to the management of Zhejiang APME.

Mr. Pan Lu (潘路先生), aged 53, was appointed as an independent non-executive Director with effect from November 2013. Mr. Pan is the founder of Dongguan Longcheng Real Estate Company (東莞市龍城房地產公司), which was established in 2005 and whose principal businesses include properties construction, development and investment. He is currently the chairman of such company and is responsible for the company’s strategic development and coordination of social relationship. Mr. Pan completed a professional study programme in law in Beijing Broadcast Television University (北京廣播電視大學) in July 1988.

Mr. Jip Ki Chi (葉奇志), aged 43, was appointed as an independent non-executive Director with effect from November 2013. Prior to joining us, Mr. Jip was the chief financial officer and company secretary of Zhong Da Mining Limited. Mr. Jip was awarded a Bachelor degree of Business in Accountancy from Queensland University of Technology, Australia in 1994, and a Master degree in Business Administration from the University of Adelaide, Australia in 2008. Mr. Jip was admitted as a Certified Practising Accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) in 1997. He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in 2007. Mr. Jip has a wealth of experience in accounting, finance, management and company secretarial field.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jip started his full-time work in 1994. From then on, he worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of time</u>	<u>Name of employer/entity</u>	<u>Office</u>	<u>Principal functions</u>
October 2005 to April 2007	Wah Shing Group (whose principal business activities includes manufacturing and distribution of toys, toys-related products and consumer entertainment-related goods)	Financial controller	Preparation of monthly consolidated financial and management accounts and budgets, control and updating of financial and accounting systems
June 2007 to November 2010 . . .	Hao Tian Resources Group Limited (stock code: 474; formerly named as Winbox International (Holdings) Limited))	Financial controller	Liaison and communication with the Stock Exchange and SFC, liaison with internal and external auditors and legal advisors, preparation of monthly consolidated financial and management accounts and budgets, control and update financial and accounting systems
September 2007 to August 2010	— Same company above	Company secretary, qualified accountant and authorised representative	monthly consolidated financial and management accounts and budgets, control and update financial and accounting systems

General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Except for such interests of Mr. Ye Fan in the Shares which are disclosed in “Substantial Shareholders” and “Appendix V — Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 1. Disclosure of Interests” in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Each of our

DIRECTORS AND SENIOR MANAGEMENT

Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Chief Financial Officer and Company Secretary

Mr. Yu Man To Gerald Maximillian (余孟滔), aged 47, is the Chief Financial Officer and Company Secretary of our Company who joined our Group in May 2013. He is mainly responsible for the overall company secretarial and finance matters of our Group. Mr. Yu was awarded a Bachelor degree in Business from La Trobe University, Australia in 1993, and a Master degree in Business Administration from Macquarie University, Australia in 2001. Mr. Yu was admitted as a Certified Practising Accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) in 1995. He obtained his qualification as a fellow member of the Hong Kong Institute of Certified Public Accountants in 2007. Mr. Yu has a wealth of experience in accounting, finance, management and company secretarial field.

Before Mr. Yu joined our Group, he worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of time</u>	<u>Name of employer/entity</u>	<u>Office</u>
December 2000 to April 2003	Towngas China Company Limited (stock code: 1083; formerly known as Panva Gas Holdings Limited)	Qualified accountant and company secretary (between December 2000 and April 2003)
July 2004 to October 2009		Chief financial officer (between July 2004 to March 2007) Vice president — Finance (between March 2007 and October 2009)
April 2003 to July 2004	Sinolink Worldwide Holdings Limited (stock code: 1168; holding company of Panva Gas Holdings Limited)	Company secretary
April 2010 to June 2011	Wai Chun Mining Company Group Limited (stock code: 660) and Wai Chun Group Holdings Limited (stock code: 1013)	Company secretary
June 2011 to February 2013	Sound Global Limited (a listed company in Hong Kong (stock code: 967) and on the Singapore Stock Exchange (stock code: E6E.SI))	Chief financial officer and joint company secretary

DIRECTORS AND SENIOR MANAGEMENT

The principal functions discharged by him during his above offices include liaison and communication with the Stock Exchange and SFC (and, where applicable, the Singapore Stock Exchange and other Singapore regulatory authorities), liaison with internal and external auditors and legal advisors, maintaining investor relations, preparation of monthly consolidated financial and management accounts and budgets, control and update financial and accounting systems.

In the three years preceding the Latest Practicable Date, Mr. Yu did not hold any directorship in other listed companies.

Ms. Peng Hongmei (彭紅梅), aged 41, is the senior assistant to Chairman and to Chief Executive Officer. Currently, she is primarily responsible for special projects, mergers and acquisition of our Group. Ms. Peng was awarded a Bachelor degree in Marketing and Sales from Renmin University of China (中國人民大學) in 1996.

Ms. Peng joined our Group as our chief marketing officer in March 2010 and was then in charge of marketing and special projects.

Ms. Peng has over 10 years working experience in sales and marketing planning and project management. Before Ms. Peng joined our Group in March 2010, she worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of time</u>	<u>Name of employer/entity</u>	<u>Office</u>	<u>Principal functions</u>
August 1998 to May 2002 .	Horizon Research Consultancy Group, Beijing Office* (北京零點市場調查與分析公司)	Project manager, business operating officer, and internet operation indicator officer	Project management and personnel management of the project team
May 2003 to January 2005; September 2006 to November 2008	Linktone Consulting Limited Shanghai (上海掌上靈通諮詢有限公司)	Chief marketing research officer (between May 2003 and January 2005); General manager of new media affairs (between September 2006 and November 2008)	Analysis of marketing data, research and development, coordination of media projects
January 2005 to September 2006	Huayou Century Communications Co., Ltd.* (華友世紀通訊有限公司)	Senior operating officer	Planning, implementation and evaluation of corporate strategies

In the three years preceding the Latest Practicable Date, Ms. Peng did not hold any directorship in other listed companies.

Mr. Yu Bin (俞斌), aged 51, is our vice president of after-sales operations. Mr. Yu is the spouse of Ms. Liu Xuehua, one of our executive Directors. Currently, he is primarily responsible for the overall management of the after-sales services of our Group. Mr. Yu graduated from the Jilin University (吉林大學) (formerly Jilin University of Technology (吉林工業大學)) in November 1987 and was awarded a Bachelor degree in Engineering of Vehicle Transportation (汽車運輸工程專業) through long distance learning.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu joined our Group as the chief officer in after-sales operations in August 2011 and was then in charge of the management of the after-sales services of our Group.

Mr. Yu has over 30 years working experience in vehicle repair and technical training. Before Mr. Yu joined our Group in August 2011, he worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of time</u>	<u>Name of employer/entity</u>	<u>Office</u>	<u>Principal functions</u>
March 1980 to July 2011	北京公共交通投 股(集團)有限公司 保修分公司 (Beijing Public Transport Holding (Group) Co., Ltd Repair Branch)	Vehicle repair officer; training and education officer; technical training supervisor vehicle repair and production technology supervisor	Responsible for vehicle repair; offering training on vehicle repair; management of vehicle technology; management of production technology

In the three years preceding the Latest Practicable Date, Mr. Yu did not hold any directorship in other listed companies.

Ms. Wang Feixue (王飛雪), aged 32, is our vice president of sales and marketing. Currently, she is primarily responsible for the overall management of the sales and marketing functions of our Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University (河南廣播電視大學) in July 2001 through long distance learning.

Ms. Wang joined our Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left our Group in July 2006, then rejoined our Group as a corporate planning manager in July 2007. During the period of her office with our Group, Ms. Wang assumed the following offices and was then in charge of the functions mentioned below:

<u>Period of time</u>	<u>Office</u>	<u>Principal functions</u>
July 2004 to July 2006.	Sales consultant	Sales of new vehicles
July 2007 to March 2008	Corporate planning manager	Managing the corporate planning department
March 2008 to July 2011	Sales manager	Managing the sales department
July 2011 to February 2012	Administration manager	Managing the administration department
February 2012 to September 2012	Senior administration manager	Overseeing the administration function
September 2012 to May 2013 . .	Chief sales officer	Overall management of the sales functions

Before Ms. Wang rejoined our Group in July 2007, she worked between July 2006 and July 2007 in Dongguan Zhicheng Trading Company Limited (東莞市志誠貿易有限公司) as sales manager, and was in charge of managing the sales department.

In the three years preceding the Latest Practicable Date, Ms. Wang did not hold any directorship in other listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Luo Liuyu (羅劉玉), aged 30, is our vice president of human resources and administration. Currently, she is primarily responsible for the overall human resources management and planning of our Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology (東莞理工學院) in January 2007.

Ms. Luo joined our Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. During the period of her office with our Group, Ms. Luo assumed the following offices and was then in charge of the functions mentioned below:

<u>Period of time</u>	<u>Office</u>	<u>Principal functions</u>
September 2007 to November 2008	Finance Supervisor	Daily accounting function
November 2008 to April 2011	Deputy finance manager	Management of the finance department
April 2011 to May 2012	Finance manager and administration and human resources manager	Management of the finance department and overseeing administration and human resources functions
May 2012 to May 2013	Chief human resources officer	Overall human resources management and planning

Before Ms. Luo joined our Group in September 2007, she worked between June 2003 and August 2007 in Dongguan Zhicheng Trading Company Limited (東莞市志誠貿易有限公司) as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions.

In the three years preceding the Latest Practicable Date, Ms. Luo did not hold any directorship in other listed companies.

Ms. Chen Saijin (陳賽金), aged 33, is our vice president of purchasing and projects. Currently, she is primarily responsible for the overall procurement of our Group and supervising our internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour Bureau (廣東省勞動廳, now known as the Guangdong Labour and Social Security Bureau (廣東省勞動和社會保障廳)) in 1999. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) in July 2010 through internet learning.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chen joined our Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. During the period of her office with our Group, Ms. Chen assumed the following offices and was then in charge of the functions mentioned below:

Period of time	Office	Principal functions
October 2004 to May 2009	Accounting officer	Accounting function
May 2009 to April 2012	Manager of the finance department	Management of the finance department
April 2012 to May 2013	Procurement manager and senior audit manager	Overall procurement works, supervising financial, audit and internal control matters

Before Ms. Chen joined our Group in October 2004, she worked from October 1999 to October 2004 in Dongguan Hongyan Vehicle Trading Company Limited (東莞市鴻燕貿易有限公司) as deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

In the three years preceding the Latest Practicable Date, Ms. Chen did not hold any directorship in other listed companies.

Human Resources

Our Company maintains good employee relations. To provide managers for each of our dealerships, we emphasize internal promotions into our management ranks, which we believe helps motivate employees, maintain a low management turnover rate, preserve operational consistency, and promote our corporate culture. In this regard, we identify and maintain a talent bank of employees who we consider to have potential to become dealership managers in the future, especially as our dealership network expands. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of its normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

As at the Latest Practicable Date, we had approximately 1,600 employees, most of whom are located in the PRC. The following table shows a breakdown of our employees by function as at the Latest Practicable Date.

Function	Number of Employees
Senior managers	6
Dealership managers	18
Sales	360
After-sales operations.	737
Direct call centre.	67
Marketing.	68
Customer service.	74
Finance and accounting	114
Administration and human resources	200
Total	1,644

DIRECTORS AND SENIOR MANAGEMENT

Benefits and social insurance

As required by the PRC regulations on social insurance, our Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance, maternity insurance and housing fund.

For the Track Record Period, our Group accrued welfare benefit in the sum of RMB2.4 million, RMB4.3 million, RMB5.8 million and RMB3.8 million respectively.

Remuneration Policy

The aggregate amounts of remuneration of our Directors for the three years ended 31 December 2012 and six months ended 30 June 2013 were approximately RMB625,000, RMB709,000, RMB1,457,000 and RMB395,000 respectively. Details of the arrangement for remuneration are set out in Note 7 to the Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the paragraph headed "Appendix V — Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 2. Directors' service contracts and letters of appointment" in this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors for the year ending 31 December 2013 is estimated to be approximately RMB1.57 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by our Board on 13 November 2013. The membership of such committees are as follows:

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>
<i>Executive Directors</i>			
Mr. Ye Fan	—	—	—
Mr. Ye Tao	—	Member	Chairman
Ms. Liu Xuehua	—	—	—
<i>Independent non-executive Directors</i>			
Mr. Li Lin	Member	—	—
Mr. Pan Lu	Member	Chairman	Member
Mr. Jip Ki Chi	Chairman	Member	Member

Each of the above three committees has written terms of reference. The functions of the above three committees are summarized as follows:

Audit committee: Our audit committee has written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration committee: Our Company has written terms of reference in compliance with Code B.1 the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination Committee: Our Company has written terms of reference in compliance with Code A.5 the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the nomination committee of our Company are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our Chairman and the Chief Executive Officer.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed CCB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

- (a) (before its publication) any regulatory announcement, circular or financial report;
- (b) a transaction, which might be a notifiable or connected transaction or will involve share issues and share repurchases;
- (c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us under Rule 13.10.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering:

<i>Number</i>		<i>(HK\$)</i>
<i>Authorised share capital:</i>		
20,000 million	Shares	2,000 million
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
750 million	Shares in issue at the date of this prospectus	75.0 million
<u>250 million</u>	Shares to be issued under the Global Offering	<u>25.0 million</u>
Total:	<u>1,000 million</u> Shares (<i>Note</i>)	<u>100.0 million</u>

Assumptions

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

Note: The share capital of our Company will be enlarged by up to additional 37.5 million Shares in the event that the Over-allotment Option is exercised in full.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. See “Appendix V — Statutory and General Information — D. Share Option Scheme” in this prospectus for the summary of the principal terms of the Share Option Scheme.

SHARE CAPITAL

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal in unissued Shares with an aggregate nominal value of not exceeding the sum of:

- (i) 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and
- (ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Issuing Mandate, see the paragraph “Appendix V — Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our sole Shareholder passed on 13 November 2013” in this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of our share capital in issue immediately following completion of the Global Offering, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme. The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the

SHARE CAPITAL

Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. See “Appendix V — Statutory and General Information — A. Further information about our Group — 6. Repurchase by our Company of our own securities” in this prospectus for the summary of the relevant requirements under the Listing Rules.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, see “Appendix V — Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our sole Shareholder passed on 13 November 2013” in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of the Company) will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>	<u>Capacity/ Nature of interest</u>
Apex Sail ⁽²⁾	750 million (L)	75%	Beneficial owner
Apex Holdings ⁽²⁾	750 million (L)	75%	Interest in a controlled corporation
Mr. Ye Fan ⁽²⁾⁽³⁾	750 million (L)	75%	Settlor of a trust
Ms. Hu Huanran ⁽³⁾	750 million (L)	75%	Interest of spouse

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares. This does not take account of up to 37.5 million Shares which may be the subject of the Stock Borrowing Agreement to be entered into between CCB International Capital Limited (as borrower) and Apex Sail (as lender).
- (2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. Ye Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.
- (3) Mr. Ye Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares held by Apex Sail. Mr. Ye Fan’s spouse is Ms. Hu Huanran and is deemed to be interested in such 750 million Shares by virtue of the SFO.

In addition to the above and so far as our Directors are aware, immediately following the completion of the Global Offering, the following person is directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

<u>Name of our subsidiary</u>	<u>Substantial shareholder of such subsidiary</u>	<u>Approximate percentage of shareholding</u>
Dongguan Guanfeng	Mr. Liu Shuchang	30%
Chengde Meibaohang	Mr. Wang Shenwu	20%
	Mr. Liu Haiming	10%
Beijing Meibaohang	Mr. Wang Shenwu	15%
	Mr. Liu Rong	10%

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of

SUBSTANTIAL SHAREHOLDERS

Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our combined financial statements as at and for the three years ended 31 December 2010, 2011 and 2012 and as at and for the six months ended 30 June 2013 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the fifth largest privately-owned automobile dealership group headquartered in Guangdong province in terms of turnover in 2012, according to the ACMR Report. As at the Latest Practicable Date, we operated 13 dealerships the results of which were included in our combined financial statements. See "— Basis of Presentation". These 13 dealerships were located across ten cities in five provincial level regions in China. Five of these dealerships are in Guangdong province. Of these five dealerships, four are located in the city of Dongguan, which is also where our corporate headquarters are located. In addition, we jointly controlled Dongguan Meidong, in which we had a 49% equity interest, and had a 49% equity interest in another dealership, Dongguan Anxin, both of which are accounted for using the equity method in our combined financial statements. As at 30 June 2013, we have obtained preliminary authorisation (including preliminary notices, non-binding approvals or letters of intent) to establish seven additional dealerships, including two Porsche, three BMW, one Lexus and one Toyota dealership all of which we expect to open by the end of the first quarter of 2015.

We began operating 4S dealerships in Dongguan, Guangdong province in 2004. By March 2008 we had opened four dealerships, all of which were located in Dongguan. According to the ACMR Report, Dongguan is among the biggest city-level markets, apart from first-tier cities, for automobiles in terms of new car sales and car ownership level. Although competition in Dongguan is fierce, we have been able to continue to improve our operational efficiencies in Dongguan and establish ourselves as a leading operator of dealerships in Dongguan and in Guangdong province overall. In 2012, we were among the top five privately-owned automobile dealership groups headquartered in Guangdong province in terms of turnover, according to the ACMR Report. See "Industry Overview — Retail Platform in the PRC Passenger Vehicle Market".

From our initial successes growing these dealerships, we have built up a core understanding on operating 4S dealerships, and have established effective execution and operational procedures for implementing our business strategies at each of our dealerships. We have particularly focused on areas such as sales and inventory management, increasing profits per sale, improvement on after-sales services and systematic training and development of capable retail managers. Our average inventory turnover days (as defined and further discussed in the section entitled "Financial Information — Inventories Analysis") were 28.2 days, 33.6 days and 37.8 days in 2010, 2011 and 2012, respectively, and 44.2 days in the six months ended 30 June 2013, which we believe are among the best of the PRC 4S dealership groups listed on Main Board of the Stock Exchange.

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We offer our customers a comprehensive array of automobile-related products and services including the sale of new and used passenger vehicles, sale of accessories, provision of after-sales repair and maintenance services (including the distribution of extended product warranties) sale of spare parts and provision of other value-added services, such as provision of car registration services, provision of mortgage loan application services and distribution of automobile insurance products. We believe that our broad range of products allow us to establish long-term relationships with our customers to generate a variety of profit streams from them. By continuing to increase customer satisfaction, we aim to become a one-stop provider for automobile products and services for our customers.

During the Track Record Period, we experienced growth in our sales. For the years ended 31 December 2010, 2011 and 2012, our turnover was RMB2,279.6 million, RMB2,824.1 million and RMB2,949.5 million, respectively, representing a CAGR of 13.7% between 2010 and 2012. For the six months ended 30 June 2012 and 2013, our turnover was RMB1,476.5 million and RMB1,514.5 million, respectively. Passenger vehicle sales represented the majority of our turnover, accounting for approximately 94.3%, 92.8% and 90.3% of our total turnover for the years ended 31 December 2010, 2011 and 2012, respectively, and approximately 91.0% and 89.1% for the six months ended 30 June 2012 and 2013, respectively, with the remainder attributable to our after-sales services.

BASIS OF PRESENTATION

Our Company, which is ultimately controlled by Mr. Ye Fan, our Controlling Shareholder, was incorporated in the Cayman Islands on 24 February 2012 and became the holding company of the companies now comprising our Group pursuant to the Reorganisation completed in July 2013. During the Track Record Period, our Group's 4S dealership businesses were conducted through various domestic companies established in the PRC, which were ultimately owned and controlled by Mr. Ye Fan. The companies that took part in the Reorganisation were controlled by the same controlling shareholder before and after the Reorganisation, thus there was a continuation of risks and benefits to the Controlling Shareholder. Therefore, the Reorganisation has been accounted for using the principles set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations". Accordingly, the financial information of our Group has been prepared as if our Group had always been in existence and the net assets of the companies now comprising our Group are combined using the existing book values from the Controlling Shareholder's perspective. For further details of the Reorganisation, please refer to the section headed "History, Development and Reorganisation" of this prospectus.

The combined statements of comprehensive income, combined statements of changes in equity and the combined cash flow statements of our Group include the results of operations of the companies now comprising our Group (or where the companies were incorporated/established at a date later than 1 January 2010, for the period from the date of incorporation/establishment to 30 June 2013) as if the current group structure had been in existence throughout the Track Record Period. The combined balance sheets of our Group as at 31 December 2010, 2011 and 2012 and as at 30 June 2013 have been prepared to present the state of affairs of the companies now comprising our Group as at those dates as if the current group structure had been in existence at the respective dates. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the financial information of our Group. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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For the purposes of analysis in this section and in other sections of this prospectus, brands of automobiles we sell have been split into (i) mid- to high-end brands and (ii) luxury brands. As at 30 June 2013, eight of our 13 existing dealerships were in the mid- to high-end automobile brand segment, including four FAW Toyota, two GAC Toyota and two Beijing Hyundai dealerships; while the remaining dealerships were in the luxury automobile brand segment, including four Lexus and two BMW dealership.

Our dealerships

Unless the context otherwise requires, references in this section alone to “our dealerships” include dealerships that are operated by our subsidiaries and do not include our interests in dealerships owned by our Joint Venture, Dongguan Meidong, and our associate, Dongguan Anxin, respectively, whose revenue and sale volume are not included in our combined turnover and sales volume figures.

We jointly manage Dongguan Meidong together with Meichang Auto Group (Asia) Limited (“**Meichang Auto**”). Under the joint-venture agreement and articles of association of Dongguan Meidong, the Joint Venture has five directors, three of whom are nominated by Meichang Auto and two of whom are nominated by our Group. Our Group also has the right to appoint the general manager of Dongguan Meidong. The articles of association of Dongguan Meidong stipulate that important decisions of Dongguan Meidong have to be decided by unanimous votes of the directors. For such reasons, we treat Dongguan Meidong as a joint venture of our group. We do not control nor have joint control over Dongguan Anxin’s financial and operating policies. We treat Dongguan Anxin as an associate of our Group.

The following table sets forth a breakdown of our existing combined dealerships by automobile brands as at each of the dates indicated:

	Number of existing combined dealerships				
	As at 31 December			As at 30 June	As at the Latest
	2010	2011	2012	2013	Practicable Date
Luxury brands					
BMW	1	1	1	2	2
Lexus	1	2	2	3	3
Subtotal	<u>2</u>	<u>3</u>	<u>3</u>	<u>5</u>	<u>5</u>
Mid- to high-end brands					
FAW Toyota	4	4	4	4	4
GAC Toyota	1	2	2	2	2
Beijing Hyundai	1	2	2	2	2
Subtotal	<u>6</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total	<u><u>8</u></u>	<u><u>11</u></u>	<u><u>11</u></u>	<u><u>13</u></u>	<u><u>13</u></u>

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FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Demand for passenger vehicles in the PRC

Our business, financial condition and results of operations depend significantly on sales of passenger vehicles. As such demand for passenger vehicles in the PRC, and specifically for passenger vehicles of the brands we sell, directly affects the sales of passenger vehicles in the PRC upon which our business, financial condition and results of operations depend significantly. As we offer a diversified portfolio of mid- to high-end and luxury passenger vehicles including Toyota, Hyundai, Lexus and BMW and we are expanding into the ultra-luxury passenger vehicle segment by opening two Porsche dealerships by the end of the first quarter of 2015, our automobile dealership business is and will continue to be directly affected by the demand for passenger vehicles in the PRC in these different segments of the market, as well as brand preferences among PRC customers. We sold 11,097, 12,945 and 13,570 passenger vehicles in the years ended 31 December 2010, 2011 and 2012, respectively, 6,466 and 7,522 passenger vehicles in the six months ended 30 June 2012 and 2013, respectively.

Market demand for passenger vehicles in general in the PRC is driven by various factors including, among others, growth of individual wealth, continued urbanisation of the Chinese population, and development of the highway network and other infrastructure in the PRC. The rapid growth of the PRC economy has led to accelerated urbanisation and increased living standards and per capita disposable income, which have been affecting the demand for passenger vehicles in the PRC. Furthermore, as the size of the upper-middle class has increased in the PRC, the consumption of passenger vehicles, especially those of the luxury and ultra-luxury segment, has also increased. According to the ACMR Report, it is expected that the sales volume and sales value of mid-end to ultra-luxury vehicles will increase at a CAGR of approximately 11.5% and 11.1%, respectively, from the years ending 2013 to 2016. A significant change in the factors driving market demand for passenger vehicles in the PRC could have a significant effect on our business and prospects.

Within the PRC passenger vehicle market, factors that affect customer preferences for specific brands also exist. As we only offer one automobile brand in each dealership, any change in the popularity of a particular brand, which is largely outside of our control, can significantly affect the financial condition and results of operations of individual dealerships and our Group as a whole. For example, political tensions between China and Japan that flared up in 2012 led to a decrease in the sales of Japanese-branded passenger vehicles in the PRC for the year ended 31 December 2012. See “Risk Factors — Risks Relating to Our Business — We work with foreign brands and adverse changes in political relations between the PRC and Japan and/or other countries may adversely affect our business”. As a result, our sales volume of Toyota passenger vehicles decreased from 9,863 units for the year ended 31 December 2011 to 9,304 units for the year ended 31 December 2012, representing a decrease of 559 units, or approximately 5.7% despite the fact that we had a full year of sales from a new Toyota dealership in Yiyang, Hunan province we had opened in July 2011. However, in the six months ended 30 June 2013 we sold 5,291 Toyota passenger vehicles, representing an increase of 621 vehicles, or 13.3%, over 4,670 Toyota vehicles we sold in the six months ended 30 June 2012. Furthermore, automobile manufacturers may adopt different advertising and marketing strategies across different geographical locations in the PRC, which may lead to different customer preferences, perception and

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demand of a particular automobile brand in different geographical locations. We are seeking to adjust the number of brands we offer in our automobile dealerships to achieve a more balanced portfolio of mid- to high-end and luxury and ultra-luxury automobile brands. However, negative sentiments in the PRC against any specific brands could still have a material adverse impact on our overall operations and financial results. Similarly, increased popularity of the brands that we sell or the addition of more popular brands into our brand portfolio could result in a positive impact on our overall operations and financial results. For example, we plan to open two new Porsche dealerships: one by the end of the third quarter of 2014 and one by the end of the first quarter of 2015. According to the ACMR Report, Porsche is the most popular brand of ultra-luxury automobile in China, with a market-share of over 80% of the total sales volume of ultra-luxury automobiles in the PRC each year since 2006.

Expansion of our dealership network

Our business, financial condition and results of operations are directly affected by the number, location and performance of our dealerships. As at the Latest Practicable Date, we operated 13 dealerships across affluent and fast growing regions of the PRC, including Guangdong, Hunan, Fujian, Beijing and Gansu. Guangdong has been the region with the highest level of GDP in the PRC since 2006, while Beijing was the region with the second highest level of GDP per capita in the PRC for the year ended 31 December 2012. Fujian, Hunan and Gansu all have higher nominal GDP and nominal GDP per capita annual growth rates than the national average. In addition, as at 30 June 2013, we had obtained preliminary authorisations from automobile manufacturers to establish a total of seven additional dealerships in Guangdong, Hunan, Fujian, Beijing and Hebei, including two Porsche, three BMW, one Lexus and one Toyota dealership. We currently expect to commence operations in all of these new dealerships by the end of the first quarter of 2015.

Our ability to maintain and expand our dealership network is dependent on our ability to secure dealership agreements for desirable automobile brands and/or identify attractive acquisition targets in attractive locations on acceptable terms. We believe that our track record and established relationships with automobile manufacturers provide us with a good position from which to enter into dealership agreements with automobile manufacturers and/or negotiate purchase arrangements with potential acquisition targets, so as to support our strategy in further expanding our dealership network.

The timing of establishing new dealerships and our ability to minimise the ramp up time required for newly established dealerships could also significantly affect our financial conditions and results of operations. We are usually required to incur upfront costs, including personnel costs, rental expenses, inventory build up costs and finance costs, many of which we will start to incur immediately on or before establishing a new dealership, while turnover from a new dealership slowly ramps up after its establishment. This could negatively affect our margins. This effect becomes more noticeable the larger the number of new dealerships is as compared with the existing operating base.

Product and service mix

Our principal business consists of the sales of passenger vehicles together with bundled accessories and services and the provision of after-sales services. Our products cover a diversified portfolio of automobile brands including both the mid- to high-end segment as well as the luxury segment, and we are in the process of entering the ultra-luxury segment with two new Porsche dealerships: one to be opened by the end of the third quarter of 2014 and one by the end of the first quarter of 2015. The breakdown of our sales both by type of product and by brand/segment can have a significant effect on

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our results of operation in particular our margins. As a result, our profitability and results of operations may vary significantly from period to period as a result of changes in the mix of products and services sold during the relevant period.

Gross profit margin of sales of luxury and ultra-luxury passenger vehicles is generally higher than that of mid- to high-end passenger vehicles. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the gross profit margin on the total sales of our passenger vehicles was approximately 4.9%, 5.4% and 3.2% and 3.9% and 3.0%, respectively. During the same periods, the gross profit margin on the sales of our luxury passenger vehicles amounted to approximately 7.0%, 6.5% and 3.9% and 5.1% and 3.4%, respectively, while the gross profit margin on the sales of mid- to high-end passenger vehicles amounted to approximately 4.4%, 5.0% and 2.8% and 3.3% and 2.7%, respectively. In addition, the proportion of turnover from the sales of luxury passenger vehicles increased from approximately 19.4% for the year ended 31 December 2010 to approximately 26.3% for the year ended 31 December 2011, and further to approximately 32.4% for the year ended 31 December 2012. However, the proportion of turnover from the sales of luxury vehicles decreased from approximately 32.2% for the six months ended 30 June 2012 to 30.3% for the six months ended 30 June 2013, primarily attributable to increased sales of Hyundai vehicles due to the introduction of new Hyundai models and decreased sales of Lexus vehicles due to reduced demand for Lexus vehicles, which has not yet recovered from the downturn that began in the second half of 2012. With the expected opening of two Porsche, three BMW, one Lexus and one Toyota dealerships between 30 June 2013 and the end of the first quarter of 2015, we expect that the proportion of turnover from the sales of luxury and ultra-luxury passenger vehicles will increase in the future, which could have a positive effect on our gross profit margins.

Consistent with industry trends, during the Track Record Period, we recorded higher gross profit margins from the provision of after-sales services than from sales of passenger vehicles and such margins have continued to grow as well. For the years ended 31 December 2010, 2011 and 2012, the gross profit margin from our after-sales services was approximately 34.3%, 43.5% and 48.6%, respectively. For the six months ended 30 June 2012 and 2013, the gross profit margin from our after-sales services was approximately 46.9% and 54.8%, respectively. In addition, the proportion of turnover from the provision of after-sales services grew over the Track Record Period, increasing from approximately 5.7% for the year ended 31 December 2010 to approximately 7.2% for the year ended 31 December 2011, and further to approximately 9.7% for the year ended 31 December 2012. The proportion of turnover from the provision of after-sales services also increased from approximately 9.0% for the six months ended 30 June 2012 to approximately 10.9% for the six months ended 30 June 2013. Our after-sales services business is affected by, among other factors, our historical passenger vehicles sales performance, the number and location of our dealerships, the length of time such dealerships have been in operation (with after-sales services increasing as a dealership and its customer base matures) and the level of customer satisfaction. We expect that our proportion of turnover and gross profit margin from after-sales services will continue to grow with the increasing maturity of our dealerships and our continuing efforts in improving and enhancing the after-sales services we provide, which will positively affect our profitability and results of operations.

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Rebates from automobile manufacturers

Our gross profit is affected in part by the incentive rebates that automobile manufacturers offer. These rebates are generally determined with reference to a number of factors, including the number of new passenger vehicles we purchase and sell, customer satisfaction and other performance indicators as set by automobile manufacturers depending on their policies. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we recorded rebates of approximately RMB54.9 million, RMB73.6 million and RMB116.0 million and RMB42.1 million and RMB77.4 million, respectively, representing approximately 2.6%, 2.8% and 4.4% and 3.1% and 5.7% of turnover from passenger vehicle sales, respectively. The increase in rebates as a percentage of turnover from passenger vehicle sales during the Track Record Period was due to the increased rebate rates offered by automobile manufacturers, particularly in the year ended 31 December 2012 and the six months ended 30 June 2013 to counterbalance pricing pressure on sales of new passenger vehicles, as well as the increase in the number of new passenger vehicles we sold. Incentive rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but are still held as at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. As a result, our results of operations and business are affected by the incentive rebates we obtain from automobile manufacturers.

Finance costs

We finance our purchase of passenger vehicles in part by issuing bills to automobile manufacturers. We obtain bank loans from domestic commercial banks to finance our working capital and network expansion needs. We also obtain other borrowings from automobile manufacturers' captive finance companies to finance our inventories. Accordingly, our finance costs consist of interest expenses borne by our Group arising from discount of bills issued to automobile manufacturers and interest on loans and borrowings. Our finance costs are determined by the amount of bills discounted by automobile manufacturers, bank loans and other borrowings maintained in the relevant period and the applicable interest rates on such loans and borrowings. We obtain a combination of short-term and long-term, as well as fixed-rate and variable-rate, bank loans and other borrowings, in order to control our finance costs and exposure to changes in interest rates. Changes in our financing needs for purchasing passenger vehicles from automobile manufacturers or other purposes, as well as changes in prevailing interest rates as a result of an adjustment by the PBOC in its benchmark lending rates or otherwise, could result in significant changes to our finance costs. Our finance costs grew from approximately RMB17.3 million for the year ended 31 December 2010 to approximately RMB32.2 million for the year ended 31 December 2011, and further to approximately RMB43.2 million for the year ended 31 December 2012, representing approximately 0.8%, 1.1% and 1.5%, respectively, of total turnover for those years. Our finance costs decreased from approximately RMB21.6 million for the six months ended 30 June 2012 to approximately RMB19.1 million for the six months ended 30 June 2013, representing approximately 1.5% and 1.3%, respectively, of total turnover for those periods, which is primarily attributable to the decreased discounting of interest expense on our bills issued to automobile manufacturers owing to shorter repayment periods on such bills.

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Seasonality

Our results of operations are subject to seasonality. As all of our sales occur in the PRC, we may experience fluctuations in our sales volume and turnover based on seasonal patterns of behaviour of passenger vehicle purchasers in the PRC. We have, in the years ended 31 December 2010, 2011 and 2012, recorded higher sales volume of passenger vehicles in the second half of each year. At the dealership level, all of the dealerships operated by our subsidiaries have also recorded higher sales volume of passenger vehicles in the second half of each year in the same periods, except that in the year ended 31 December 2012, five out of these 11 dealerships that were in operation during the entire year, recorded lower sales volume from new automobile sales in the second half of that year. We believe that this was due largely to the effect of the Diaoyu Islands incident, which occurred in the second half of 2012.

We also typically record lower turnover in the first half of any given year as compared to the second half of that year. However, these seasonal fluctuations are not constant and are subject to other factors. For example, although in each of the years ended 31 December 2010 and 2011 turnover was higher in the second half of the year, in the year ended 31 December 2012 turnover remained relatively flat, despite increased sales volume in passenger vehicles in the second half of the year. At the dealership level, all of the dealerships operated by our subsidiaries have also recorded higher turnover in the second half of each year in the same periods, except that in the year ended 31 December 2012, five out of these 11 dealerships that were in operation during the entire year, recorded lower turnover in the second half of that year. We believe that this variation in 2012 from the trend was also due largely to the effect of the Diaoyu Islands incident.

Consequently, we cannot assure you that our sales or turnover will always be higher in the second half of the year. Our results of operations may fluctuate from period to period for a variety of reasons, including those listed above. Therefore comparisons of sales and operating results between different periods within a single financial year, or between same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our performance. Please see “Risk Factors — Risks Relating to Our Business — Our turnover may be affected by seasonality and weather conditions” in this prospectus.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our combined financial statements. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. When reviewing our combined financial statements, you should consider (i) our significant accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies which we believe are of significant importance to us or involve the most critical accounting judgement and estimates used in the preparation of our financial statements. Our significant accounting policies, judgement and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 1 and 2 in Section B of the Accountants’ Report in Appendix I to this prospectus.

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Revenue recognition

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

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) *Services income*

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

(iii) *Commission income*

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

(iv) *Interest income*

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

Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. We evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, our judgment is required to assess the probability of future taxable profits. Our assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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Depreciation and amortisation

Our property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Our intangible assets are amortised on a straight-line basis over the estimated useful lives. We review annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on our Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Value of inventories

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

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and/or historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. We reassess these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

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

Impairment of trade and other receivables

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

We determine the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of our customers and current market conditions. If the financial conditions of our customers were to deteriorate, actual write-off would be higher than estimated. We reassess the impairment of trade and other receivables at the end of each reporting period.

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COMBINED RESULTS OF OPERATIONS

The following table sets forth our combined statements of comprehensive income for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	RMB'000	% of turnover	RMB'000	% of turnover	RMB'000	% of turnover
Turnover	2,279,597	100.0	2,824,058	100.0	2,949,497	100.0
Cost of sales	(2,128,644)	(93.4)	(2,594,349)	(91.9)	(2,724,735)	(92.4)
Gross profit	150,953	6.6	229,709	8.1	224,762	7.6
Other revenue and net income	13,492	0.6	18,176	0.6	19,800	0.7
Distribution costs	(49,966)	(2.2)	(70,970)	(2.5)	(89,368)	(3.0)
Administrative expenses	(39,028)	(1.7)	(54,340)	(1.9)	(58,519)	(2.0)
Profit from operations	75,451	3.3	122,575	4.3	96,675	3.3
Finance costs	(17,283)	(0.8)	(32,215)	(1.1)	(43,158)	(1.5)
Share of (losses)/profits of an associate	(1,510)	(0.1)	299	—	(523)	—
Share of profits of a joint venture	8,740	0.4	10,401	0.4	8,586	0.3
Profit before taxation	65,398	2.9	101,060	3.6	61,580	2.1
Income tax	(15,092)	(0.7)	(22,983)	(0.8)	(13,797)	(0.5)
Profit and total comprehensive income for the year	<u>50,306</u>	<u>2.2</u>	<u>78,077</u>	<u>2.8</u>	<u>47,783</u>	<u>1.6</u>

	Six months ended 30 June			
	2012		2013	
	RMB'000	% of turnover	RMB'000	% of turnover
	(Unaudited)			
Turnover	1,476,473	100.0	1,514,526	100.0
Cost of sales	(1,361,825)	(92.2)	(1,384,599)	(91.4)
Gross profit	114,648	7.8	129,927	8.6
Other revenue and net income	8,702	0.6	20,374	1.3
Distribution costs	(42,837)	(2.9)	(41,881)	(2.8)
Administrative expenses	(26,980)	(1.8)	(34,232)	(2.3)
Profit from operations	53,533	3.6	74,188	4.9
Finance costs	(21,575)	(1.5)	(19,148)	(1.3)
Share of (losses)/profits of an associate	(376)	—	612	—
Share of profits of a joint venture	4,486	0.3	4,987	0.3
Profit before taxation	36,068	2.4	60,639	4.0
Income tax	(8,119)	(0.5)	(14,865)	(1.0)
Profit and total comprehensive income for the period	<u>27,949</u>	<u>1.9</u>	<u>45,774</u>	<u>3.0</u>

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATION

Turnover

We derive our turnover from the sales of passenger vehicles and provision of after-sales services. All of our turnover is derived from our operations in the PRC. The following table sets forth a breakdown of our turnover by category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Sales of passenger vehicles										
Mid- to high-end brands	1,706,589	74.9	1,878,840	66.5	1,708,417	57.9	868,755	58.8	891,503	58.8
Luxury brands	442,394	19.4	741,635	26.3	954,000	32.4	474,989	32.2	458,554	30.3
Subtotal	2,148,983	94.3	2,620,475	92.8	2,662,417	90.3	1,343,744	91.0	1,350,057	89.1
After-sales services	130,614	5.7	203,583	7.2	287,080	9.7	132,729	9.0	164,469	10.9
Total	2,279,597	100.0	2,824,058	100.0	2,949,497	100.0	1,476,473	100.0	1,514,526	100.0

Turnover from the sales of passenger vehicles consists primarily of sales of new passenger vehicles and, to a lesser extent, sales of accessories associated with new passenger vehicle sales in our operating subsidiaries. Turnover from after-sales services consists principally of income generated from the sales of spare parts and the provision of repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related services such as fees from vehicle registration services and commission income from mortgage loan application services.

The following table sets forth a breakdown of our turnover by types of sales and services during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	% of total		% of total		% of total		% of total		% of total	
	Turnover	turnover	Turnover	turnover	Turnover	turnover	Turnover	turnover	Turnover	turnover
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Sales of passenger vehicles										
Passenger vehicles (excluding bundled accessories)	2,089,132	91.7	2,544,220	90.1	2,572,323	87.2	1,302,811	88.2	1,290,757	85.2
Bundled accessories	59,851	2.6	76,255	2.7	90,094	3.1	40,933	2.8	59,300	3.9
Subtotal	2,148,983	94.3	2,620,475	92.8	2,662,417	90.3	1,343,744	91.0	1,350,057	89.1
After-sales services	130,614	5.7	203,583	7.2	287,080	9.7	132,729	9.0	164,469	10.9
Total turnover	2,279,597	100.0	2,824,058	100.0	2,949,497	100.0	1,476,473	100.0	1,514,526	100.0

Our turnover increased from approximately RMB2,279.6 million for the year ended 31 December 2010 to approximately RMB2,824.1 million for the year ended 31 December 2011 and further to approximately RMB2,949.5 million for the year ended 31 December 2012, and from approximately RMB1,476.5 million for the six months ended 30 June 2012 to approximately RMB1,514.5 million for the six months ended 30 June 2013. This was primarily due to the increase in sales of passenger

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vehicles, as we increased the number of dealerships operated by our subsidiaries from eight to 13 during the period, and partially due to an increase in after-sales services resulting from our growing customer base.

Passenger vehicle sales including the sale of bundled accessories represented the grand majority of our turnover, accounting for approximately 94.3%, 92.8% and 90.3% of our total turnover for the years ended 31 December 2010, 2011 and 2012, respectively, and approximately 91.0% and 89.1%, for the six months ended 30 June 2012 and 2013, respectively. The following table sets forth a breakdown of our turnover from sales of passenger vehicles by brand for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Mid- to high-end brands										
Toyota	1,534,603	71.4	1,702,025	65.0	1,501,153	56.4	789,843	58.8	759,987	56.3
Hyundai	171,986	8.0	176,815	6.7	207,264	7.8	78,912	5.9	131,516	9.7
Subtotal	1,706,589	79.4	1,878,840	71.7	1,708,417	64.2	868,755	64.7	891,503	66.0
Luxury brands										
Lexus	425,785	19.8	493,311	18.8	532,056	20.0	288,855	21.4	239,495	17.8
BMW	16,609	0.8	248,324	9.5	421,944	15.8	186,134	13.9	219,059	16.2
Subtotal	442,394	20.6	741,635	28.3	954,000	35.8	474,989	35.3	458,554	34.0
Total	2,148,983	100.0	2,620,475	100.0	2,662,417	100.0	1,343,744	100.0	1,350,057	100.0

Consistent with our focus on achieving a balanced portfolio of automobile brands, the portion of our total turnover from sales of passenger vehicles that was derived from mid- to high-end automobile brands decreased steadily from approximately 79.4% for the year ended 31 December 2010 to approximately 71.7% for the year ended 31 December 2011 and further to approximately 64.2% for the year ended 31 December 2012, while the portion of our total turnover from sales of passenger vehicles that was derived from luxury brands increased from approximately 20.6% to approximately 28.3% and further to approximately 35.8% in the same periods. In particular, our turnover derived from sales of passenger vehicles from Zhuzhou Meibaohang, our only BMW dealership in operation during the years ended 31 December 2010, 2011 and 2012 and the only BMW dealership in Zhuzhou as at the Latest Practicable Date, increased from approximately RMB248.3 million for the year ended 31 December 2011 (the first full year of operation for this dealership) to approximately RMB407.2 million for the year ended 31 December 2012. However, the portion of our total turnover from sales of passenger vehicles that was derived from mid- to high-end vehicle brands increased from approximately 64.7% for the six months ended 30 June 2012 to approximately 66.0% for the six months ended and 30 June 2013, while the proportion of our total turnover from sales of passenger vehicles that was derived from luxury brands correspondingly decreased from approximately 35.3% for the six months ended 30 June 2012 to approximately 34.0% in the same periods. This was primarily attributable to increased sales of Hyundai vehicles due to the introduction of new Hyundai models and demand for Lexus vehicles that had not yet recovered from the downturn that began in the second half of 2012.

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Our turnover from the sales of passenger vehicles is determined by sales volume and selling prices. The following table sets forth a breakdown of our sales volume, turnover and average selling price of passenger vehicles for the periods indicated:

	Year ended 31 December								
	2010			2011			2012		
	Sales volume	Turnover	Average selling price	Sales volume	Turnover	Average selling price	Sales volume	Turnover	Average selling price
(No. of cars)	(RMB'000)	(RMB'000)	(No. of cars)	(RMB'000)	(RMB'000)	(No. of cars)	(RMB'000)	(RMB'000)	
Mid- to high-end brands	10,211	1,706,589	167.1	11,490	1,878,840	163.5	11,428	1,708,417	149.5
Luxury brands	886	442,394	499.3	1,455	741,635	509.7	2,142	954,000	445.4
Total	11,097	2,148,983	193.7	12,945	2,620,475	202.4	13,570	2,662,417	196.2

	Six months ended 30 June					
	2012			2013		
	Sales Volume	Turnover	Average selling price	Sales Volume	Turnover	Average selling price
(No. of cars)	(RMB'000)	(RMB'000)	(No. of cars)	(RMB'000)	(RMB'000)	
		(Unaudited)				
Mid- to high-end brands	5,449	868,755	159.4	6,410	891,503	139.1
Luxury brands	1,017	474,989	467.0	1,112	458,554	412.4
Total	6,466	1,343,744	207.8	7,522	1,350,057	179.5

Mid- to high-end brands

The sales volume of mid- to high-end passenger vehicles fluctuated during the Track Record Period. The increase in sales volume of mid- to high-end passenger vehicles by 1,279 units, or approximately 12.5%, from 10,211 units for the year ended 31 December 2010 to 11,490 units for the year ended 31 December 2011 was mainly attributable to the opening of a new Toyota dealership in Yiyang during the year and increases in sales volume in existing dealerships. The slight decrease in sales volume of mid- to high-end passenger vehicles by 62 units, or approximately 0.5%, from 11,490 units for the year ended 31 December 2011 to 11,428 units for the year ended 31 December 2012 was primarily attributable to the Diaoyu Islands incident, which led to the decrease in sales of Toyota passenger vehicles, and the generally weaker market conditions in the PRC partially offset by the full year effect of operating the Yiyang dealership in the entire year ending 31 December 2012. The increase in sales volume of mid- to high-end passenger vehicles by 961 units, or approximately 17.6%, from 5,449 units for the six months ended 30 June 2012 to 6,410 units for the six months ended 30 June 2013 was mainly attributable to increased sales of Hyundai vehicles due to the introduction of new Hyundai models and Toyota vehicles due to improved performance at certain of our Toyota dealerships. In particular, sales of Toyota vehicles increased by 621 units, or 13.3%, from 4,670 units for the six months ended 30 June 2012 to 5,291 units for the six months ended 30 June 2013, and nearly half of this increase in sales volume was attributable to a dealership where we had made changes in management personnel during the six months ended 30 June 2013.

We experienced a decrease in the average selling price of our mid- to high-end passenger vehicles during the Track Record Period. The decrease in the average selling price of mid- to high-end passenger vehicles for the year ended 31 December 2012 was primarily due to poorer market conditions as well as the Diaoyu Islands incident, which had a negative impact on Toyota passenger vehicles. See “— Factors

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Affecting Our Financial Condition and Results of Operations — Demand for passenger vehicles in the PRC” and “Risk Factors — Risks Relating to Our Business — We work with foreign brands and adverse changes in political relations between the PRC and Japan and/or other countries may adversely affect our business”. The decrease in the average selling price of our sales of passenger vehicles is consistent with the industry average in 2012. See “Industry Overview — The PRC Passenger Vehicle Market — Development of Prospects of Key Automobile Brands in the PRC”. We experienced further decreases in the average selling price of our mid- to high-end passenger vehicles in the six months ended 30 June 2013, which we believe is attributable to the fact that we offered more vehicle price discounts to our customers in order to increase our number of vehicles sold and generate more revenue from the purchasers of such vehicles through our higher margin value-added services, such as provision of vehicle registration services and provision of mortgage loan application services.

Luxury brands

We experienced an increase in the sales volume of luxury passenger vehicles during the Track Record Period resulting primarily from the expansion of our dealership network in this segment. Sales volume of luxury passenger vehicles increased by 569 units, or approximately 64.2%, from 886 units for the year ended 31 December 2010 to 1,455 units for the year ended 31 December 2011, and further by 687 units, or approximately 47.2%, from 1,455 units for the year ended 31 December 2011 to 2,142 units for the year ended 31 December 2012. The increase in sales volume of luxury passenger vehicles for the years ended 31 December 2010, 2011 and 2012 was mainly attributable to the opening of our new BMW dealership in Zhuzhou during the year ended 31 December 2010 and our new Lexus dealership opened in Lanzhou during the year ended 31 December 2011 as well as increased sales in our Xiamen Lexus dealership over the period. Sales volume of luxury passenger vehicles also increased by 95 units, or approximately 9.3%, from 1,017 units for the six months ended 30 June 2012 to 1,112 units for the six months ended 30 June 2013. The increase in sales volume of luxury passenger vehicles during such period was mainly attributable to increased BMW sales due to increased operating efficiency at our BMW dealerships, partially offset by decreased sales of Lexus passenger vehicles due to weak demand for Lexus vehicles, which began in the second half of 2012.

The average selling price of our luxury passenger vehicles fluctuated during the Track Record Period. The average selling price of our luxury passenger vehicles increased slightly in the year ended 31 December 2011 as we sold more BMW passenger vehicles during the year, which generally command higher average selling prices than our Lexus passenger vehicles. However, the average selling price of our luxury passenger vehicles decreased during the year ended 31 December 2012, mainly as a result of the general slow-down in economic development in the PRC, change in product mix towards cheaper vehicles and political tensions between China and Japan over the period, which had a negative impact on demand for Lexus passenger vehicles. Furthermore the average selling price of our luxury passenger vehicles decreased approximately 11.7% in the six months ended 30 June 2013 compared to the six months ended 30 June 2012, which we believe is attributable to the fact that Lexus introduced certain lower-priced vehicle models during the six months ended 30 June 2013 and that we offered more vehicle price discounts to our customers in order to increase our number of vehicles sold and generate more revenue from the purchasers of such vehicles through our higher margin value-added services, such as provision of vehicle registration services and provision of mortgage loan application services.

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Cost of sales

The following table sets forth a breakdown of our cost of sales by category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
<i>Cost of sales relating to:</i>										
Sales of passenger vehicles										
Mid- to high-end brands	1,631,504	76.7	1,785,705	68.9	1,659,968	60.9	840,389	61.7	867,251	62.6
Luxury brands	411,316	19.3	693,668	26.7	917,066	33.7	450,978	33.1	442,945	32.0
Subtotal	2,042,820	96.0	2,479,373	95.6	2,577,034	94.6	1,291,367	94.8	1,310,196	94.6
After-sales services	85,824	4.0	114,976	4.4	147,701	5.4	70,458	5.2	74,403	5.4
Total	2,128,644	100.0	2,594,349	100.0	2,724,735	100.0	1,361,825	100.0	1,384,599	100.0

Our cost of sales primarily consists of cost of purchasing passenger vehicles from automobile manufacturers and cost of purchasing accessories. It also includes cost of after-sales services, which comprises of cost of purchasing spare parts, the labour costs incurred in providing these services, as well as depreciation expenses of our repair and maintenance equipment.

In particular, our cost of purchasing passenger vehicles is affected by the rebates granted to us by automobile manufacturers. Our dealership authorisation agreements with automobile manufacturers often provide for volume-based rebates, which are decided with reference to the units of new automobiles purchased, and adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices and dealership presentation standards. The automobile manufacturers settle the rebates with us from time to time taking into account the above factors by deducting the price payable by us in the subsequent purchases placed by us. Incentive rebates are accrued at each financial reporting date based on the actual purchasing amounts, corresponding rebate rates as agreed with automobile manufacturers and our management's estimate on relevant factors, including without limitation, meeting certain sales and services targets set by the relevant automobile manufacturers. Incentive rebates related to passenger vehicles already sold are deducted from cost of sales. Conversely, incentive rebates attributable to passenger vehicles already procured from automobile manufacturers but still held in our inventories on the reporting date are deducted from the carrying value of these inventory items, so that the cost of inventories is recorded net of applicable rebates.

The increase in cost of sales of passenger vehicles from approximately RMB2,042.8 million for the year ended 31 December 2010 to approximately RMB2,479.4 million for the year ended 31 December 2011 and further to approximately RMB2,577.0 million for the year ended 31 December 2012, was primarily driven by the increase in sales of our passenger vehicles. The increase in cost of sales of passenger vehicles from approximately RMB1,291.4 million for the six months ended 30 June 2012 to approximately RMB1,310.2 million for the six months ended 30 June 2013 was also primarily driven by the increase in sales of our passenger vehicles. At the same time, our cost of after-sales services increased by approximately 34.0% from approximately RMB85.8 million for the year ended 31 December 2010 to RMB115.0 million for the year ended 31 December 2011, and further by approximately 28.4% to approximately RMB147.7 million for the year ended 31 December 2012, and increased by approximately 5.5% from approximately RMB70.5 million for the six months ended 30

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June 2012 to RMB74.4 million for the six months ended 30 June 2013. The relatively smaller increase in our cost of sales of after-sales services as compared with the increase in turnover from after-sales services, which increased by approximately 55.9% for the year ended 31 December 2011, 41.0% for the year ended 31 December 2012 and 24.0% for the six months ended 30 June 2013, was mainly because a significant portion of our cost of after-sales services, including labour costs and depreciation expenses, are relatively fixed in nature and remain relatively stable despite increases in turnover.

Gross profit and gross profit margin

Our gross profit was approximately RMB151.0 million, RMB229.7 million and RMB224.8 million for the years ended 31 December 2010, 2011 and 2012, respectively, and RMB114.6 million and RMB129.9 million for the six months ended 30 June 2012 and 2013, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Sales of passenger vehicles										
Mid- to high-end brands	75,085	4.4	93,135	5.0	48,449	2.8	28,366	3.3	24,252	2.7
Luxury brands	31,078	7.0	47,967	6.5	36,934	3.9	24,011	5.1	15,609	3.4
Subtotal	106,163	4.9	141,102	5.4	85,383	3.2	52,377	3.9	39,861	3.0
After-sales services	44,790	34.3	88,607	43.5	139,379	48.6	62,271	46.9	90,066	54.8
Total	150,953	6.6	229,709	8.1	224,762	7.6	114,648	7.8	129,927	8.6

The following table sets forth a breakdown of our gross profit and gross profit margins by types of sales and services during the Track Record Period.

	Year ended 31 December								
	2010			2011			2012		
	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin	Gross profit	% of total gross profit	Gross profit margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
Sales of passenger vehicles									
Passenger vehicles (excluding bundled accessories)	82,881	54.9	4.0	111,483	48.5	4.4	48,735	21.7	1.9
Bundled accessories	23,282	15.4	38.9	29,619	12.9	38.8	36,648	16.3	40.7
Subtotal	106,163	70.3	4.9	141,102	61.4	5.4	85,383	38.0	3.2
After-sales services	44,790	29.7	34.3	88,607	38.6	43.5	139,379	62.0	48.6
Total gross profit	150,953	100.0	6.6	229,709	100.0	8.1	224,762	100.0	7.6

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	Six months ended 30 June					
	2012			2013		
	<u>Gross profit</u>	<u>% of total gross profit</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>% of total gross profit</u>	<u>Gross profit margin</u>
	<u>RMB'000</u>	<u>%</u>	<u>%</u>	<u>RMB'000</u>	<u>%</u>	<u>%</u>
	(Unaudited)					
Sales of passenger vehicles						
Passenger vehicles (excluding bundled accessories)	37,239	32.5	2.9	7,971	6.1	0.6
Bundled accessories	<u>15,138</u>	<u>13.2</u>	37.0	<u>31,890</u>	<u>24.6</u>	53.8
Subtotal	<u>52,377</u>	<u>45.7</u>	3.9	<u>39,861</u>	<u>30.7</u>	3.0
After-sales services	<u>62,271</u>	<u>54.3</u>	46.9	<u>90,066</u>	<u>69.3</u>	54.8
Total gross profit	<u><u>114,648</u></u>	<u><u>100.0</u></u>	7.8	<u><u>129,927</u></u>	<u><u>100.0</u></u>	8.6

Our overall gross profit increased by approximately RMB78.7 million, or 52.1%, from approximately RMB151.0 million for the year ended 31 December 2010 to approximately RMB229.7 million for the year ended 31 December 2011, due to increases in gross profit both from sales of passenger vehicles and after-sales services. Our overall gross profit declined by approximately RMB4.9 million, or 2.1%, from approximately RMB229.7 million for the year ended 31 December 2011 to approximately RMB224.8 million for the year ended 31 December 2012, mainly due to a decrease in gross profit derived from our sales of passenger vehicles, which was partially offset by an increase in gross profit derived from after-sales services. Our overall gross profit increased by approximately RMB15.3 million, or 13.4%, from approximately RMB114.6 million for the six months ended 30 June 2012 to approximately RMB129.9 million for the six months ended 30 June 2013, mainly due to an increase in gross profit from after-sales services and partially offset by a decrease in gross profit derived from our sales of passenger vehicles.

Our gross profit from the sales of passenger vehicles increased by approximately RMB34.9 million, or 32.9%, from approximately RMB106.2 million for the year ended 31 December 2010 to approximately RMB141.1 million for the year ended 31 December 2011. At the same time, the gross profit margin from the sales of passenger vehicles increased from approximately 4.9% for the year ended 31 December 2010 to approximately 5.4% for the year ended 31 December 2011. The increases in our gross profit and gross profit margin for the year ended 31 December 2011 were primarily due to an increase in the portion of turnover derived from the sales of luxury passenger vehicles which generally generate higher gross profit margins. Such increases were partially offset by a decrease in gross profit margin from the sale of luxury passenger vehicles primarily due to increased competition in 2011. Our gross profit from sales of passenger vehicles decreased by approximately RMB55.7 million, or 39.5%, from approximately RMB141.1 million for the year ended 31 December 2011 to approximately RMB85.4 million for the year ended 31 December 2012. At the same time, the gross profit margin from the sales of passenger vehicles decreased from approximately 5.4% for the year ended 31 December 2011 to approximately 3.2% for the year ended 31 December 2012. This was primarily due to a general decrease in average selling prices of our mid- to high-end and luxury passenger vehicles, resulting from a general slowing down of economic development in the PRC as well as to the Diaoyu Islands incident. This is reflected in the substantial decline in our gross profit from sales of passenger vehicles, excluding

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bundled accessories, which decreased by approximately RMB62.8 million, or 56.3%, from approximately RMB111.5 million for the year ended 31 December 2011 to approximately RMB48.7 million for the year ended 31 December 2012. These decreases were partially offset by our gross profit from sales of bundled accessories, which increased by approximately RMB7.0 million, or 23.6%, from approximately RMB29.6 million for the year ended 31 December 2011 to approximately RMB36.6 million for the year ended 31 December 2012. At the same time, the gross profit margin from the sales of bundled accessories increased from approximately 38.8% for the year ended 31 December 2011 to approximately 40.7% for the year ended 31 December 2012. Our gross profit from sales of passenger vehicles also decreased by approximately RMB12.5 million, or 23.9%, from approximately RMB52.4 million for the six months ended 30 June 2012 to approximately RMB39.9 million for the six months ended 30 June 2013. At the same time, the gross profit margin from the sales of passenger vehicles decreased from approximately 3.9% for the six months ended 30 June 2012 to approximately 3.0% for the six months ended 30 June 2013. The decrease in gross profit and profit margin from the sale of passenger vehicles was primarily due to changes in product mix towards a higher proportion of our sales of vehicles from mid- to high-end brands, which generally have a lower gross profit margin, and a continued decrease in the average selling prices of most of our brands. These decreases were partially offset by our gross profit from sales of bundled accessories, which increased by approximately RMB16.8 million, or 111.3%, from approximately RMB15.1 million for the six months ended 30 June 2012 to approximately RMB31.9 million for the six months ended 30 June 2013. At the same time, the gross profit margin from the sales of bundled accessories increased from approximately 37.0% for the six months ended 30 June 2012 to approximately 53.8% for the six months ended 30 June 2013.

The following table sets forth a breakdown of our gross profit and gross profit margin from after-sales services by automobile brand segment for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
After sales services										
Mid- to high-end brands	35,784	33.3	65,981	43.9	97,794	49.2	45,014	47.6	61,417	56.0
Luxury brands	9,006	39.1	22,626	42.5	41,585	47.1	17,257	45.3	28,649	52.2
Total	44,790	34.3	88,607	43.5	139,379	48.6	62,271	46.9	90,066	54.8

As a result of an increase in sales of our after-sales services, attributable to the expansion of our customer base, together with an increase in gross profit margin from economies of scale and shifts in product mix, our gross profit from after-sales services increased by approximately RMB43.8 million, or 97.8%, from approximately RMB44.8 million for the year ended 31 December 2010 to approximately RMB88.6 million for the year ended 31 December 2011, and further by approximately RMB50.8 million, or 57.3%, from approximately RMB88.6 million for the year ended 31 December 2011 to approximately RMB139.4 million for the year ended 31 December 2012. At the same time, our gross profit margin of after-sales services increased from approximately 34.3% to approximately 43.5% and further to approximately 48.6%, respectively during the same periods. Our gross profit from after-sales services also increased by approximately RMB27.8 million, or 44.6%, from approximately RMB62.3 million for the six months ended 30 June 2012 to approximately RMB 90.1 million for the six months

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ended 30 June 2013. At the same time, the gross profit margin from after-sales services increased from approximately 46.9% for the six months ended 30 June 2012 to approximately 54.8% for the six months ended 30 June 2013. In particular, gross profit margins derived from after-sales services at our Toyota and Lexus dealerships increased significantly during the Track Record Period, primarily as a result of strong performance at our Dongguan Dongbu (Toyota), Dongguan Dongxin (Toyota) and Xiamen Meidong (Lexus) dealerships, which each generated gross profit margins for after-sales services of 60.2%, 59.8% and 57.4%, respectively, in the six months ended 30 June 2013.

Other revenue and net income

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

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Insurance commission	11,868	88.0	15,911	87.6	15,758	79.6	7,070	81.3	8,278	40.6
Interest income	812	6.0	1,605	8.8	2,534	12.8	1,036	11.9	1,094	5.4
Interest income from Dadong Group	—	—	—	—	—	—	—	—	8,324	40.9
Others	812	6.0	660	3.6	1,508	7.6	596	6.8	2,678	13.1
Total	13,492	100	18,176	100	19,800	100	8,702	100	20,374	100.0

Other revenue and net income primarily consist of commission income from the distribution of automobile insurance products, which is determined based on the amounts of automobile insurance products we distributed through our dealerships and the commission rates agreed with the relevant insurance companies, as well as interest income on bank deposits. The insurance commission is charged based on a percentage of the customers' insurance fee which can range from 4% to 15% depending on the type of insurance.

Other revenue and net income increased from approximately RMB13.5 million for the year ended 31 December 2010 to RMB18.2 million for the year ended 31 December 2011 primarily due to increases in commission income from distribution of automobile insurance products, which is in line with the growth in our dealerships business operations. Other revenue and net income increased from approximately RMB18.2 million for the year ended 31 December 2011 to RMB19.8 million for the year ended 31 December 2012 primarily due to an increase in interest income as a result of an increase in our average cash and cash equivalents. Other revenue and net income increased from approximately RMB8.7 million for the six months ended 30 June 2012 to RMB20.4 million for the six months ended 30 June 2013 primarily due to increases in interest income from the outstanding balance of non-recurring advances that certain of our subsidiaries granted to Dadong Group, commission income from distribution of automobile insurance products, which is in line with the growth in our dealerships business operations and others primarily arising from certain of our customers forfeiting non-refundable deposits such customers paid for purchases of vehicles because such customers did not complete their purchase under the relevant order. As advised by our PRC Legal Advisors, since the non-recurring advances that certain of our subsidiaries granted to Dadong Group were made by entrusted loans through a bank, the interest income from Dadong Group arising from these non-recurring advances do not constitute a

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breach of the General Provision of Loans (貸款通則). No interest was charged for advances granted to Dadong Group by certain of our subsidiaries prior to 2013. Dadong Group was the holding company of our PRC subsidiaries prior to the Reorganisation.

Distribution costs

Our distribution costs primarily consist of (i) salaries, social insurance and welfare for our sales and marketing personnel; (ii) marketing expenses and advertising fees; (iii) depreciation charge; (iv) office and utility expenses; (v) travelling and transportation expenses; and (vi) other distribution costs.

The following table sets forth a breakdown of our distribution costs for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Salaries, social insurance and welfare	27,010	54.1	39,936	56.3	44,328	49.6	21,185	49.4	22,866	54.7
Marketing expenses and advertising fees	11,717	23.4	11,817	16.7	14,173	15.9	7,150	16.7	4,238	10.1
Depreciation	1,237	2.5	4,055	5.7	7,920	8.9	3,612	8.4	3,413	8.1
Office and utility expenses	3,291	6.6	4,048	5.7	6,270	7.0	2,993	7.0	2,716	6.5
Travelling and transportation expenses	2,905	5.8	3,979	5.6	5,839	6.5	2,979	7.0	2,812	6.7
Rental expenses	1,616	3.2	3,602	5.0	5,470	6.1	2,822	6.6	3,263	7.8
Others	2,190	4.4	3,533	5.0	5,368	6.0	2,096	4.9	2,573	6.1
Total	49,966	100	70,970	100	89,368	100	42,837	100.0	41,881	100.0

Our distribution costs increased by approximately 42.0% from approximately RMB50.0 million for the year ended 31 December 2010 to approximately RMB71.0 million for the year ended 31 December 2011, and by approximately 25.9% to approximately RMB89.4 million for the year ended 31 December 2012, primarily due to our expanded dealership network. Our dealership stores in operation increased from eight as at 31 December 2010 to 11 as at 31 December 2011 and 11 as at 31 December 2012. Our distribution costs decreased by approximately 2.1% from approximately RMB42.8 million for the six months ended 30 June 2012 to approximately RMB41.9 million for the six months ended 30 June 2013, primarily due to a decrease in marketing expenses and advertising fees corresponding to our shift towards lower-cost online advertising and marketing channels.

Administrative expenses

Our administrative expenses primarily consist of (i) salaries, social insurance and welfare for our management and administrative personnel; (ii) depreciation charge; (iii) amortisation of land use right and an intangible asset; (iv) rental expenses; (v) bank charges in connection with the issuance of bills and customer payment transactions; (vi) other taxes, including mainly stamp duty, land use tax and property tax; and (vii) other administrative expenses.

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The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Salaries, social insurance and welfare	11,896	30.5	22,246	40.9	23,852	40.9	10,376	38.6	10,661	31.1
Depreciation charge . . .	6,183	15.8	7,558	13.9	8,151	13.9	3,969	14.7	3,683	10.8
Listing expenses	—	—	—	—	—	—	—	—	5,739	16.8
Amortisation	1,087	2.8	1,948	3.6	2,245	3.8	1,092	4.0	1,794	5.2
Rental expenses	3,738	9.6	4,121	7.6	4,602	7.9	1,976	7.3	3,115	9.1
Bank charges	2,757	7.1	4,522	8.3	4,982	8.5	2,998	11.1	2,759	8.1
Other taxes	1,951	5.0	2,242	4.1	3,950	6.7	1,845	6.8	1,707	5.0
Travelling and transportation	1,757	4.5	2,425	4.5	2,279	3.9	1,107	4.1	1,029	3.0
Utilities	1,686	4.3	2,313	4.3	1,657	2.8	618	2.3	723	2.1
Entertainment	1,090	2.8	1,275	2.3	1,179	2.0	553	2.0	692	2.0
Others	6,883	17.6	5,690	10.5	5,622	9.6	2,446	9.1	2,330	6.8
Total	39,028	100	54,340	100	58,519	100	26,980	100.0	34,232	100.0

Our administrative expenses increased by approximately 39.2% from approximately RMB39.0 million for the year ended 31 December 2010 to approximately RMB54.3 million for the year ended 31 December 2011, and by approximately 7.7% to approximately RMB58.5 million for the year ended 31 December 2012, primarily due to the increase in salaries, social insurance and welfare expenses arising from our additional headcount to cope with our expansion. Our administrative expenses increased by approximately 26.7% from approximately RMB27.0 million for the six months ended 30 June 2012 to approximately RMB34.2 million for the six months ended 30 June 2013, primarily due to the increase in rental expenses arising from periodic rent increases on our leased properties and others arising from incurrence of listing expenses.

Finance costs

Our finance costs primarily consist of (i) interests on bank loans; (ii) interests on other borrowings from automobile manufacturers' captive financing companies; and (iii) interest expenses borne by our Group arising from discount of bills issued to automobile manufacturers. Our finance costs increased by approximately 86.1% from approximately RMB17.3 million for the year ended 31 December 2010 to approximately RMB32.2 million for the year ended 31 December 2011, and by approximately 34.2% to approximately RMB43.2 million for the year ended 31 December 2012. The increase in finance costs during the above period was primarily due to the increase in average bank loans and other borrowings from automobile manufacturers' captive financing companies to finance the growth of our operations and purchases of passenger vehicles due to the expansion of our dealership network. Our finance costs decreased by approximately 11.6% from approximately RMB21.6 million for the six months ended 30 June 2012 to approximately RMB19.1 million for the six months ended 30 June 2013. The decrease in finance costs during such period was primarily due to the decreased discounting of interest expenses on our bills issued to automobile manufacturers owing to shorter repayment periods on such bills.

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Share of profits of a joint venture

A joint venture is a joint arrangement where the parties that have joint control, being the contractually agreed sharing of control, have the right to the net assets of the arrangement. As at 31 December 2010, 2011 and 2012 and 30 June 2013, our Group owned 49% of the effective interest of Dongguan Meidong. Dongguan Meidong is accounted for as a joint venture of our Group, not a subsidiary.

Share of profits of an associate entity

An associate is an entity in which we have significant influence, but do not have control or joint control, over its financial and operating policies. Significant influence is presumed to exist when our Group holds between 20% and 50% of the acting power of another entity. As at 31 December 2010, 2011 and 2012 and 30 June 2013, our Group owned 49% of the effective interest of Dongguan Anxin. Dongguan Anxin is accounted for as an associate entity of our Group, not a subsidiary.

Dongguan Anxin commenced operations of its 4S dealership in 2010 and its profit and loss fluctuated during the Track Record Period. Its net profit increased by approximately RMB3.7 million from a net loss of approximately RMB3.1 million (of which our effective interest of the net loss was approximately RMB1.5 million) for the year ended 31 December 2010 to a net profit of approximately RMB0.6 million (of which our effective interest of the net profit was approximately RMB0.3 million) for the year ended 31 December 2011. The initial loss and subsequent increase was primarily due to the ramp-up of the dealership's operations. Dongguan Anxin's net profit then decreased by RMB1.7 million into a net loss of RMB1.1 million (of which our effective interest of the net loss was approximately RMB0.5 million) for the year ended 31 December 2012, which was primarily attributable to weaker market conditions and the Diaoyu Islands Incident. For the six months ended 30 June 2013, Dongguan Anxin's net profit was RMB1.2 million (of which our effective interest of the net profit was approximately RMB0.6 million).

Income tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands or the BVI.

No provision for Hong Kong profit tax has been made as our Group had no assessable profits made in Hong Kong during the Track Record Period.

Our effective tax rate for the years ended 31 December 2010, 2011 and 2012 was approximately 23.1%, 22.7% and 22.4%, respectively, and for the six months ended 30 June 2012 and 2013, was 22.5% and 24.5%, respectively. There has been no material fluctuation in our effective tax rates, which is in line with the statutory tax rates of 25% applicable to our PRC subsidiaries.

Our effective tax rates are lower than PRC statutory tax rate as income on share of profits of a jointly controlled entity and an associate of our Group are not taxable. Excluding the effect of the non-taxable income mentioned above, our effective tax rate for the years ended 31 December 2010, 2011 and 2012 was 25.8%, 25.4% and 25.7%, respectively, and for the six months ended 30 June 2012 and 2013 was 25.4% and 26.8%, respectively. Under the Corporate Income Tax Law of the PRC and its relevant

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regulations, the share of profits of a jointly controlled entity and an associate of our Group is qualified as return on equity investments derived by a resident enterprise from another resident enterprise, which is exempted from the Corporate Income Tax.

PERIOD TO PERIOD COMPARISON

Six months ended 30 June 2013 compared to six months ended 30 June 2012

Turnover

Turnover was approximately RMB1,514.5 million for the six months ended 30 June 2013, representing an increase of approximately RMB38.0 million, or 2.6%, from approximately RMB1,476.5 million for the six months ended 30 June 2012. This increase was primarily attributable to the increase in turnover from after-sales services and, to a lesser extent, from sales of new passenger vehicles.

Turnover from passenger vehicle sales slightly increased by approximately RMB6.4 million, or 0.5%, from approximately RMB1,343.7 million for the six months ended 30 June 2012 to approximately RMB1,350.1 million for the six months ended 30 June 2013. This was primarily due to the increase in sales volume of both luxury passenger vehicles and mid- to high-end passenger vehicles, which was partially offset by a decrease in the average selling prices of both luxury passenger vehicles and mid- to high-end passenger vehicles for the six months ended 30 June 2013.

Turnover from after-sales services increased by approximately RMB31.8 million, or 24.0%, from approximately RMB132.7 million for the six months ended 30 June 2012 to approximately RMB164.5 million for the six months ended 30 June 2013. This was primarily due to the increased after-sales services business generated from the growing customer base associated with our dealerships.

Cost of sales

Cost of sales was approximately RMB1,384.6 million for the six months ended 30 June 2013, representing an increase of approximately RMB22.8 million, or 1.7%, from approximately RMB1,361.8 million for the six months ended 30 June 2012. This increase was primarily attributable to the increase in cost of sales of passenger vehicles.

Cost of sales of passenger vehicles increased by approximately RMB18.8 million, or 1.5%, from approximately RMB1,291.4 million for the six months ended 30 June 2012 to approximately RMB1,310.2 million for the six months ended 30 June 2013. The increase in our cost of sales of passenger vehicles was mainly due to the increase in the sales volume of both mid- to high-end and luxury passenger vehicles and such costs were partially offset by an increase in incentive rebates.

Cost of sales of after-sales services increased by approximately RMB3.9 million, or 5.5%, from approximately RMB70.5 million for the six months ended 30 June 2012 to approximately RMB74.4 million for the six months ended 30 June 2013. This increase was primarily attributed to increased costs associated with the increase in turnover from after-sales services.

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Gross profit and gross profit margin

Gross profit increased by approximately RMB15.3 million, or 13.4%, from approximately RMB114.6 million for the six months ended 30 June 2012 to approximately RMB129.9 million for the six months ended 30 June 2013 due to the increase in gross profit from sales of after-sales services, which was partially offset by the decrease in gross profit from our sales of passenger vehicles. Our gross profit margin increased from approximately 7.8% for the six months ended 30 June 2012 to approximately 8.6% for the six months ended 30 June 2013.

Gross profit from passenger vehicle sales decreased by approximately RMB12.5 million, or 23.9%, from approximately RMB52.4 million for the six months ended 30 June 2012 to approximately RMB39.9 million for the six months ended 30 June 2013. Gross profit margin from the sales of passenger vehicles also decreased from approximately 3.9% for the six months ended 30 June 2012 to approximately 3.0% for the six months ended 30 June 2013. The decreases in gross profit and gross profit margin were primarily due to an increase in the number of mid- to high-end vehicles that we sold, which caused mid- to high-end vehicles with lower gross profit margins to make up a larger proportion of our sales volume of passenger vehicles during the six months ended 30 June 2013. Furthermore, during the period, the average selling price of most of our passenger vehicles decreased because we offered more vehicle price discounts to our customers in order to increase our number of vehicles sold and generate more revenue from the purchasers of such vehicles through our higher margin value-added services, such as provision of vehicle registration services and provision of mortgage loan application services.

Gross profit from after-sales services increased by approximately RMB27.8 million, or approximately 44.6%, from approximately RMB62.3 million for the six months ended 30 June 2012 to approximately RMB90.1 million for the six months ended 30 June 2013. Gross profit margin from after-sales services increased from approximately 46.9% for the six months ended 30 June 2012 to approximately 54.8% for the six months ended 30 June 2013. Such increase was mainly because we performed more after-sales services during the period. As a result, our fixed costs such as labour costs and depreciation, were allocated across a greater volume of after-sales services, hence reducing our average unit cost and increasing the overall gross profit margin from after-sales services. We also increased our gross profit from the provision of vehicle registration services and commission from mortgage loan application service from RMB8.5 million and RMB5.5 million, respectively, in the six months ended 30 June 2012 to RMB12.0 million and RMB12.9 million, respectively, in the six months ended 30 June 2013.

Other revenue and net income

Our other revenue and net income increased by approximately RMB11.7 million, or 134.5%, from approximately RMB8.7 million for the six months ended 30 June 2012 to approximately RMB20.4 million for the six months ended 30 June 2013. The increase was primarily attributable to an increase in interest income from Dadong Group, which increased by approximately RMB8.3 million from nil for the six months ended 30 June 2012 to approximately RMB8.3 million for six months ended 30 June 2013, as a result of interest income from the outstanding balance of non-recurring advances that certain of our subsidiaries granted to Dadong Group. No interest was charged for advances granted to Dadong Group by certain of our subsidiaries prior to 2013. Dadong Group was the holding company of our PRC subsidiaries prior to the Reorganisation.

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Distribution costs

Our distribution costs decreased by approximately RMB0.9 million, or 2.1%, from approximately RMB42.8 million for the six months ended 30 June 2012 to approximately RMB41.9 million for the six months ended 30 June 2013. This decrease was primarily attributable to a decrease in marketing and advertising expenses due to our shift towards lower-cost online advertising and marketing channels, which was partially offset by increases in salaries and social insurance for our sales and marketing personnel as a result of an increase in headcount due to our network expansion.

Administrative expenses

Our administrative expenses increased by approximately RMB7.2 million, or 26.7%, from approximately RMB27.0 million for six months ended 30 June 2012 to approximately RMB34.2 million for the six months ended 30 June 2013. This increase was primarily attributable to an increase in rental expenses in line with the growth in our dealership operations and for listing expenses of approximately RMB5.7 million incurred in the six months ended 30 June 2013.

Finance costs

Our finance costs decreased by approximately RMB2.5 million, or 11.6%, from approximately RMB21.6 million for the six months ended 30 June 2012 to approximately RMB19.1 million for the six months ended 30 June 2013. This decrease was primarily attributable to the decreased discounting of interest expenses on our bills issued to automobile manufacturers owing to shorter repayment periods on such bills for the six months ended 30 June 2013 compared to the six months ended 30 June 2012, and was partially offset by an increase in bank loans to finance the growth of our business operations and purchases of passenger vehicles during the same periods.

Income tax

Our income tax increased by approximately RMB6.8 million, or 84.0%, from approximately RMB8.1 million for the six months ended 30 June 2012 to approximately RMB14.9 million for the six months ended 30 June 2013. This increase was primarily attributable to the increase in profit before taxation. Our effective income tax rate increased from approximately 22.5% for the six months ended 30 June 2012 to approximately 24.5% for the six months ended 30 June 2013.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately RMB17.9 million, or 64.2%, from approximately RMB27.9 million for six months ended 30 June 2012 to approximately RMB45.8 million for the six months ended 30 June 2013. Our net profit margin increased from approximately 1.9% for the six months ended 30 June 2012 to approximately 3.0% for the six months ended 30 June 2013 primarily as a result of increased gross profit margin, increased other revenue and net income and decreased finance costs.

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Year ended 31 December 2012 compared to year ended 31 December 2011

Turnover

Turnover was approximately RMB2,949.5 million for the year ended 31 December 2012, representing an increase of approximately RMB125.4 million, or 4.4%, from approximately RMB2,824.1 million for the year ended 31 December 2011. This increase was primarily attributable to the increase in turnover from after-sales services and, to a lesser extent, from sales of new passenger vehicles.

Turnover from passenger vehicle sales slightly increased by approximately RMB41.9 million, or 1.6%, from approximately RMB2,620.5 million for the year ended 31 December 2011 to approximately RMB2,662.4 million for the year ended 31 December 2012. This was primarily due to the increase in sales volume of luxury passenger vehicles, which was partially offset by a decrease in the average selling prices of luxury passenger vehicles as well as the decrease in sales volume and average selling prices of mid- to high-end passenger vehicles for the year ended 31 December 2012.

Turnover from after-sales services increased by approximately RMB83.5 million, or 41.0%, from approximately RMB203.6 million for the year ended 31 December 2011 to approximately RMB287.1 million for the year ended 31 December 2012. This was primarily due to the increased after-sales services business generated from the growing customer base associated with our dealerships.

Cost of sales

Cost of sales was approximately RMB2,724.7 million for the year ended 31 December 2012, representing an increase of approximately RMB130.4 million, or 5.0%, from approximately RMB2,594.3 million for the year ended 31 December 2011. This increase was primarily attributable to the increase in cost of sales of passenger vehicles.

Cost of sales of passenger vehicles increased by approximately RMB97.6 million, or 3.9%, from approximately RMB2,479.4 million for the year ended 31 December 2011 to approximately RMB2,577.0 million for the year ended 31 December 2012. The increase in our cost of sales of passenger vehicles was mainly due to the increase in the sales of luxury passenger vehicle sales.

Cost of sales of after-sales services increased by approximately RMB32.7 million, or 28.4%, from approximately RMB115.0 million for the year ended 31 December 2011 to approximately RMB147.7 million for the year ended 31 December 2012. This increase was primarily attributed to increased costs associated with the increase in turnover from after-sales services.

Gross profit and gross profit margin

Gross profit decreased slightly by approximately RMB4.9 million, or 2.1%, from approximately RMB229.7 million for the year ended 31 December 2011 to approximately RMB224.8 million for the year ended 31 December 2012 due to the decrease in gross profit from sales of new passenger vehicles, which was partially offset by the increase in gross profit from our after-sales services. Our gross profit margin decreased from approximately 8.1% for the year ended 31 December 2011 to approximately 7.6% for the year ended 31 December 2012.

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Gross profit from passenger vehicle sales decreased by approximately RMB55.7 million, or 39.5%, from approximately RMB141.1 million for the year ended 31 December 2011 to approximately RMB85.4 million for the year ended 31 December 2012. Gross profit margin from the sales of passenger vehicles also decreased from approximately 5.4% for the year ended 31 December 2011 to approximately 3.2% for the year ended 31 December 2012. The decreases in gross profit and gross profit margin were primarily due to the poorer market conditions for the year ended 31 December 2012, which caused us to reduce the selling prices of our passenger vehicles, as well as the Diaoyu Islands incident, which led to decreases in sales and average selling price of Toyota passenger vehicles.

Gross profit from after-sales services increased by approximately RMB50.8 million, or approximately 57.3%, from approximately RMB88.6 million for the year ended 31 December 2011 to approximately RMB139.4 million for the year ended 31 December 2012. Gross profit margin from after-sales services increased from approximately 43.5% for the year ended 31 December 2011 to approximately 48.6% for the year ended 31 December 2012. Such increase was mainly because we provided more after-sales services during the year. As a result, our fixed costs such as labour costs and depreciation were allocated across a greater volume of after-sales services, hence reducing our average unit cost and increasing the overall gross profit margin from after-sales services.

Other revenue and net income

Our other revenue and net income increased by approximately RMB1.6 million, or 8.8%, from approximately RMB18.2 million for the year ended 31 December 2011 to approximately RMB19.8 million for the year ended 31 December 2012. The increase was primarily attributable to an increase in interest income, which increased by approximately RMB0.9 million, or 56.3%, from approximately RMB1.6 million for the year ended 31 December 2011 to approximately RMB2.5 million for the year ended 31 December 2012, as a result of an increase in our average cash and cash equivalents over the period.

Distribution costs

Our distribution costs increased by approximately RMB18.4 million, or 25.9%, from approximately RMB71.0 million for the year ended 31 December 2011 to approximately RMB89.4 million for the year ended 31 December 2012. This increase was primarily attributable to increases in salaries, social insurance and welfare for our sales and marketing personnel as a result of an increase in headcount along with our network expansion and to build up our talent bank in preparation of future expansion, as well as increases in marketing expenses and advertising fees, depreciation, office and utility expenses, rental expenses, and costs associated with the establishment of a new dealership for the year ended 31 December 2012, which were in line with the growth in our dealerships business operations and our strategy to increase marketing and advertising effort when market conditions were poorer for the year ended 31 December 2012.

Administrative expenses

Our administrative expenses increased by approximately RMB4.2 million, or 7.7%, from approximately RMB54.3 million for the year ended 31 December 2011 to approximately RMB58.5 million for the year ended 31 December 2012. This increase was primarily attributable to increases in salaries, social insurance and welfare for our administrative and management personnel, rental expenses,

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costs associated with the full year effect of such costs related to three new dealerships opened for the year ended 31 December 2011, which were in line with the growth in our dealerships business operations.

Finance costs

Our finance costs increased by approximately RMB11.0 million, or 34.2%, from approximately RMB32.2 million for the year ended 31 December 2011 to approximately RMB43.2 million for the year ended 31 December 2012. This increase was primarily attributable to the higher average balance of our loans and borrowings for the year ended 31 December 2012 compared to the year ended 31 December 2011 to finance the growth of our business operations and purchases of passenger vehicles.

Income tax

Our income tax decreased by approximately RMB9.2 million, or 40.0%, from approximately RMB23.0 million for the year ended 31 December 2011 to approximately RMB13.8 million for the year ended 31 December 2012. This decrease was primarily attributable to the decrease in profit before taxation. Our effective income tax rate remained relatively stable at approximately 22.7% for the year ended 31 December 2011 and 22.4% for the year ended 31 December 2012.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately RMB30.3 million, or 38.8%, from approximately RMB78.1 million for the year ended 31 December 2011 to approximately RMB47.8 million for the year ended 31 December 2012. Our net profit margin decreased from approximately 2.8% for the year ended 31 December 2011 to approximately 1.6% for the year ended 31 December 2012 primarily as a result of decreased gross profit margin, increased finance costs, distribution costs and administrative expenses.

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

Turnover

Turnover was approximately RMB2,824.1 million for the year ended 31 December 2011, representing an increase of approximately RMB544.5 million, or approximately 23.9%, from approximately RMB2,279.6 million for the year ended 31 December 2010. This increase was primarily attributable to the increase in turnover from passenger vehicle sales.

Turnover from passenger vehicle sales increased by approximately RMB471.5 million, or 21.9%, from approximately RMB2,149.0 million for the year ended 31 December 2010 to approximately RMB2,620.5 million for the year ended 31 December 2011. This was primarily due to the increase in sales volume during the year, which was mainly attributable to the opening of three new dealerships (one GAC Toyota, one Beijing Hyundai and one Lexus) during the year, as well as the full-year effect of the new BMW dealership which opened during 2010.

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Turnover from after-sales services increased by approximately RMB73.0 million, or 55.9%, from approximately RMB130.6 million for the year ended 31 December 2010 to approximately RMB203.6 million for the year ended 31 December 2011. This was primarily due to the increased after-sales services business generated from the growing customer base associated with our dealerships.

Cost of sales

Cost of sales was approximately RMB2,594.3 million for the year ended 31 December 2011, representing an increase of approximately RMB465.7 million, or 21.9%, from approximately RMB2,128.6 million for the year ended 31 December 2010. This increase was primarily attributable to the increase in cost of sales from passenger vehicles.

Cost of sales from passenger vehicles increased by approximately RMB436.6 million, or 21.4%, from approximately RMB2,042.8 million for the year ended 31 December 2010 to approximately RMB2,479.4 million for the year ended 31 December 2011. The increase in our cost of sales from passenger vehicles generally corresponded with the increase in our turnover from passenger vehicle sales.

Cost of sales of after-sales services increased by approximately RMB29.2 million, or 34.0%, from approximately RMB85.8 million for the year ended 31 December 2010 to approximately RMB115.0 million for the year ended 31 December 2011. This increase was generally in line with the increase in turnover from after-sales services.

Gross profit

Gross profit increased by approximately RMB78.7 million, or 52.1%, from approximately RMB151.0 million for the year ended 31 December 2010 to approximately RMB229.7 million for the year ended 31 December 2011. Our gross profit margin increased from approximately 6.6% for the year ended 31 December 2010 to approximately 8.1% for the year ended 31 December 2011.

Gross profit from passenger vehicle sales increased by approximately RMB34.9 million, or 32.9%, from approximately RMB106.2 million for the year ended 31 December 2010 to approximately RMB141.1 million for the year ended 31 December 2011. Gross profit margin from the sales of passenger vehicles also increased from approximately 4.9% for the year ended 31 December 2010 to approximately 5.4% for the year ended 31 December 2011, as we were able to increase the average selling prices of our passenger vehicles, coupled with our ability to increase the proportion of sales of luxury passenger vehicles which generally generate higher gross profit margins.

Gross profit from after-sales services increased by approximately RMB43.8 million, or approximately 97.8%, from approximately RMB44.8 million for the year ended 31 December 2010 to approximately RMB88.6 million for the year ended 31 December 2011. Gross profit margin from after-sales services increased from approximately 34.3% for the year ended 31 December 2010 to approximately 43.5% for the year ended 31 December 2011. Such increase was mainly because we performed more after-sales services during the year. As a result, our fixed costs such as labour costs and depreciation, were allocated across a greater volume of after-sales services, hence reducing our average unit cost and increasing the overall gross profit margin from after-sales services.

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Other revenue and net income

Our other revenue and net income increased by approximately RMB4.7 million, or 34.8%, from approximately RMB13.5 million for the year ended 31 December 2010 to approximately RMB18.2 million for the year ended 31 December 2011. The increase was primarily attributable to the increase in commission income from the distribution of automobile insurance products, which increased by approximately RMB4.0 million, or 33.6%, from approximately RMB11.9 million for the year ended 31 December 2010 to approximately RMB15.9 million for the year ended 31 December 2011, in-line with the increase in our passenger vehicles sales.

Distribution costs

Our distribution costs increased by approximately RMB21.0 million, or 42.0%, from approximately RMB50.0 million for the year ended 31 December 2010 to approximately RMB71.0 million for the year ended 31 December 2011. This increase was primarily attributable to increases in salaries, social insurance and welfare for our sales and marketing personnel as a result of an increase in headcount along with our network expansion as well as increases in depreciation, travelling and transportation expenses and rental expenses, including costs associated with the establishment of three new dealership for the year ended 31 December 2011 and the full year effect of such costs related to one new dealership opened for the year ended 31 December 2010, which were consistent with the growth in our dealership business operations.

Administrative expenses

Our administrative expenses increased by approximately RMB15.3 million, or 39.2%, from approximately RMB39.0 million for the year ended 31 December 2010 to approximately RMB54.3 million for the year ended 31 December 2011. This increase was primarily attributable to increases in salaries, social insurance and welfare for our administrative and management personnel, as well as increases in depreciation and bank charges, including costs associated with the establishment of three new dealerships for the year ended 31 December 2011 and the full year effect of such costs related to one new dealership opened for the year ended 31 December 2010, which were consistent with the growth in our dealership business operations.

Finance costs

Our finance costs increased by approximately RMB14.9 million, or 86.1%, from approximately RMB17.3 million for the year ended 31 December 2010 to approximately RMB32.2 million for the year ended 31 December 2011. This increase was primarily attributable to the higher average balance of our loans and borrowings and bills issued to automobile manufacturers for the year ended 31 December 2011 compared to the year ended 31 December 2010 to finance the growth of our business operations.

Income tax

Our income tax increased by approximately RMB7.9 million, or 52.3%, from approximately RMB15.1 million for the year ended 31 December 2010 to approximately RMB23.0 million for the year ended 31 December 2011. This increase was primarily attributable to the increase in profit before taxation. Our effective income tax rate remained relatively stable at approximately 23.1% for the year ended 31 December 2010 and 22.7% for the year ended 31 December 2011.

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Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB27.8 million, or 55.3%, from approximately RMB50.3 million for the year ended 31 December 2010 to approximately RMB78.1 million for the year ended 31 December 2011. Our net profit margin increased from approximately 2.2% for the year ended 31 December 2010 to approximately 2.8% for the year ended 31 December 2011 mainly as a result of our increased gross profit margin as described above.

NET CURRENT ASSETS/(LIABILITIES)

Details of our current assets and current liabilities as at the end of each reporting period during the Track Record Period and as at 30 September 2013 are as follows:

	As at 31 December			As at 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
CURRENT ASSETS					
Inventories	203,927	274,009	290,754	389,487	410,805
Trade and other receivables	299,186	450,423	502,182	229,714	252,961
Pledged bank deposits	65,649	131,372	100,666	92,634	105,835
Cash and cash equivalents	105,837	100,219	158,571	147,406	139,197
Total current assets	674,599	956,023	1,052,173	859,241	908,798
CURRENT LIABILITIES					
Loans and borrowings	321,455	378,002	508,625	641,664	784,622
Trade and other payables	308,769	449,415	360,067	466,107	384,109
Income tax payables	8,308	12,643	11,092	10,130	8,994
Total current liabilities	638,532	840,060	879,784	1,117,901	1,177,725
NET CURRENT ASSETS/ (LIABILITIES).	36,067	115,963	172,389	(258,660)	(268,927)

We expect to finance our operations, repay loans and borrowings and fund future capital commitments from our internal financial resources, including cash generated from operations. As such, we strive to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations and proceeds from the Global Offering, we also seek loans and borrowings to fund our working capital requirements and our network expansion. We have maintained long-term relationships with various commercial banks and financial institutions and we believe that our existing short-term bank loans will be accepted for renewal upon their maturity, if necessary.

As at 30 June 2013, we had net current liabilities of RMB258.7 million, representing a decrease of RMB431.1 million from our net current assets of RMB172.4 million as at 31 December 2012. The change was a result of an increase of RMB238.1 million in current liabilities and a decrease of RMB193.0 million in current assets, which were largely attributable to (a) a decrease in current assets due to deemed distributions arising from equity transfers to our Group in connection with the Reorganisation, which after offset by a capital injection in connection with the Reorganisation,

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amounted to RMB293.9 million; and (b) a decrease in current assets due to dividends declared and settled totalling approximately RMB169.9 million to the then equity shareholders of certain PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group. During the Track Record Period, other than the net current liabilities position as at 30 June 2013 as disclosed above, we have not experienced any net current liabilities positions.

According to our unaudited management accounts, as at 30 September 2013, we had net current liabilities of RMB268.9 million, representing an increase in net current liabilities of RMB10.2 million from our net current liabilities of RMB258.7 million as at 30 June 2013. The change was largely attributable to an increase in loans and borrowings of approximately RMB142.9 million during the three months ended 30 September 2013 of which approximately RMB116.0 million was used for the settlement of certain amounts owed to Dadong Group in connection with the Reorganisation, and the remainder was used to finance increased vehicle inventories. This was largely offset by (i) a decrease in trade and other payables of approximately RMB82.0 million primarily due to the settlement of amounts due to Dadong Group in connection with the Reorganisation as described above, and (ii) an increase in current assets of approximately RMB49.6 million due to an increase in trade and other receivables of approximately RMB23.3 million arising from growth in our passenger vehicle sales and after-sales services and (iii) an increase in inventories of approximately RMB21.3 million in anticipation of an expected increase in sales of new passenger vehicles and spare parts for after-sales services. Subsequent to 30 September 2013, we have taken certain measures to improve our net asset position, which we expect will have a positive effect on our net current liabilities position. On 24 October 2013, Apex Sail, a Controlling Shareholder, paid to our Company its outstanding subscription amount of HK\$75.0 million for 750,000,000 Shares that were previously allotted and issued to Apex Sail, nil paid. Of this HK\$75.0 million, RMB50 million (equivalent to approximately HK\$63.9 million) was used to repay principal on a long-term borrowing on 12 November 2013. This long-term borrowing was made by our HK Subsidiary from an Independent Third Party for the acquisition of Dongguan Meixin. See “History, Development and Reorganisation — Reorganisation — 5. Acquisition of Dongguan Meixin by the HK Subsidiary” and “Appendix I — C. Subsequent Events — (c) Early repayment of principal of a long term borrowing”. We expect that the injection of capital into our Group as described above, net of the amount used to repay the long-term borrowing described above, together with the net proceeds from the Global Offering will increase our current assets. Furthermore, as our new dealerships commence operations and generate positive cash flows to repay the loans we have obtained to finance the construction of these dealerships, we expect to decrease the amount of our loans and borrowings and in turn reduce our current liabilities. Accordingly, we expect to return to a net current assets position following the completion of the Global Offering. However, even with these measures, there can be no assurance that we will not record a net current liabilities position in the future due to other reasons. If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms or at all. Any such development could materially and adversely affect our business, results of operations and financial condition.

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INVENTORIES ANALYSIS

Our inventories mainly include passenger vehicles procured for passenger vehicle sales and, to a lesser extent, spare parts for our after-sales services. The following table is a summary of our balance of inventories as at each of the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Passenger vehicles	194,767	259,775	272,616	369,144
Others	9,160	14,234	18,138	20,343
Total	203,927	274,009	290,754	389,487

Our inventories increased by approximately RMB70.1 million, or 34.4%, from approximately RMB203.9 million as at 31 December 2010 to approximately RMB274.0 million as at 31 December 2011 and further by approximately RMB16.8 million, or 6.1%, from approximately RMB274.0 million as at 31 December 2011 to approximately RMB290.8 million as at 31 December 2012. The increase in our inventory balance as at 31 December 2011 and 2012 was primarily due to the opening of three new dealerships (one GAC Toyota, one Beijing Hyundai and one Lexus) during the year ended 31 December 2011, for which we increased our inventory balance to cope with the expected increase in sales of new passenger vehicles and spare parts for after-sales services. Our inventories further increased by approximately RMB98.7 million, or 33.9%, from approximately RMB290.8 million as at 31 December 2012 to approximately RMB389.5 million as at 30 June 2013. The increase in our inventory balance as at 30 June 2013 was primarily due to our expectations of increased demand in the second half of 2013, including due to the opening of two new dealerships (one BMW and one Lexus) during the six months ended 30 June 2013, for which we increased our inventory balance to cope with the expected increase in sales of new passenger vehicles and spare parts for after-sales services.

We assess periodically if the inventories have suffered any impairment when the carrying amount of the inventories are lower than their net realisable value. During the Track Record Period, we did not make any provision for inventories.

The following table sets out our average inventory turnover days during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	Average inventory turnover days ⁽¹⁾	28.2	33.6	37.8

Note:

- (1) Average inventory turnover days for a certain period is equal to the average of the beginning and ending inventory balances of that period divided by cost of sales for that period and multiplied by 365 days for a year or by 180 days for a six month period.

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Our average inventory turnover days increased from approximately 28.2 days for the year ended 31 December 2010 to approximately 33.6 days for the year ended 31 December 2011 primarily because we opened three new dealerships during the year ended 31 December 2011. Although such new dealerships had not ramped up by year end and contribution to turnover was therefore limited, we had to maintain a reasonable level of inventories so that there were a variety of automobile models for potential customers to select and choose from. The further increase in our average inventory turnover days from approximately 33.6 days for the year ended 31 December 2011 to approximately 37.8 days for the year ended 31 December 2012 was mainly due to the decrease in market demand for passenger vehicles for the year ended 31 December 2012 compared to 2011. The further increase in our average inventory turnover days from approximately 37.8 days for the year ended 31 December 2012 to approximately 44.2 days for the six months ended 30 June 2013 was mainly due to an increase in inventories attributable to our expectations of a higher demand usually associated with the second half of the year, as well as due to the opening of two dealerships (one BMW and one Lexus) during the six months ended 30 June 2013, for which we increased our inventory balance to cope with the expected increase in sales of new passenger vehicles. We believe our levels of inventory and average inventory turnover days for each period during the Track Record Period illustrate a disciplined and effective approach to inventory management.

As at 30 September 2013, we had sold approximately RMB342.1 million, or approximately 92.7%, of the outstanding balance amount of our passenger vehicles as at 30 June 2013.

TRADE AND OTHER RECEIVABLES ANALYSIS

Our trade receivables primarily represent receivables from corporate and governmental customers for the sales of passenger vehicles to them, receivables from automobile manufacturers' passenger vehicle financing companies for the sales of passenger vehicles to individual customers and receivables from automobile manufacturers, insurance companies and individual customers for the provision of after-sales services. Our other receivables primarily represent prepayments to automobile manufacturers and other suppliers, rebate receivables from and deposits paid to automobile manufacturers, VAT recoverable and amounts due from related parties.

The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables	11,693	12,621	14,021	23,963
Prepayments	86,783	93,323	61,991	75,817
Other receivables and deposits .	<u>68,550</u>	<u>88,158</u>	<u>117,377</u>	<u>129,184</u>
Amounts due from third parties .	167,026	194,102	193,389	228,964
Amounts due from related parties	<u>132,160</u>	<u>256,321</u>	<u>308,793</u>	<u>750</u>
	<u><u>299,186</u></u>	<u><u>450,423</u></u>	<u><u>502,182</u></u>	<u><u>229,714</u></u>

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Trade receivables

Our passenger vehicle sales and after-sales services are typically settled on a cash basis upon delivery of the passenger vehicle or completion of the after-sales service. Our trade receivables primarily include receivables from automobile manufacturers' captive finance companies in relation to mortgage provided by such companies for the settlement of sale of passenger vehicles. Mortgage receivable is normally settled within one month directly by such financial institutions. For a limited number of governmental customers that have defined procurement budgets for the purchase of passenger vehicles, we offer credit terms for the purchase of passenger vehicles ranging from seven days to less than one month. No advances are required for such credit term arrangements.

Our trade receivables increased from approximately RMB11.7 million as at 31 December 2010 to approximately RMB12.6 million as at 31 December 2011, and further to approximately RMB14.0 million as at 31 December 2012. Our trade receivables increased to approximately RMB24.0 million as at 30 June 2013. The increase in trade receivables during the above period was largely in line with the growth in our passenger vehicles sales and after-sales services.

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current	11,569	12,464	13,633	21,197
Less than 3 months past due . . .	12	64	99	2,178
3 to 12 months past due	108	56	238	577
Over 12 months past due	4	37	51	11
Total amount past due	124	157	388	2,766
Total	11,693	12,621	14,021	23,963

We have not provided for impairment loss for our trade receivables balances which were past due as at the end of each reporting date as these receivables were due from certain major customers with no recent history of default. We closely monitor the credit quality of receivables and consider those receivables that were neither past due nor impaired to be of good credit quality with satisfactory settlement pattern.

The following table sets out our average trade receivables turnover days for the Track Record Period:

	Year ended 31 December			Six months ended
	2010	2011	2012	30 June
Average trade receivables turnover days ⁽¹⁾	1.9	1.6	1.6	2.2

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Note:

- (1) Average trade receivables turnover days for a certain period is equal to the average of the beginning and ending trade receivables balances of that period divided by turnover for that period and multiplied by 365 days for a year or 180 days for a six month period.

Our average trade receivables turnover days indicate the time required for us to obtain cash proceeds from our sales. We maintained short turnover days during the Track Record Period mainly because most of our sales were conducted on a cash basis. Our average trade receivables turnover days remained relatively stable during 2010, 2011 and 2012. Our average trade receivables turnover days increased from approximately 1.6 days for the year ended 31 December 2012 to approximately 2.2 days for the six months ended 30 June 2013 mainly due to an increase in mortgage receivables arising from an increase in sales to customers using mortgage loans provided by automobile manufacturers' captive finance companies. Such finance companies normally directly settle mortgage receivables with us within one month.

As at 30 September 2013, we had collected approximately RMB20.8 million, or approximately 86.9%, of the outstanding balance amount of our trade receivables as at 30 June 2013.

Prepayments

Certain automobile manufacturers require us to make prepayments as we order new passenger vehicles from them. For such automobile manufacturers, when we place our orders, we usually prepay 20% of the cost of the passenger vehicles ordered. We prepay the remaining 80% of the cost when the automobile manufacturers begin shipping the ordered vehicles to us. Our prepayments were RMB86.8 million, RMB93.3 million and RMB62.0 million, as at 31 December 2010, 2011, and 2012, respectively, and approximately RMB75.8 million as at 30 June 2013.

The increase in prepayments to automobile manufacturers as at 31 December 2011 was primarily due to the increase in purchase of BMW branded passenger vehicles near year end to cater for the expected increase in sales of BMW branded passenger vehicles for the year ended 31 December 2012, while the decrease in prepayments to automobile manufacturers as at 31 December 2012 was mainly because we decreased the purchase of BMW branded passenger vehicles near year end as we already had adequate inventories in our dealerships. The increase in prepayments to automobile manufacturers as at 30 June 2013 was mainly because of the increase in purchase of Toyota branded passenger vehicles to cater for an expected increase in sales of Toyota branded passenger vehicles in the second half of 2013.

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Other receivables and deposits

The following table sets out a breakdown of our other receivables and deposits as at the dates indicated, and amounts outstanding as at 30 June 2013, which were subsequently settled as of 30 September 2013 and the remaining balance outstanding as at 30 September 2013:

	As at 31 December			As at 30 June	Outstanding amounts as at 30 June 2013	
	2010	2011	2012	2013	Of which were settled as of 30 September 2013	Of which remain outstanding as at 30 September 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for new dealerships . . .	11,600	2,259	5,459	6,259	500	5,759
Deposits for credit facilities . . .	19,700	21,950	27,800	31,700	—	31,700
Deposit for land and leases . . .	3,666	5,511	19,804	18,056	1,832	16,224
VAT recoverable	14,412	22,414	20,220	27,674	27,289	385
Rebate receivables from						
suppliers	15,289	31,145	41,469	40,678	36,898	3,780
Others	3,883	4,879	2,625	4,817	1,748	3,069
Total	68,550	88,158	117,377	129,184	68,267	60,917

The increase in other receivables and deposits during the Track Record Period was primarily due to the increase in rebate receivable from automobile manufacturers as a result of the increase in passenger vehicle sales during the Track Record Period. We recognise the accrual of incentive rebates at the end of each month based on each manufacturer's announced incentive rebate policy in effect for that month. Our rebates amounts are settled periodically, generally on a monthly basis, but with some also settled on a quarterly or annual basis. At the end of each month, any rebate amounts that are accrued, but not yet settled, are booked as rebate receivables. In addition, there was an increase in deposits paid to automobile manufacturers, landlords, construction companies and local government land use bureaus as a result of our network expansion and increased business scale during the Track Record Period.

Amounts due from related parties

Amounts due from related parties for the years ended 31 December 2010, 2011 and 2012 primarily represent amounts advanced to Dadong Group by members of our Group during the Track Record Period as Dadong Group was our holding company and managed capital for members of our Group prior to the completion of the Reorganisation. See Note 1(b) in Section B of the Accountants' Report in Appendix I.

As at 31 December 2012, receivables owing from Dadong Group to our Group amounted to approximately RMB308.0 million, among which approximately RMB126.2 million was settled by way of set-off against part of the dividends declared by Dongguan Dongmei, Dongguan Dongxin, Dongguan Dongbu, Dongguan Guanfeng, Xiamen Meidong and Zhuzhou Meibaohang (being the then subsidiaries of Dadong Group) in May 2013 and approximately RMB181.8 million was settled by way of cash in May 2013.

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During the Track Record Period and prior to the completion of the Reorganisation, Dadong Group was the holding company of our PRC subsidiaries. It then also held equity interest in Dongguan Meidong (a joint venture) and Dongguan Anxin (an associate). A centralised treasury policy was then adopted by our Group that cash generated from the operating activities and working capital of our subsidiaries were centralized at and managed by Dadong Group. After completion of the Reorganisation, the PRC subsidiaries of our Group had been included in our Group, while Dadong Group had not been included in our Group. Such funds and working capital of the subsidiaries as centralized and managed by Dadong Group during the Track Record Period were treated and recorded as receivables due from Dadong Group. See Note 27 to the Accountants' Report in Appendix I for details.

As at 30 June 2013, amounts due from related parties were RMB0.7 million and consisted of amounts due from Hunan Meibohang for fees that our Group had paid on behalf of Hunan Meibaohang prior to the Reorganisation.

Under the relevant PRC legal provision, General Provision of Loans (貸款通則), a loan is (i) a monetary fund that a lender provides to a borrower, (ii) the principal of which is to be repaid, and (ii) interest on which is to be repaid at an agreed rate and within an agreed time limit. As advised by our PRC Legal Advisors, since the advances due from related parties do not involve payment of interest, the General Provision of Loans is not applicable and the advances to/from related parties do not constitute a breach of the General Provision of Loans.

INTANGIBLE ASSETS

Our identifiable intangible assets represent a car dealership in the PRC, arising from the relationship with an automobile manufacturer, with an estimated useful life of 20 years. The intangible assets were recognised as a result of our acquisition of Beijing Zhongye in March 2009. The fair value of the intangible assets acquired was determined by reference to a valuation conducted by a professional third party at the acquisition date. At the acquisition date, the fair value of Beijing Zhongye's identifiable net assets were RMB27.9 million.

Beijing Zhongye operates a Toyota dealership and the dealership authorisation agreements have a term of one year and are renewed annually. During the Track Record Period, none of the Group's authorised dealership agreements were terminated by any automobile manufacturer, nor did any automobile manufacturer refuse to renew any of the Group's dealership agreements. The 20-year useful life is consistent with management's assumptions used in its budgeting process to forecast cash flows from operations supported by the dealership licence, which is consistent with the estimated useful life by other market players.

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TRADE AND OTHER PAYABLES

Our trade payables primarily relate to our purchases of spare parts for which we have been granted a credit period of approximately 30 days by such suppliers, and our bills payable relates mainly to our purchases of passenger vehicles by bills for which we typically have been granted a credit period of one to six months. Our other payables mainly include advances and deposits received from our customers, accrued salary expenses, payables for purchases of property, plant and equipment and land use rights and amounts due to related parties. The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	13,102	18,107	20,685	24,527
Bills payable.	172,171	230,916	162,485	214,840
	185,273	249,023	183,170	239,367
Receipts in advance	61,620	94,530	86,757	64,933
Other payables and accruals . . .	16,467	20,290	31,586	36,281
Amount due to third parties . . .	263,360	363,843	301,513	340,581
Amount due to related parties . .	45,409	85,572	58,554	125,526
Trade and other payables. . . .	308,769	449,415	360,067	466,107

Trade and bills payables

Our trade and bills payables as at 31 December 2010, 2011 and 2012 were approximately RMB185.3 million, RMB249.0 million and RMB183.2 million, respectively, and RMB239.4 million as at 30 June 2013. The increase in trade and bills payables as at 31 December 2011 was primarily due to the increase in purchases of passenger vehicles as a result of our increase business scale during the year, while the decrease in trade and bills payables as at 31 December 2012 was mainly attributable to our increased use of borrowings from automobile manufacturers' captive finance companies instead of issuing bills as part of our efforts to improve liquidity management. The increase in trade and bills payables as at 30 June 2013 was mainly attributable to the increase in purchases of passenger vehicles, which are primarily purchased by bills, and spare parts for after-sales services as a result of our expectations of increased demand in the second half of 2013, including due to the opening of two new dealerships (one BMW and one Lexus) during the six months ended 30 June 2013.

As at 30 September 2013, we had paid approximately RMB238.1 million, or approximately 99.5%, of the outstanding balance amount of our trade and bills payables as at 30 June 2013.

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The following table sets forth the ageing analysis of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due within 3 months	164,904	223,857	182,751	235,867
Due after 3 months but within 6 months	20,369	25,166	419	3,500
Total	185,273	249,023	183,170	239,367

The following table sets forth our average trade and bills payables turnover days during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Average trade and bills payables turnover days ⁽¹⁾	30.8	30.6	28.9	27.5

Note:

- (1) Average trade and bills payables turnover days for a certain period is equal to the average of the beginning and ending trade and bills payables balance of the year divided by cost of sales for that period and multiplied by 365 for a year or by 180 days for a six month period.

Our average turnover days for trade and bills payables remained relatively stable during the Track Record Period. Our Directors confirm that there has been no delay or default in repayment of trade and bills payables during the Track Record Period.

Receipts in advance

Receipts in advance represented advances and deposits received from customers in connection with the sales of passenger vehicles. The increase in receipts in advance as at 31 December 2011 was mainly attributable to the increase in passenger vehicles sales near year end, while the decreases in receipts in advance as at 31 December 2012 and as at 30 June 2013 were primarily due to the increase in efficiency for which a passenger vehicle is delivered to our customers.

Other payables and accruals

Other payables and accruals primarily consist of accrued salary expenses and payables for purchases of property, plant and equipment and land use rights. The increase in other payables and accruals as at 31 December 2010, 2011 and 2012 and as at 30 June 2013 was mainly a result of our network expansion and increased business scale during the Track Record Period.

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Amounts due to related parties

Amounts due to related parties primarily represent amounts advanced to members of our Group by Dadong Group during the Track Record Period as Dadong Group was our holding company and managed capital for members of our Group prior to the completion of the Reorganisation. Such shareholder's advances from Dadong Group to our Group were primarily used for the expansion and development of our business. See Note 27 in Section B of the Accountants' Report in Appendix I. As at 30 June 2013, the amount due to related parties was RMB125.5 million and primarily represents amounts payable to Dadong Group and Mr. Ye Fan in connection with equity transfers to our Group in connection with the Reorganisation. As at the Latest Practicable Date all such amounts have been settled.

Under the General Provision of Loans (貸款通則), loans refers to (i) a monetary fund that a lender provides to a borrower, (ii) the principal of which is to be repaid, and (ii) interest on which is to be repaid at an agreed rate and within an agreed time limit. As advised by our PRC Legal Advisors, since the advances to related parties do not involve payment of interest, the General Provision of Loans is not applicable and the advances to/from related parties do not constitute a breach the General Provision of Loans.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for purchases of passenger vehicles, spare parts and automobile accessories, to fund our working capital and normal recurring expenses, to fund the capital expenditures in connection with the establishment of new dealerships and to repay our indebtedness. We maintain our liquidity through a combination of cash flows generated from our operating activities, capital injections and loans and borrowings.

The following table is a condensed summary of our combined statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash (used in)/generated from operating activities	(40,938)	50,723	41,726	(46,134)	(33,589)
Net cash (used in)/generated from investing activities	(94,397)	(218,641)	(147,957)	(93,713)	131,559
Net cash generated from/(used in) financing activities	<u>180,630</u>	<u>162,300</u>	<u>164,583</u>	<u>151,166</u>	<u>(109,135)</u>
Net increase/(decrease) in cash and cash equivalents	45,295	(5,618)	58,352	11,319	(11,165)
Cash and cash equivalents at beginning of the year	<u>60,542</u>	<u>105,837</u>	<u>100,219</u>	<u>100,219</u>	<u>158,571</u>
Cash and cash equivalents at the end of the year	<u><u>105,837</u></u>	<u><u>100,219</u></u>	<u><u>158,571</u></u>	<u><u>11,538</u></u>	<u><u>147,406</u></u>

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Cash flows from operating activities

For the six months ended 30 June 2013, we had operating profit before changes in working capital of approximately RMB74.5 million and net cash used in operating activities of approximately RMB33.6 million. The difference of approximately RMB108.1 million was primarily attributable to an increase in inventories of approximately RMB98.7 million due to the opening of two dealerships (one BMW and one Lexus) during the six months ended 30 June 2013, for which we increased our inventory balance to cope with the expected increase in sales of new passenger vehicles and spare parts for our after-sales services, an increase in trade and other receivables of approximately RMB35.6 million, which was in line with the growth in our passenger vehicle sales and after-sales services, and income tax paid of approximately RMB15.9 million, which was partially offset by an increase in trade and other payables of approximately RMB34.0 million due to the increase in purchases of passenger vehicles as a result of our expanded business scale during the period and a decrease in pledged bank deposits of approximately RMB8.0 million.

For the year ended 31 December 2012, we had operating profit before changes in working capital of approximately RMB116.1 million and net cash generated from operating activities of approximately RMB41.7 million. The difference of approximately RMB74.4 million was primarily attributable to a decrease in trade and other payables of approximately RMB67.9 million due to our increased use of borrowings from automobile manufacturers' captive finance companies instead of issuing bills as part of our efforts to improve liquidity management, an increase in inventories of approximately RMB16.7 million due to ramp-up of operations at Zhuzhou Meibaohang during the year ended 31 December 2012, and an increase in inventory balance of Toyota passenger vehicles for the expected recovery of the sale of Japanese-branded automobiles in 2013, income tax paid of approximately RMB21.2 million and an increase in trade and other receivables of approximately RMB0.7 million, which was partially offset by a decrease in pledged bank deposits of approximately RMB30.7 million.

For the year ended 31 December 2011, we had operating profit before changes in working capital of approximately RMB136.8 million and net cash generated from operating activities of approximately RMB50.7 million. The difference of approximately RMB86.1 million was primarily attributable to an increase in inventories of approximately RMB70.1 million due to the opening of three new dealerships (one GAC Toyota, one Beijing Hyundai and one Lexus) during the year ended 31 December 2011, for which we increased our inventory balance to cope with the expected increase in sales of new passenger vehicles and spare parts for after-sales services, an increase in pledged bank deposits of approximately RMB65.7 million, an increase in trade and other receivables of approximately RMB27.1 million which was in line with the growth in our passenger vehicles sales and after-sales services and income tax paid of approximately RMB21.4 million, which was partially offset by an increase in trade and other payables of approximately RMB98.2 million due to the increase in purchases of passenger vehicles as a result of our expanded business scale during the year.

For the year ended 31 December 2010, we had operating profit before changes in working capital of approximately RMB84.7 million and net cash used in operating activities of approximately RMB40.9 million. The difference of approximately RMB125.6 million was primarily attributable to an increase in inventories of approximately RMB78.1 million, an increase in trade and other receivables of approximately RMB66.2 million, an increase in pledged bank deposits of approximately RMB13.3 million and income tax paid of approximately RMB12.2 million, which was partially offset by an increase in trade and other payables of approximately RMB44.1 million.

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The negative operating cash flow for the year ended 31 December 2010 was mainly due to higher cash outflows for procurement of inventories, payment of deposits for new dealerships to automobile manufacturers and payment of deposits for credit facilities to automobile manufacturers' captive finance companies due to our Group's business expansion and an expectation of promising market conditions in 2011.

Cash flows from investing activities

For the six months ended 30 June 2013, our net cash generated from investing activities was approximately RMB131.6 million. This was primarily due to repayment by related parties of advances of approximately RMB366.6 million, proceeds from disposal of property, plant and equipment of approximately RMB3.1 million and interest received of approximately RMB1.1 million. This was partially offset by advances to related parties of approximately RMB184.8 million, payment for purchase of property, plant and equipment of approximately RMB53.8 million and payment for purchase of lease prepayments of approximately RMB0.7 million.

For the year ended 31 December 2012, our net cash used in investing activities was approximately RMB148.0 million. This was primarily due to advances to related parties of approximately RMB574.6 million, payment for purchase of property, plant and equipment of approximately RMB51.7 million and payment for purchase of lease prepayments of approximately RMB55.7 million mainly due to our network expansion and increased business scale. This was partially offset by repayment of advances to related parties of approximately RMB522.2 million, proceeds from disposal of property, plant and equipment of approximately RMB9.4 million and interest received of approximately RMB2.5 million.

For the year ended 31 December 2011, our net cash used in investing activities was approximately RMB218.6 million. This was primarily due to advances to related parties of approximately RMB686.4 million, payment for purchase of property, plant and equipment of approximately RMB65.9 million and payment for purchase of lease prepayments of approximately RMB33.1 million mainly due to our network expansion and increased business scale. This was partially offset by repayment of advances to related parties of approximately RMB562.2 million, proceeds from disposal of property, plant and equipment of approximately RMB2.9 million and interest received of approximately RMB1.6 million.

For the year ended 31 December 2010, our net cash used in investing activities was approximately RMB94.4 million. This was primarily due to advances to related parties of approximately RMB347.8 million, payment for purchase of property, plant and equipment of approximately RMB48.1 million and payment for purchase of lease prepayments of approximately RMB9.8 million mainly due to our network expansion and increased business scale. This was partially offset by repayment of advances to related parties of approximately RMB309.9 million, proceeds from disposal of property, plant and equipment of approximately RMB0.7 million and interest received of approximately RMB0.8 million.

Cash flows from financing activities

For the six months ended 30 June 2013, our net cash used in financing activities was approximately RMB109.1 million, primarily reflecting repayment of loans and borrowings of approximately RMB1,131.6 million, payments to then equity holders of approximately RMB220.7 million in connection with the Reorganisation, repayment of advances from related parties of approximately RMB95.5 million, dividends paid of approximately RMB40.4 million and interest paid of approximately RMB22.5 million primarily to finance our working capital and network expansion needs.

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This was partially offset by proceeds from loans and borrowings of approximately RMB1,284.7 million, capital injection from equity shareholder of our Group of approximately RMB69.0 million and advances from related parties of approximately RMB48.0 million primarily to finance our working capital and network expansion needs.

For the year ended 31 December 2012, our net cash generated from financing activities was approximately RMB164.6 million, primarily reflecting proceeds from loans and borrowings of approximately RMB1,999.1 million, advances from related parties of approximately RMB125.1 million and capital injection from equity shareholder of our Group of approximately RMB56.0 million primarily to finance our working capital and network expansion needs. This was partially offset by repayment of loans and borrowings of approximately RMB1,808.5 million, repayment of advances from related parties of approximately RMB152.1 million, interest paid of approximately RMB43.0 million and dividends paid of approximately RMB12.0 million.

For the year ended 31 December 2011, our net cash generated from financing activities was approximately RMB162.3 million, primarily reflecting proceeds from loans and borrowings of approximately RMB1,599.7 million, advances from related parties of approximately RMB215.4 million and capital injection from equity shareholder of our Group of approximately RMB98.0 million primarily to finance our working capital and network expansion needs. This was partially offset by repayment of loans and borrowings of approximately RMB1,543.1 million, repayment of advances from related parties of approximately RMB175.3 million and interest paid of approximately RMB32.4 million.

For the year ended 31 December 2010, our net cash generated from financing activities was approximately RMB180.6 million, primarily reflecting proceeds from loans and borrowings of approximately RMB1,605.5 million, advances from related parties of approximately RMB164.8 million and capital injection from equity shareholder of our Group of approximately RMB22.0 million primarily to finance our working capital and network expansion needs. This was partially offset by repayment of loans and borrowings of approximately RMB1,431.0 million, repayment of advances from related parties of approximately RMB163.8 million and interest paid of approximately RMB16.8 million.

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CAPITAL EXPENDITURES

Our capital expenditures have principally consisted of expenditures on purchases of property, plant and equipment and land use rights. The following tables sets out our historical capital expenditures during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment				
Buildings	683	172	238	7,105
Leasehold improvements	2,688	901	872	784
Plant and machinery	2,235	5,680	981	1,256
Motor vehicles	12,194	10,691	20,497	8,701
Office equipment and furniture	3,826	5,413	2,483	4,040
Construction in progress	28,429	42,647	34,964	41,470
	50,055	65,504	60,035	63,356
Land use rights	<u>9,811</u>	<u>35,936</u>	<u>52,826</u>	<u>663</u>
Total	<u>59,866</u>	<u>101,440</u>	<u>112,861</u>	<u>64,019</u>

Our projected capital expenditures for the year ending 31 December 2013 consists of property, plant and equipment of approximately RMB208.5 million.

COMMITMENTS

As at 30 June 2013, we had contracted for (but not provided) capital expenditures in respect of property, plant and equipment of approximately RMB23.9 million, which are payable primarily based on completion of construction milestones as set forth in such contracts.

Certain of our land and properties are held under operating leases, which typically run for an initial period of one to 20 years with an option to renew the leases when all the terms are renegotiated. The following sets forth the total future minimum lease payments under non-cancellable operating leases as at 30 June 2013:

	As at 30 June 2013 RMB'000
Within 1 year	9,038
After 1 year but within 5 years	30,205
After 5 years	96,603
Total	<u>135,846</u>

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INDEBTEDNESS

Loans and borrowings

We obtain bank loans and borrowings from automobile manufacturers' captive finance companies to finance our working capital and network expansion needs. Our outstanding balance of loans and borrowings as at 31 December 2010, 2011 and 2012 and 30 June 2013 was approximately RMB321.5 million, RMB378.0 million, RMB568.6 million and RMB721.7 million respectively. The following table sets forth our indebtedness as at the end of each reporting period during the Track Record Period and as at 30 September 2013:

	As at 31 December			As at 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Bank loans	147,200	270,975	431,985	465,389	625,720
Borrowings from other financial institutions ⁽¹⁾	174,255	107,027	136,640	206,275	188,902
Borrowings from a third party ⁽²⁾	—	—	—	50,000	50,000
Total	321,455	378,002	568,625	721,664	864,622
Secured bank loans by own assets	53,200	87,473	153,485	151,000	206,176
Secured borrowings from other financial institutions by own assets ⁽¹⁾	158,465	83,269	128,894	200,842	176,000
Unsecured loans and borrowings	109,790	207,260	286,246	369,822	482,446
Total	321,455	378,002	568,625	721,664	864,622
Guaranteed loans and borrowings by related parties	293,455	347,729	568,625	481,784	472,201
Guaranteed bank loan by certain third-party guarantee companies	28,000	—	—	—	—
Unguaranteed loans and borrowings	—	30,273	—	239,880	392,421
Total	321,455	378,002	568,625	721,664	864,622

Notes:

- (1) Borrowings from other financial institutions mainly represent loans obtained from automobile manufacturers' captive finance companies, which were provided to us to finance our procurement of passenger vehicles from the corresponding automobile manufacturer.
- (2) Borrowings from a third party represent a loan from an Independent Third Party to our HK Subsidiary for the acquisition of Dongguan Meixin. The ultimate beneficial owner of the lender is a friend of the Ye Brothers and to the best knowledge, information and belief of our Directors, such Independent Third Party does not have any previous business dealings with the Ye Brothers or our Group. See "History, Development and Reorganisation — Reorganisation — 5. Acquisition of Dongguan Meixin by the HK Subsidiary".

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Our loans and borrowings increased from approximately RMB321.5 million as at 31 December 2010 to approximately RMB378.0 million as at 31 December 2011, further to approximately RMB568.6 million as at 31 December 2012 and further to approximately RMB721.7 million as at 30 June 2013 due to our increased capital needs for the expansion of our business and dealership network. During the Track Record Period, we have not experienced any delay or default in repayment of loans and borrowings nor experienced any difficulties in obtaining banking facilities with terms that we consider are commercially acceptable.

Our loans and borrowings comprised of fixed-rate and variable-rate loans. Our fixed-rate loans carried interest ranging from 4.86% to 6.37%, 5.81% to 9.27% and 6.60% to 8.53% for the years ended 31 December 2010, 2011 and 2012, respectively, and 1.00% to 7.20% for the six months ended 30 June 2013, while our variable-rate loans and borrowings carried interest ranging from 5.31% to 7.42%, 6.24% to 10.98% and 6.60% to 9.24% for the years ended 31 December 2010, 2011 and 2012, respectively, and 5.88% to 8.89% for the six months ended 30 June 2013.

The following table sets forth the maturity profile of our loans and borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Within 1 year or on demand	321,455	378,002	508,625	641,664	784,622
After 1 year but within 2 years . . .	—	—	60,000	80,000	80,000
Total	321,455	378,002	568,625	721,664	864,622

As at 30 June 2013, certain of our bank loans were secured by guarantees provided by related parties. The relevant banks have given consent in principle to release all such guarantees provided by our Controlling Shareholders and their respective associates upon Listing.

Banking and other facilities

As at 30 September 2013, we had entered into facilities with banks and automobile manufacturers' captive finance companies amounting to a total of approximately RMB1,432 million, of which approximately RMB569 million were unutilised.

Statement of indebtedness

As at 30 September 2013, being the latest practicable date for the purpose of this indebtedness statement, except as disclosed in the section headed “— Indebtedness” in this prospectus, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

We confirm that there has not been any material change in our indebtedness position since 30 September 2013.

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Contingent liabilities

As at 31 December 2012 and 30 June 2013, one of our subsidiaries had issued a financial guarantee to a bank in respect of a banking facility granted to a related party of our Group in the amount of RMB80 million and the banking facility utilised by the related party amounted to RMB50 million. Another subsidiary of our Group had an asset being pledged to the bank as security for such utilised banking facility by the related party. For further details, please refer to Note 26 in section B of the Accountants' Report in Appendix I to this prospectus. Save as disclosed above, during the Track Record Period and as at the Latest Practicable Date, we did not maintain any outstanding loan capital or bank overdraft, or carry any liabilities under acceptance or other similar indebtedness, debenture, mortgage, charges or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities. Further, we are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Our Directors do not consider it probable that a claim will be made against the two subsidiaries under any of the guarantees or for any of the asset pledged. Such guarantees and asset pledged have been released as at the Latest Practicable Date. In addition, our Directors confirm that there has not been any material change in the contingent liabilities of our Company as at the Latest Practicable Date.

OTHER KEY FINANCIAL RATIOS

Financial Ratios	Formulae	As at/Year ended 31 December			As at/Six months ended
		2010	2011	2012	30 June 2013
Profitability ratios:					
1. Growth					
a. Turnover growth		—	23.9%	4.4%	2.6%
b. Net profit growth		—	55.3%	-38.8%	64.2%
2. Profit margins					
a. Gross profit margin	a. Gross profit/Turnover x 100%	6.6%	8.1%	7.6%	8.6%
b. Net profit margin before interest and tax	b. Net profit before interest and tax/ Turnover x 100%	3.6%	4.7%	3.6%	5.3%
c. Net profit margin	c. Net profit after tax/Turnover x 100%	2.2%	2.8%	1.6%	3.0%
3. Return on equity					
a. Return on equity	a. Profit after taxation/Closing balance of total equity x 100%	24.8%	20.6%	10.4%	110.6%
b. Return on total assets	b. Profit after taxation/Closing balance of total assets x 100%	6.0%	6.4%	3.4%	3.7%
Liquidity ratios:					
1. Liquidity ratios					
a. Current ratio	a. Current assets/Current liabilities	1.1	1.1	1.2	0.8
b. Quick ratio	b. (Current assets – Inventories)/ Current liabilities	0.7	0.8	0.9	0.4

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Financial Ratios	Formulae	As at/Year ended 31 December			As at/Six months ended
		2010	2011	2012	30 June 2013
2. Turnover ratios					
a. Inventories turnover days	a. Average of the beginning and ending inventory balances of the year/Cost of sales x 365 days (or 180 days for a six month period)	28.2	33.6	37.8	44.2
b. Trade receivables turnover days	b. Average of the beginning and ending trade receivables balances of the year/Turnover x 365 days (or 180 days for a six month period)	1.9	1.6	1.6	2.2
c. Trade and bills payables turnover days	c. Average of the beginning and ending trade and bills payables balances of the year/Cost of sales x 365 days (or 180 days for a six month period)	30.8	30.6	28.9	27.5
Capital adequacy ratio:					
1. Gearing ratio	Total loans and borrowings/Total equity x 100%	158.5%	99.8%	123.9%	1,743.6%
2. Debt to net worth ratio					
a. Adjusted debt to equity ratio	a. Adjusted net debt (Loans and borrowings + Bills payable – Pledged bank deposits – Cash and cash equivalents)/Total equity	158.8%	99.6%	102.8%	1,682.7%
b. Interest coverage	b. Profit before interest and tax/interest expenses	4.8	4.1	2.4	4.2

Net profit margin before interest and tax and net profit margin

Our net profit margin before interest and tax and net profit margin increased for the year ended 31 December 2011 primarily due to the increase in gross profit. The decrease in our net profit margin before interest and tax and net profit margin for the year ended 31 December 2012 was mainly a result of a decrease in gross profit, coupled with increases in distribution costs and administrative expenses during the year. The increase in our net profit margin before interest and tax and net profit margin for the six months ended 30 June 2013 compared to the six months ended 30 June 2012 was primarily a result of increased gross profit margin, increased other revenue and net income and decreased finance costs.

Return on equity

The decrease in our return on equity for the year ended 31 December 2011 was primarily attributable to the capital injection by our equity shareholder of approximately RMB98.0 million during the year to support the expansion of dealership network. The further decrease in our return on equity for the year ended 31 December 2012 was mainly a result of the decrease in our net profit generated during the year due to challenging market conditions, coupled with a capital injection by our equity shareholder of approximately RMB56.0 million during the year to support the expansion of dealership network. The increase in our return on equity for the six months ended 30 June 2013 was primarily attributable to (i) a substantial decrease in equity, which was largely due to (a) deemed distributions arising from equity transfers to our Group in connection with the Reorganisation, which after offset by a capital injection in connection with the Reorganisation, amounted to RMB293.9 million; and (b) dividends declared and

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settled totalling approximately RMB169.9 million to the then equity shareholders of certain PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group, and (ii) an increase in current liabilities primarily attributable to an increase in loans and borrowings and bills payable to finance the growth of our business operations and purchases of passenger vehicle.

Return on total assets

Our return on total assets remained relatively stable for the years ended 31 December 2010 and 2011. The decrease in our return on total assets for the year ended 31 December 2012 was primarily attributable to the decrease in our net profit generated during the year due to challenging market conditions. Our return on total assets remained relatively stable for the six months ended 30 June 2013.

Current ratio and quick ratio

Our current ratio and quick ratio remained relatively stable during 2010, 2011 and 2012 which is attributable to our commitment to stable and balanced operations. Our current ratio and quick ratio decreased for the six months ended 30 June 2013 which is attributable to an increase in current liabilities primarily attributable to an increase in loans and borrowings and bills payable to finance the growth of our business operations and purchases of passenger vehicles and increases in payables due to Dadong Group in connection with the Reorganisation.

Gearing ratio

The decrease in our gearing ratio for the year ended 31 December 2011 was primarily due to the increase in equity from approximately RMB202.9 million as at 31 December 2010 to approximately RMB378.9 million as at 31 December 2011, as a result of the capital injection from our equity shareholder and total comprehensive income generated during the year. The increase in our gearing ratio for the year ended 31 December 2012 was mainly because of the increase in our total loans and borrowings from approximately RMB378.0 million as at 31 December 2011 to approximately RMB568.6 million as at 31 December 2012. The increase in our gearing ratio for the six months ended 30 June 2013 was mainly because of (i) a substantial decrease in equity from RMB459.0 million as at 31 December 2012 to RMB41.4 million as at 30 June 2013, which was largely due to (a) deemed distributions arising from equity transfers to our Group in connection with the Reorganisation, which after offset by a capital injection in connection with the Reorganisation, amounted to RMB293.9 million; and (b) dividends declared and settled totalling approximately RMB169.9 million to the then equity shareholders of certain PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group, and (ii) an increase in current liabilities primarily attributable to an increase in loans and borrowings and bills payable to finance the growth of our business operations and purchases of passenger vehicles.

Adjusted debt to equity ratio

The decrease in our adjusted debt to equity ratio for the year ended 31 December 2011 was primarily due to the increase in equity from approximately RMB202.9 million as at 31 December 2010 to approximately RMB378.9 million as at 31 December 2011, as a result of the capital injection from our equity shareholder and total comprehensive income generated during the year. The increase in our adjusted debt to equity ratio for the year ended 31 December 2012 was mainly because of the increase in our net adjusted debt from approximately RMB377.3 million as at 31 December 2011 to

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approximately RMB471.9 million as at 31 December 2012. The increase in our adjusted debt to equity ratio for the six months ended 30 June 2013 was mainly because of (i) a substantial decrease in equity from RMB459.0 million as at 31 December 2012 to RMB41.4 million as at 30 June 2013, which was largely due to (a) deemed distributions arising from equity transfers to our Group in connection with the Reorganisation, which after offset by a capital injection in connection with the Reorganisation, amounted to RMB293.9 million; and (b) dividends declared and settled totalling approximately RMB169.9 million to the then equity shareholders of certain PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group, and (ii) an increase in current liabilities primarily attributable to an increase in loans and borrowings and bills payable to finance the growth of our business operations and purchases of passenger vehicles.

Interest coverage ratio

The decrease in our interest coverage ratio during 2010, 2011 and 2012 was primarily due to the increase in our finance costs during the same period. The increase in our interest coverage ratio for the six months ended 30 June 2013 was primarily due to a decrease in interest expenses during the period arising from discount of bills issued to automobile manufacturers and the capitalisation of borrowing costs in the amount of approximately RMB3.3 million.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources presently available to us, including cash flow from operations, banking facilities, facilities granted by automobile manufacturers' capital finance companies, other internal resources and the estimated net proceeds from the Global Offering, we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

LISTING EXPENSES

We incurred approximately RMB8.2 million of listing expenses during the Track Record Period, among which RMB2.5 million was recorded as prepayments and RMB5.7 million was recorded as expense. We expect to incur approximately an additional RMB22.3 million in listing expenses after the Track Record Period, of which approximately RMB6.9 million will be recognised as expenses in the consolidated statements of comprehensive income for the year ending 31 December 2013 and the remaining will be capitalised after Listing.

DIVIDEND AND DIVIDEND POLICY

No dividend has been paid or declared by our Company since its date of incorporation. Dongguan Meidong declared and paid dividends in cash totalling approximately RMB2.9 million and RMB11.8 million to its then equity shareholder, Dadong Group, for the years ended 31 December 2010 and 2012. Xiamen Meidong also declared and paid dividends in cash totalling approximately RMB12.0 million to its then equity holder, Dadong Group, for the year ended 31 December 2012. In May 2013, Dongguan Dongmei, Dongguan Dongxin, Dongguan Dongbu, Dongguan Guanfeng, Xiamen Meidong and Zhuzhou

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Meibaohang declared dividends, in the aggregate, of approximately RMB169.9 million to the then equity shareholder of these PRC subsidiaries, including Dadong Group and the non-controlling shareholder of a subsidiary of our Group, of which RMB126.2 million was settled by way of set-off against outstanding amounts due from Dadong Group, RMB11.4 million was paid in cash in May 2013, RMB29.0 million was paid in cash in June 2013, and RMB3.3 million was paid in cash to the non-controlling shareholder of a subsidiary of our Group. After the Listing, the declaration of dividends will be subject to the approvals of our Board after considering the above factors and by our then Shareholders.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. As such, our dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in Note 27 in section B of the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms that are not less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective during the Track Record Period.

DISTRIBUTABLE RESERVES

As at 30 June 2013, our Company had no distributable reserves which were available for distribution to our equity holders.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Our financial assets include cash and cash equivalent, pledged bank deposits, trade and other receivables. Our financial liabilities include loans and borrowings, and trade and other payables. We have overall responsibility for the establishment and oversight of our risk management framework, and developing and monitoring our risk management policies. Our risk management policies are established to identify and analyse the risks faced by our Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. We, through our training and management

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standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

Credit risk

Our credit risk is primarily attributable to trade and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables balances mainly represent mortgage granted by major financial institutions to our customers, receivables from credit sales to our corporate customers and individual customers from sales of passenger vehicles and provision of after-sales services. The mortgage receivable is normally settled within one month directly by major financial institutions. The credit sales are offered through credit evaluation and subject to high level management's approval. Normally, we do not obtain collateral from customers.

At the respective balance sheet dates, we had certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2010, 2011 and 2012 and 30 June 2013 represented approximately 67%, 74%, 70% and 39% of the total trade and other receivables respectively, while 43%, 56%, 61% and 12% of the total trade and other receivables were due from the largest single debtor respectively.

Except for the financial guarantees given by our Group as set out in note 26 in section B of the Accountants' Report in Appendix I to this prospectus, our Group does not provide any other guarantees which would expose our Group to credit risk.

Liquidity risk

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

Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

Our policy is to regularly monitor current and expected liquidity requirements, and to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Cash at bank, pledged bank deposits and interest-bearing borrowings are the major types of our financial instruments subject to interest rate risk. We do not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

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The following table indicates the instantaneous change in our profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the end of the Track Record Period and had been applied to re-measure those financial instruments held by us which expose us to fair value interest rate risk at the end of the Track Record Period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by us at the end of the Track Record Period, the impact on our profit after tax (and retained profits) and other components of combined equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Track Record Period.

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit after tax and retained profits for the year RMB'000</u>
At 31 December 2010		
Basis points	100	(1,644)
Basis points	(100)	1,644
At 31 December 2011		
Basis points	100	(2,351)
Basis points	(100)	2,351
At 31 December 2012		
Basis points	100	(2,626)
Basis points	(100)	2,626
At 30 June 2013		
Basis points	100	(3,151)
Basis points	(100)	3,151

Foreign currency risk

Our businesses are principally conducted in RMB and most of our monetary assets and liabilities are denominated in RMB. Accordingly, our Directors considered our exposure to foreign currency risk is not significant. We do not employ any financial instruments for hedging purposes.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands and we may not be able to pay dividend in foreign currencies to our shareholders.

Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013 due to the short maturities of those instruments, except for the amounts due from/to related parties, which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

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DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 June 2013 and there is no event since 30 June 2013 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

All statistics in this table are based on the assumption that no options are granted under the Share Option Scheme.

Forecast consolidated profit attributable to equity shareholders of the Company ⁽¹⁾	not less than RMB97,400,000
Unaudited pro forma forecast earnings per Share ⁽²⁾⁽³⁾	not less than RMB0.09 (approximately HK\$0.11)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2013 has been prepared are summarized in Appendix III to this prospectus.
- (2) The calculation of the forecast earnings per Share on a pro forma basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013, assuming that the Company has been listed since 1 January 2013 and a total of 1,000,000,000 Shares were in issue during the entire year.
- (3) The unaudited pro forma forecast earnings per Share is converted into Hong Kong Dollars at an exchange rate of RMB0.7913 to HK\$1.

The texts of letters from our Reporting Accountants, and from the Sole Sponsor in respect of the profit forecast are set out in “Appendix III — Profit Forecast”.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only and it may not give a true picture of our net tangible assets following the Global Offering. The following unaudited pro forma adjusted net tangible assets is set out here to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2013 as derived from our combined financial information set forth in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets statement does not form part of the Accountants' Report.

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	Combined net tangible assets of our Group attributable to equity shareholders of our Company as at 30 June 2013^(Note 1)	Estimated net proceeds from the Global Offering^(Note 2)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted net tangible assets per Share^(Notes 3 and 4)	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the Offer Price of HK\$1.8 for each Share	15,039	331,300	346,339	0.35	0.44

Notes:

- (1) The combined net tangible assets of our Group attributable to equity shareholder of our Company as at 30 June 2013 is compiled based on the combined financial information included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined net assets attributable to equity shareholder of our Company of RMB26,854,000 less intangible assets of RMB11,815,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.8 per Share, after deduction of the underwriting fees and other related expenses payable by us. No account has been taken of the Shares which may fall to be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible asset per Share is arrived at after the adjustment for the estimated net proceeds from the Global Offering payable to us as described in Note (1) and on the basis that a total of 1,000 million Shares were in issue as at 1 January 2013 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering).
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7913 to HK\$1.00.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2013.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section entitled “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$418.7 million, assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$1.8 per Share. We intend to use such net proceeds as follows:

- Approximately HK\$209.3 million or 50% towards financing the capital expenditures required in connection with the organic growth of our 4S dealership network via our opening of new 4S dealerships. We expect that of this amount: (i) HK\$167.4 million, representing 40% of the net proceeds from the Global Offering, would be used for property construction or renovation; and (ii) HK\$41.9 million, representing 10% of the net proceeds from the Global Offering, would be used for purchases of equipment and fittings. As at 30 June 2013, we had received preliminary authorizations from automobile manufacturers to establish seven new 4S dealerships. We expect all of these new 4S dealerships to commence operations by the end of the first quarter of 2015. We expect most of our capital expenditures associated with opening these new outlets to be used for: (i) property construction and/or renovation; and (ii) purchases of equipment and fittings. For more information, see “Business — Our Business — Our Expansion Plans”.
- Approximately HK\$125.6 million or 30% towards financing our network’s expansion through acquisition of other 4S dealerships if suitable opportunities arise. As at 30 June, 2013, we did not have any finalized and definitive understanding, commitment or agreement, and we were not engaged in any related negotiations and had not entered into any letter of intent (legally binding or otherwise), with respect to any acquisitions, alliances, joint ventures or strategic investments. For more information, see “Business — Our Strategies — Further expand our 4S dealership network through organic growth and acquisitions with a focus on fast growing regions in our strategic base”.
- Approximately HK\$41.9 million or 10% towards financing the development of new lines of business, such as used vehicles sales, and new business systems, including IT system upgrades.
- Approximately HK\$41.9 million or 10% towards working capital, inventory and general corporate purposes.

For more information on the factors we take into account in considering whether to establish or acquire new dealerships, see “Business — Our Strategies — Further expand our 4S dealership network through organic growth and acquisitions with a focus on fast growing regions in our strategic base” and “Business — Our Business — Our dealership network — Geographic location” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Over-allotment Option is exercised in full, our Group will receive additional net proceeds of approximately HK\$65.3 million. In such event, we will increase the allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

CCB International Capital Limited
UOB Kay Hian (Hong Kong) Limited
First Shanghai Securities Limited
Oriental Patron Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

We are offering the Hong Kong Public Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), and to certain other conditions described in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) may in its sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing to us at any time at or prior to 8:00 a.m. on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (1) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group or the Joint Venture or any change in capital stock or long-term debt of our Company or any other member of our Group or the Joint Venture, which (in any such case) is not set forth or contemplated in this prospectus; or
 - (2) any change or development involving a prospective change or development, or any event or series of events resulting or representing or may result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong

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Kong, the PRC, the BVI, the Cayman Islands, the United States, any member of the European Union, Singapore, Japan or any other jurisdictions where any member of our Group or the Joint Venture is incorporated (collectively, the “**Relevant Jurisdictions**”); or

- (3) any new Law (as defined in the Hong Kong Underwriting Agreement) or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting any of the jurisdictions where any members of our Group or the Joint Venture is incorporated or operated; or
- (4) a change or development or event involving a prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the jurisdictions where any members of our Group or the Joint Venture is incorporated or operated adversely affecting an investment in Shares; or
- (5) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (6) any event, act or omission which gives rise to or may give rise to any liability of any of our Company, our Controlling Shareholders and executive Directors (collectively, the “**Warrantors**”) pursuant to the indemnity contained in the Hong Kong Underwriting Agreement; or
- (7) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Hong Kong Stock Exchange and Singapore Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or Governmental Authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (8) the imposition of economic or political sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (9) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, earthquake,

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volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

- (10) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (11) any change in the system under which the value of the HK dollar or is linked to that of the U.S. dollar or the value of the Renminbi (the lawful currency of the PRC) is determined with reference to a basket of world currencies or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency; or
- (12) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or the Joint Venture or in respect of which any member of our Group or the Joint Venture is liable prior to its stated maturity; or
- (13) save as disclosed in this prospectus, a contravention by any member of our Group or the Joint Venture of the Listing Rules or applicable Laws in any material respects; or
- (14) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (15) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable Law in any material respects; or
- (16) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) whose approval shall not be unreasonably withheld or delayed, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (17) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or the Joint Venture, or any member of our Group or the Joint Venture makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or the Joint Venture or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or the Joint Venture or anything analogous thereto occurs in respect of any member of our Group or the Joint Venture; or
- (18) any litigation or claim of any third party being threatened or instigated against any member of our Group or the Joint Venture; or

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- (19) a Director being charged with an indictable offence or prohibited by operation of law or is otherwise disqualified from being a director of a company; or
- (20) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or
- (21) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or any member of our Group or the Joint Venture or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (22) our Company withdraws any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or
- (23) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents and/or any other documents used in connection with the contemplated subscription of the Offer Shares, or to the issue of any such documents,

which, in any such case (whether individually or in the aggregate) in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) is or will or may have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) on the business, financial, trading or other condition or prospects of any member of our Group or the Joint Venture or our Group (together with the Joint Venture) taken as a whole, and/or to any Controlling Shareholder in its capacity as such; or
 - (b) has or will or may have a Material Adverse Effect on the success of the Hong Kong Public Offer, the International Offer or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offer, the International Offer and/or the Global Offering to be performed or implemented as envisaged or (ii) to proceed with or to market the Hong Kong Public Offer, the International Offer and/or the Global Offering on the terms and in the manner contemplated in this prospectus; or
- (ii) any of the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:
- (1) any of the warranties or undertakings given by the Warrantors pursuant to the Hong Kong Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator in its sole and absolute discretion or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable; or

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- (2) any statement contained in the Offer Documents, the formal notice and any announcements issued by our Company in respect of the Hong Kong Public Offer, the International Offer and/or the Global Offering was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if the Offer Documents, the formal notice and any announcements issued by our Company in respect of the Hong Kong Public Offer, the International Offer and/or the Global Offering were to be issued at that time, constitute a material omission therefrom as determined by the Sole Global Coordinator in its sole and absolute discretion in the context of the Global Offering; or
- (3) any forecasts, expressions of opinion, intention or expectation expressed in the Offer Documents and/or any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or
- (4) there has been a breach on the part of any of the Warrantors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Global Coordinator in its sole and absolute discretion.

Undertakings by our Company and our Controlling Shareholders

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that our Company will, and each of the Warrantors has undertaken to the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters to procure that our Company will:

- (1) except pursuant to the Global Offering, the exercise of the subscription rights attaching to the Over-allotment Option or to the options that may be granted under the Share Option Scheme, during the period commencing from the Listing Date up to and including the date falling six months after the date on which dealings in the Shares commence on the Hong Kong Stock Exchange (the “**Lock-up Period**”), not without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), and subject always to the provisions of the Listing Rules,
 - (a) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any members of our Group or the Joint Venture), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares);
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities;

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- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; and
- (d) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

- (2) save and except for those mortgage, pledge, charge or other security interest or rights in favour of any person existing or subsisting as at the Listing Date, not at any time during the Lock-up Period create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any share of the subsidiaries of our Company (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any shares of the subsidiaries of our Company (or any interest in any shares or any voting or other right attaching to any shares of such subsidiaries of our Company)) or repurchase any shares of the subsidiaries of our Company or grant any options, warrants or other rights to subscribe for any shares of the subsidiaries of our Company or agree to do any of the foregoing;
- (3) not at any time within the six month period immediately following the expiry of the Lock-up Period (the “**Second Six Month Period**”) do any of the acts set out in paragraphs (1) and (2) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (4) during the Second Six Month Period, in the event that our Company does any of the acts set out in paragraphs (1) and (2), as the case may be, take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Each of our Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Global Coordinator, the other Hong Kong Underwriters and our Company that:

- (A) he or it will comply with all the applicable restrictions and requirements under the Listing Rules on the disposal by him or it or by any registered holder on his or its behalf, of any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or other securities of our Company in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly);
- (B) neither him or it nor, to the best of his or its knowledge, any of their respective associates (as defined in the Listing Rules) or companies controlled by him or it has any present intention of disposing of any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or other securities of our Company in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) (or any beneficial interest therein) during the Lock-up Period, save in respect of Apex Sail in connection with any stock lending arrangement entered or to be entered into between Apex Sail and the Sole Global Coordinator; and

UNDERWRITING

- (C) except pursuant to the Stock Borrowing Agreement,
- (1) at any time during the Lock-Up Period, he/it will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and will procure that none of its associates (as defined in the Listing Rules) or companies controlled by him/it or any nominee or trustee holding in trust for him/it (together, the “associates, companies, nominees or trustees”) shall, directly or indirectly,
 - (i) offer, pledge, sell, mortgage, assign, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein, (including, without limitation, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) beneficially owned, directly or indirectly, by any of our Controlling Shareholders or through associates, companies, nominees or trustees as of the Listing Date (the “**Relevant Securities**”);
 - (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of subscription or ownership of any Relevant Securities;
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above; or
 - (iv) offer to or agree to contract to, or publicly announce any intention to enter into, any of the foregoing transactions described in (i) through (iii) above whether any of the foregoing transactions described in (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise;
 - (2) he/it will not, and will procure that such associates, companies, nominees or trustees will not, without the prior written consent of the Sole Global Coordinator, dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Relevant Securities at any time during the Second Six Month Period, such that immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances shall result in any of our Controlling Shareholders, directly or indirectly, ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six Month Period; and in the event that any of our Controlling Shareholders enters into any of the foregoing transactions in (i), (ii), (iii) or (iv) of (1) above during the Second Six Month Period, he/it shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market for any Relevant Securities.

UNDERWRITING

Each of our Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Global Coordinator, the other Hong Kong Underwriters and our Company that within the Lock-up Period and the Second Six Month Period he or it shall:

- (A) if and when he or it pledges or charges, directly or indirectly, any Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Cap 155 of the Laws of Hong Kong)), immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (B) if and when he or it receives indications, either verbal or written, from such pledgee or chargee that any Relevant Securities pledged or charged by him, her or it will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company shall notify the Hong Kong Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Stock Borrowing Agreement or save for the creation of a pledge or charge as permitted as Note (2) to Rule 10.07(2) of the Listing Rules (the “**Permissible Pledge**”) or disposal pursuant to the Permissible Pledge, each of them will not and will procure that its associates or companies controlled by it or its nominees or trustees (as the case may be) will not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**R10.07 First Six Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (b) in the period of six months immediately after the expiry of the R10.07 First Six Month Period (“**R10.07 Second Six Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be or cease to deem to be our Controlling Shareholder.

UNDERWRITING

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares beneficially owned by it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

For the avoidance of doubt and as permitted under Note (1) to Rule 10.07(2) of the Listing Rules, notwithstanding the above restrictions, our Controlling Shareholders are free to purchase additional Shares or other securities of our Company during the R10.07 First Six Month Period or the R10.07 Second Six Month Period, and dispose of such securities so purchased during the relevant periods without any restrictions, subject to compliance with the requirements of Rule 8.08 of the Listing Rules to maintain an open market in the Shares and a sufficient public float.

Our Company will inform the Stock Exchange as soon as we have been informed of matters referred in above by any of the Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

International Offer

In connection with the International Offer, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the Sole Global Coordinator, the Controlling Shareholders and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or purchase or procure subscribers for the International Offer Shares being offered pursuant to the International Offer.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from Thursday, 28 November 2013, the expected date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the Offer Shares initially offered under the Global Offering, at the same price per Share under the International Offer to cover, among other things, over-allocations in the International Offer, if any.

UNDERWRITING

Commissions and Expenses

The Underwriters will receive an underwriting commission at the rate of 3.2% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option). Furthermore, our Company agrees, at its sole and absolute discretion, to pay to the Sole Global Coordinator a discretionary incentive fee of up to 1.5% of the aggregate Offer Price payable for the Offer Shares. The underwriting commissions, documentation fee, listing fees, Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately HK\$42.6 million in total (based on the Offer Price of HK\$1.8 per Share, assuming the Over-allotment Option is not exercised), and are payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Global Coordinator and other Underwriters will receive an underwriting commission. Particulars of these under underwriting commission and expenses are set out in the paragraph headed “— Commissions and Expenses” in this section for further information.

Our Company has appointed CCB International Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 3A.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors and the Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

CCB International Capital Limited is considered to be an independent sponsor pursuant to Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offer of 25,000,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed “— The Hong Kong Public Offer” below; and
- (b) the International Offer of an aggregate of 225,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Offer Shares under the International Offer, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 25,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offer and the Hong Kong Public Offer, the Hong Kong Public Offer Shares will represent 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the section headed “— Conditions of the Global Offering” below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 12,500,000 and 12,500,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million and up to a total value of Pool B (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 12,500,000 Hong Kong Public Offer Shares (being 50% of the 25,000,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offer) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offer and the International Offer is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offer to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then no Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offer, so that the total number of Offer Shares available under the Hong Kong Public Offer will be 25,000,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then an additional 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offer so that the total number of Offer Shares available under the Hong Kong Public Offer will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offer from the International Offer will be

STRUCTURE OF THE GLOBAL OFFERING

increased so that the total number of Offer Shares available under the Hong Kong Public Offer will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offer from the International Offer will be increased so that the total number of Offer Shares available under the Hong Kong Public Offer will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offer will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Offer to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offer in such proportions as the Sole Global Coordinator deems appropriate.

Offer Price and Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offer, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offer.

Applicants under the Hong Kong Public Offer are required to pay, on application, the price of HK\$1.8 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. A total of HK\$3,636.29 is payable for every board lot of 2,000 Shares. Further details are set out below in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

THE INTERNATIONAL OFFER

Number of Offer Shares Offered

The International Offer will consist of an initial offering of 225,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offer will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offer will be effected in accordance with the “book-building” process described in the section headed “— Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may require any investor who has been offered Offer Shares under the International Offer, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offer, to, among other things, cover over-allocations in the International Offer, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, CCB International Capital Limited, as the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions in the market or otherwise with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilisation action, if commenced, may be

STRUCTURE OF THE GLOBAL OFFERING

discontinued at any time, and is required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 27 December 2013, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for them may cover such over-allocation by, among other methods, using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock

STRUCTURE OF THE GLOBAL OFFERING

borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 37,500,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 37,500,000 Shares from Apex Sail pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offer. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offer they would be prepared to acquire at the Offer Price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offer.

The Offer Shares to be offered in the Hong Kong Public Offer and the Offer Shares to be offered in the International Offer may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

The level of indications of interest in the International Offer, the level of applications in the Hong Kong Public Offer and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offer are expected to be announced on Wednesday, 4 December 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.meidongauto.com) and the website of the Stock Exchange (www.hkexnews.hk).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement.

We expect to enter into the International Underwriting Agreement relating to the International Offer on Thursday, 28 November 2013.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-Allotment Option and the options that may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the execution and delivery of the International Underwriting Agreement on Thursday, 28 November 2013; and
- (c) the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offer and the International Offer is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of Hong Kong Public Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including Shares which may be issued pursuant to the exercise of the Over-Allotment Option) and Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme.

STRUCTURE OF THE GLOBAL OFFERING

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 5 December 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 5 December 2013. The Shares will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offer.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 22 November 2013 to 12:00 noon on Wednesday, 27 November 2013 from:

- (i) any of the following offices of the Hong Kong Underwriters:

CCB International Capital Limited	12th Floor, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
UOB Kay Hian (Hong Kong) Limited	15/F, China Building, 29 Queen's Road Central, Hong Kong
First Shanghai Securities Limited	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Oriental Patron Securities Limited	27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) any of the following branches of the Standard Chartered Bank (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Shuk Tak Centre	Shop 294–295, 296 A&B, 2/F, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King’s Road, North Point
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156–162 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A–10 Granville Road, Tsimshatsui
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories	Metroplaza Branch	Shop No. 175–176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tseung Kwan O Branch	Shop G37–40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 22 November 2013 until 12:00 noon on Wednesday, 27 November 2013 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Horsford Nominees Limited — MeiDong Auto Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 22 November 2013	—	9:00 a.m. to 5:00 p.m.
Saturday, 23 November 2013	—	9:00 a.m. to 1:00 p.m.
Monday, 25 November 2013	—	9:00 a.m. to 5:00 p.m.
Tuesday, 26 November 2013	—	9:00 a.m. to 5:00 p.m.
Wednesday, 27 November 2013	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 27 November 2013, the last application day or such later time as described in "Effect of Bad Weather Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), an agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association of the Company;
- (ii) agree to comply with the Companies Law, the Companies Ordinance and the Articles of Association of the Company;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer nor participated in the International Offer;
- (viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 22 November 2013 until 11:30 a.m. on Wednesday, 27 November 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 27 November 2013 or such later time under the “Effects of Bad Weather Conditions on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre

2/F, Infinitus Plaza

199 Des Voeux Road Central

Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 22 November 2013	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 23 November 2013	—	8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 25 November 2013	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 26 November 2013	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 27 November 2013	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 22 November 2013 until 12:00 noon on Wednesday, 27 November 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 27 November 2013, the last application day or such later time as described in “Effect of Bad Weather Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 27 November 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Allocation”.

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 27 November 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 27 November 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest in the International Offer, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 4 December 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at www.meidongauto.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.meidongauto.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 4 December 2013;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 4 December 2013 to 12:00 midnight on Tuesday, 10 December 2013;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 and 6:00 p.m. from Wednesday, 4 December 2013 to Monday, 9 December 2013 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 4 December 2013 to Friday, 6 December 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 4 December 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for.

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Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 4 December 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 5 December 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 4 December 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 4 December 2013, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 4 December 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 4 December 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 4 December 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 4 December 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 4 December 2013 by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 4 December 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Wednesday, 4 December 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 4 December 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 4 December 2013. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 4 December 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

22 November 2013

The Directors
China MeiDong Auto Holdings Limited

CCB International Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China MeiDong Auto Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), comprising the combined balance sheets of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the “Relevant Periods”), together with the explanatory notes thereto (the “Financial Information”), for inclusion in the prospectus of the Company dated 22 November 2013 (the “Prospectus”).

The Company was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed in July 2013 (the “Reorganisation”) as detailed in the section headed “History, Development and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, China MeiDong Auto International Limited, China MeiDong Auto (HK) Limited, Dongguan Meixin Business Consulting Co., Ltd., Beijing Meibaohang Auto Sales and Services Co., Ltd., Changde Meibaohang Auto Sales and Services Co., Ltd., Shantou Dongbao Auto Sales and Services Co., Ltd., Foshan Dongbao Auto Sales and Services Co., Ltd., Longyan Meidong Lexus Auto Sales and Services Co., Ltd., and Dongguan Dongyue Used Vehicles Co., Ltd, as they are either investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation or have not carried on any business since their respective dates of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are in note 1(b) of Section B below. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the People's Republic of China (the "PRC") in which they were incorporated and/or established.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group's combined results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2012, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A COMBINED FINANCIAL INFORMATION OF THE GROUP

1 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Turnover	3	2,279,597	2,824,058	2,949,497	1,476,473	1,514,526
Cost of sales		(2,128,644)	(2,594,349)	(2,724,735)	(1,361,825)	(1,384,599)
Gross profit		150,953	229,709	224,762	114,648	129,927
Other revenue and net income	4	13,492	18,176	19,800	8,702	20,374
Distribution costs		(49,966)	(70,970)	(89,368)	(42,837)	(41,881)
Administrative expenses		(39,028)	(54,340)	(58,519)	(26,980)	(34,232)
Profit from operations		75,451	122,575	96,675	53,533	74,188
Finance costs	5(a)	(17,283)	(32,215)	(43,158)	(21,575)	(19,148)
Share of (losses)/profits of an associate	13	(1,510)	299	(523)	(376)	612
Share of profits of a joint venture	14	8,740	10,401	8,586	4,486	4,987
Profit before taxation	5	65,398	101,060	61,580	36,068	60,639
Income tax	6(a)	(15,092)	(22,983)	(13,797)	(8,119)	(14,865)
Profit and total comprehensive income for the year/period		<u>50,306</u>	<u>78,077</u>	<u>47,783</u>	<u>27,949</u>	<u>45,774</u>
Profit and total comprehensive income attributable to:						
Equity shareholder of the Company		49,080	76,677	47,647	27,746	43,941
Non-controlling interests		1,226	1,400	136	203	1,833
Profit and total comprehensive income for the year/period		<u>50,306</u>	<u>78,077</u>	<u>47,783</u>	<u>27,949</u>	<u>45,774</u>
Earnings per share	9					
Basic and diluted (RMB)		<u>0.07</u>	<u>0.10</u>	<u>0.06</u>	<u>0.04</u>	<u>0.06</u>

The accompanying notes form part of the Financial Information.

2 COMBINED BALANCE SHEETS

	Section B Note	As at 31 December			As at 30 June
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	10	100,970	149,681	180,567	230,736
Lease prepayments	11	24,205	58,947	110,282	106,849
Intangible assets	12	13,700	12,946	12,192	11,815
Interest in an associate	13	4,370	4,669	4,146	4,758
Interest in a joint venture	14	24,905	35,306	32,132	18,589
Deferred tax assets	21(b)	2,069	4,663	10,311	10,256
		<u>170,219</u>	<u>266,212</u>	<u>349,630</u>	<u>383,003</u>
Current assets					
Inventories	15	203,927	274,009	290,754	389,487
Trade and other receivables	16	299,186	450,423	502,182	229,714
Pledged bank deposits	17	65,649	131,372	100,666	92,634
Cash and cash equivalents	18	105,837	100,219	158,571	147,406
		<u>674,599</u>	<u>956,023</u>	<u>1,052,173</u>	<u>859,241</u>
Current liabilities					
Loans and borrowings	19	321,455	378,002	508,625	641,664
Trade and other payables	20	308,769	449,415	360,067	466,107
Income tax payables	21(a)	8,308	12,643	11,092	10,130
		<u>638,532</u>	<u>840,060</u>	<u>879,784</u>	<u>1,117,901</u>
Net current assets/(liabilities)		<u>36,067</u>	<u>115,963</u>	<u>172,389</u>	<u>(258,660)</u>
Total assets less current liabilities					
		<u>206,286</u>	<u>382,175</u>	<u>522,019</u>	<u>124,343</u>
Non-current liabilities					
Deferred tax liabilities	21(b)	3,425	3,237	3,048	2,954
Loans and borrowings	19	—	—	60,000	80,000
		<u>3,425</u>	<u>3,237</u>	<u>63,048</u>	<u>82,954</u>
Net assets		<u>202,861</u>	<u>378,938</u>	<u>458,971</u>	<u>41,389</u>
Equity					
Share capital	22	108,000	206,000	259,010	—
Reserves	23	90,522	167,199	191,321	26,854
Equity attributable to equity shareholder of the Company					
		198,522	373,199	450,331	26,854
Non-controlling interests					
		4,339	5,739	8,640	14,535
Total equity		<u>202,861</u>	<u>378,938</u>	<u>458,971</u>	<u>41,389</u>

The accompanying notes form part of the Financial Information.

3 COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholder of the Company						Total equity RMB'000
	Share capital RMB'000	Capital reserves RMB'000	PRC		Subtotal RMB'000	Non- controlling interests RMB'000	
			statutory reserves	Retained earnings			
			RMB'000	RMB'000			
	(note 22)	(note 23(a))	(note 23(b))				
Balance at 1 January 2010	86,000	16,400	1,392	26,590	130,382	3,113	133,495
Capital injection	22,000	—	—	—	22,000	—	22,000
Profit and total comprehensive income for the year	—	—	—	49,080	49,080	1,226	50,306
Appropriation to reserves	—	—	4,391	(4,391)	—	—	—
Deemed distribution (Note 23(e))	—	(2,940)	—	—	(2,940)	—	(2,940)
Balance at 31 December 2010 and 1 January 2011	108,000	13,460	5,783	71,279	198,522	4,339	202,861
Capital injection	98,000	—	—	—	98,000	—	98,000
Profit and total comprehensive income for the year	—	—	—	76,677	76,677	1,400	78,077
Appropriation to reserves	—	—	7,239	(7,239)	—	—	—
Balance at 31 December 2011 and 1 January 2012	206,000	13,460	13,022	140,717	373,199	5,739	378,938
Capital injection	56,010	—	—	—	56,010	—	56,010
Profit and total comprehensive income for the year	—	—	—	47,647	47,647	136	47,783
Change in the Group's interests in a subsidiary (Note 23(c))	(3,000)	235	—	—	(2,765)	2,765	—
Appropriation to reserves	—	—	5,360	(5,360)	—	—	—
Deemed distribution (Note 23(e))	—	(11,760)	—	—	(11,760)	—	(11,760)
Dividends declared and paid to then equity holder (Note 23(d))	—	—	—	(12,000)	(12,000)	—	(12,000)
Balance at 31 December 2012 and 1 January 2013	259,010	1,935	18,382	171,004	450,331	8,640	458,971
Capital injection	19,000	—	—	—	19,000	—	19,000
Profit and total comprehensive income for the period	—	—	—	43,941	43,941	1,833	45,774
Change in the Group's interests in a subsidiary (Note 23(c))	(7,500)	128	—	—	(7,372)	7,372	—
Deemed distribution (Note 23(e))	—	(18,530)	—	—	(18,530)	—	(18,530)
Dividends declared and paid to then equity holder (Note 23(d))	—	—	—	(166,609)	(166,609)	(3,310)	(169,919)
Capital injection in connection with the Reorganisation (Note 1(b))	50,000	—	—	—	50,000	—	50,000
Deemed distributions arising from the Reorganisation (Note 1(b))	(320,510)	(23,397)	—	—	(343,907)	—	(343,907)
Balance at 30 June 2013	—	(39,864)	18,382	48,336	26,854	14,535	41,389
Unaudited:							
Balance at 1 January 2012	206,000	13,460	13,022	140,717	373,199	5,739	378,938
Capital injection	45,010	—	—	—	45,010	—	45,010
Profit and total comprehensive income for the period	—	—	—	27,746	27,746	203	27,949
Balance at 30 June 2012	251,010	13,460	13,022	168,463	445,955	5,942	451,897

The accompanying notes form part of the Financial Information.

4 COMBINED CASH FLOW STATEMENTS

Section B	Year ended 31 December			Six months ended 30 June		
	2010	2011	2012	2012	2013	
	Note	RMB'000	RMB'000	RMB'000	RMB'000	
				(Unaudited)		
Operating activities:						
Cash (used in)/generated from operations	18(b)	(28,775)	72,153	62,911	(30,168)	(17,723)
Income tax paid	21(a)	(12,163)	(21,430)	(21,185)	(15,966)	(15,866)
Net cash (used in)/ generated from operating activities . . .		<u>(40,938)</u>	<u>50,723</u>	<u>41,726</u>	<u>(46,134)</u>	<u>(33,589)</u>
Investing activities:						
Payment for purchase of property, plant and equipment		(48,128)	(65,888)	(51,720)	(12,485)	(53,843)
Proceeds from disposal of property, plant and equipment		654	2,868	9,398	2,582	3,108
Payment for lease prepayments . .		(9,812)	(33,065)	(55,697)	(30,163)	(663)
Advances to related parties		(347,835)	(686,385)	(574,622)	(295,060)	(184,777)
Repayment of advances to related parties		309,912	562,224	522,150	240,377	366,640
Interest received		812	1,605	2,534	1,036	1,094
Net cash (used in)/generated from investing activities		<u>(94,397)</u>	<u>(218,641)</u>	<u>(147,957)</u>	<u>(93,713)</u>	<u>131,559</u>
Financing activities:						
Proceeds from loans and borrowings		1,605,498	1,599,682	1,999,098	1,092,882	1,284,687
Repayment of loans and borrowings		(1,431,008)	(1,543,135)	(1,808,475)	(966,901)	(1,131,648)
Advances from related parties . . .		164,777	215,429	125,090	76,910	48,005
Repayment of advances from related parties		(163,812)	(175,266)	(152,108)	(74,970)	(95,544)
Capital injection from equity shareholder of the Company . .		22,000	98,000	56,010	45,010	69,000
Dividends declared and paid to then equity holder	23(d)	—	—	(12,000)	—	(40,429)
Interest paid		(16,825)	(32,410)	(43,032)	(21,765)	(22,526)
Payments to then equity holders arising from the Reorganisation	23(e)	—	—	—	—	(220,680)
Net cash generated from/(used in) financing activities		<u>180,630</u>	<u>162,300</u>	<u>164,583</u>	<u>151,166</u>	<u>(109,135)</u>
Net increase/(decrease) in cash and cash equivalents		<u>45,295</u>	<u>(5,618)</u>	<u>58,352</u>	<u>11,319</u>	<u>(11,165)</u>
Cash and cash equivalents at beginning of the year /period		<u>60,542</u>	<u>105,837</u>	<u>100,219</u>	<u>100,219</u>	<u>158,571</u>
Cash and cash equivalents at end of the year/period	18(a)	<u>105,837</u>	<u>100,219</u>	<u>158,571</u>	<u>111,538</u>	<u>147,406</u>

Note: Significant non-cash transaction: In May 2013, certain subsidiaries of the Group declared dividends totalling RMB166,609,000 to their then equity holder, Guangdong Dadong Auto Group Co., Ltd. ("Dadong Group"), of which RMB126,180,000 was settled by way of set-off against outstanding amounts due from Dadong Group (note 23(d)).

The accompanying notes form part of the Financial Information.

B NOTES TO COMBINED FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes Hong Kong Accounting Standards (“HKASs”) and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2013 are set out in note 28.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and the Group’s interests in a joint venture and an associate. The Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence as further explained below.

The Company was incorporated in the Cayman Islands on 24 February 2012, which is ultimately controlled by Mr. Ye Fan (referred to as “the Controlling Shareholder”), and became the holding company of the companies now comprising the Group pursuant to the Reorganisation completed in July 2013. The Group is principally engaged in 4S dealership business in the PRC.

During the Relevant Periods, the Group’s 4S dealership businesses were primarily conducted through various domestic companies established in the PRC (the “PRC Operating Entities”), which were ultimately owned and controlled by Mr. Ye Fan,

through Dadong Group. Mr. Ye Fan and Dadong Group also held a 49% equity interest in Dongguan Anxin Toyota Auto Sales and Services Co., Ltd. (“Dongguan Anxin”) and a 49% equity interest in Dongguan Meidong Automotive Service Co., Ltd. (“Dongguan Meidong”), respectively.

As part of the Reorganisation, Dadong Group and Mr. Ye Fan transferred their respective equity interests in the PRC Operating Entities, the 49% equity interest in Dongguan Anxin and the 49% equity interest in Dongguan Meidong to the Group, for total considerations of RMB310,655,000 as further described below.

As the companies (including the PRC Operating Entities) that took part in the Reorganisation were controlled by the same Controlling Shareholder both before and after the Reorganisation, there was a continuation of risks and benefits to the Controlling Shareholder. Accordingly, the Reorganisation has been accounted for using the principles set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations”.

The Financial Information has been prepared as if the Group had always been in existence and the net assets of the companies now comprising the Group are combined using the existing book values from the Controlling Shareholder’s perspective.

The combined statements of comprehensive income, combined statements of changes in equity and the combined cash flow statements of the Group as set out in Section A include the results of operations of the companies now comprising the Group (or where the companies were incorporated/established at a date later than 1 January 2010, for the period from the date of incorporation/establishment to 30 June 2013) as if the current group structure had been in existence throughout the Relevant Periods. The combined balance sheets of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 as set out in Section A have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence at the respective dates.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Dongguan Meixin Business Consulting Co., Ltd. (“Dongguan Meixin”) was established on 10 September 2012 by Dadong Group as an investment holding company in the PRC with a paid-in capital of RMB50,000,000. In March 2013 and as part of the Reorganisation, Dadong Group transferred its entire equity interests in Dongguan Meixin to China MeiDong Auto (HK) Limited (“MeiDong HK”), an indirectly wholly-owned subsidiary of the Company, at a consideration of RMB50,000,000, which has been settled in cash as of 30 June 2013. In May 2013, Dadong Group and Mr. Ye Fan transferred their respective entire equity interests in the PRC Operating Entities and the 49% equity interest in Dongguan Anxin to Dongguan Meixin, at cash consideration of RMB288,027,000 and RMB5,880,000, respectively. Of the RMB293,907,000 total consideration for the transfers of the PRC Operating Entities and the 49% equity

interest in Dongguan Anxin, RMB170,680,000 has been settled in cash as of 30 June 2013. In July 2013, Dadong Group transferred its 49% equity interest in Dongguan Meidong to Dongguan Meixin at a consideration of RMB16,748,000, which was settled in September 2013. The total considerations for the transfers of the entire equity interests in Dongguan Meixin, the PRC Operating Entities and the 49% equity interest in Dongguan Anxin during the Relevant Periods totalling RMB343,907,000 have been recorded within equity as deemed distributions arising from the Reorganisation.

The particulars of the Company's subsidiaries as at the date of this report are set out below:

Name of company	Place and date of incorporation/ establishment	Registered capital/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China MeiDong Auto International Limited ("MeiDong International") (中國美東汽車國際有限公司)	British Virgin Islands 9 March 2012	US\$100/US\$100	100%	—	Investment holding
China MeiDong Auto (HK) Limited (中國美東汽車(香港)有限公司)	Hong Kong 21 March 2012	HK\$10,000/ HK\$10,000	—	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. (東莞美信企業管理諮詢有限公司)	The PRC 10 September 2012	RMB50,000,000/ RMB50,000,000	—	100%	Investment holding
Beijing Zhongye Toyota Auto Sales and Services Co., Ltd. ("Beijing Zhongye") (ii) (北京中業豐田汽車銷售服務有限公司)	The PRC 23 August 2001	RMB12,000,000/ RMB12,000,000	—	100%	Automobile dealership
Dongguan Guanfeng Auto Co., Ltd. (東莞市冠豐汽車有限公司)	The PRC 10 April 2003	RMB10,000,000/ RMB10,000,000	—	70%	Automobile dealership
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. ("Dongguan Dongbu") (ii) (東莞市東部豐田汽車銷售服務有限公司)	The PRC 23 October 2003	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC 16 January 2007	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC 28 May 2007	RMB12,000,000/ RMB12,000,000	—	100%	Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. ("Xiamen Meidong") (廈門美東汽車銷售服務有限公司)	The PRC 3 January 2008	RMB15,000,000/ RMB15,000,000	—	100%	Automobile dealership
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC 4 December 2009	RMB30,000,000/ RMB30,000,000	—	100%	Automobile dealership

Name of company	Place and date of incorporation/ establishment	Registered capital/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC 7 December 2009	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC 15 March 2010	RMB30,000,000/ RMB30,000,000	—	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC 19 October 2010	RMB20,000,000/ RMB20,000,000	—	100%	Automobile dealership
Heyuan Guanfenghang Auto Co., Ltd. (河源市冠豐行汽車有限公司)	The PRC 27 January 2011	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC 14 June 2011	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Chengde Meibaohang Auto Sales and Services Co., Ltd. (“Chengde Meibaohang”) (承德美寶行汽車銷售服務有限公司)	The PRC 8 August 2011	RMB10,000,000/ RMB10,000,000	—	70%	Automobile dealership
Beijing Meibaohang Auto Sales and Services Co., Ltd. (“Beijing Meibaohang”) (北京美寶行汽車銷售服務有限公司)	The PRC 24 October 2011	RMB30,000,000/ RMB30,000,000	—	75%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC 26 March 2012	RMB5,010,000/ RMB5,010,000	—	100%	Automobile dealership
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC 18 April 2012	RMB30,000,000/ RMB30,000,000	—	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC 20 April 2012	RMB5,000,000/ RMB5,000,000	—	100%	Used-vehicle trading
Changde Meibaohang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC 27 April 2012	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC 23 May 2012	RMB5,000,000/ RMB5,000,000	—	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC 11 December 2012	RMB30,000,000/ RMB30,000,000	—	100%	Automobile dealership

Notes:

- (i) Except for MeiDong International and MeiDong HK, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.
- (ii) Beijing Zhongye and Dongguan Dongbu are entities acquired by the Group in March 2009 and July 2007, respectively through business combination.

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

Name of company	Financial period	Statutory auditors
Xiamen Meidong Auto Sales and Services Co., Ltd.* (廈門美東汽車銷售服務有限公司)	Years ended 31 December 2010 and 2011	Tianjian Zhengxin CPA Limited*, registered in the PRC (天健正信會計師事務所)
	Year ended 31 December 2012	Xiamen Puhe CPA Limited*, registered in the PRC (廈門普和會計師事務所)
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd.* (蘭州美東雷克薩斯汽車銷售服務有限公司)	Period from 15 March to 31 December 2010	Gansu Jinzheng CPA Limited*, registered in the PRC (甘肅金正會計師事務所)
	Year ended 31 December 2011	Gansu Xinlide CPA Limited*, registered in the PRC (甘肅信立德會計師事務所)
	Year ended 31 December 2012	Gansu Jiayi CPA Limited*, registered in the PRC (甘肅嘉義會計師事務所)
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd.* (泉州美東豐田汽車銷售服務有限公司)	Year ended 31 December 2010	Jinjiang Chaoqun Link CPA Limited*, registered in the PRC (晉江市超群聯合會計師事務所)
	Years ended 31 December 2011 and 2012	Quanzhou Liancheng CPA Limited*, registered in the PRC (泉州聯城會計師事務所有限公司)
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd.* (東莞市東部豐田汽車銷售服務有限公司)	Years ended 31 December 2010, 2011 and 2012	Dongguan Zhengyu CPA Limited*, registered in the PRC (東莞市正域會計師事務所)
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd.* (東莞東美豐田汽車銷售服務有限公司)	Years ended 31 December 2010, 2011 and 2012	Dongguan Zhengyu CPA Limited*, registered in the PRC (東莞市正域會計師事務所)
Beijing Zhongye Toyota Auto Sales and Services Co., Ltd.* (北京中業豐田汽車銷售服務有限公司)	Years ended 31 December 2010 and 2011	Beijing Anjiaxin CPA Limited*, registered in the PRC (北京安佳信會計師事務所)
Dongguan Dongxin Auto Sales and Services Co., Ltd.* (東莞市東鑫汽車銷售服務有限公司)	Years ended 31 December 2010, 2011 and 2012	Dongguan Zhengyu CPA Limited*, registered in the PRC (東莞市正域會計師事務所)

<u>Name of company</u>	<u>Financial period</u>	<u>Statutory auditors</u>
Yiyang Dongxin Auto Sales and Services Co., Ltd.* (益陽市東鑫汽車銷售服務有限公司)	Years ended 31 December 2011 and 2012	Yiyang Fangyuan CPA Limited*, registered in the PRC (益陽方圓會計師事務所)
Dongguan Guanfeng Auto Co., Ltd.* (東莞市冠豐汽車有限公司)	Years ended 31 December 2010, 2011 and 2012	Dongguan Zhengyu CPA Limited*, registered in the PRC (東莞市正域會計師事務所)
Heyuan Guanfenghang Auto Co., Ltd.* (河源市冠豐行汽車有限公司)	Period from 27 January to 31 December 2011 Year ended 31 December 2012	Guangzhou Huayu CPA Limited*, registered in the PRC (廣州華譽會計師事務所) Dongguan Zhengyu CPA Limited*, registered in the PRC (東莞市正域會計師事務所)
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd.* (株洲市美寶行汽車銷售服務有限公司)	Year ended 31 December 2010 Years ended 31 December 2011 Years ended 31 December 2012	Hunan Hengxinhongzheng CPA Limited*, registered in the PRC (湖南恒信弘正會計師事務所) Hunan Baiye Lianhe CPA Limited*, registered in the PRC (湖南百業聯合會計師事務所) Tianzhi International CPA Limited*, registered in the PRC (天職國際會計師事務所)
Chengde Meibaohang Auto Sales and Services Co., Ltd.* (承德美寶行汽車銷售服務有限公司)	Period from 8 August to 31 December 2011 Year ended 31 December 2012	Chengde Yongxing CPA Limited*, registered in the PRC (承德永興會計師事務所) Chengde Zhongda CPA Limited*, registered in the PRC (承德中達會計師事務所)
Hengyang Meibaohang Auto Sales and Services Co., Ltd.* (衡陽市美寶行汽車銷售服務有限公司)	Period from 14 June to 31 December 2011; Year ended 31 December 2012	Hunan Liangcai CPA Limited*, registered in the PRC (湖南良才聯合會計師事務所)
Changsha Meidong Lexus Auto Sales and Services Co., Ltd.* (長沙美東雷克薩斯汽車銷售服務有限公司)	Period from 18 April to 31 December 2012	Hunan Zhichao Lianhe CPA Limited*, registered in the PRC (湖南智超聯合會計師事務所)

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

(c) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand except for earnings per share information. It is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 June 2013. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period from 1 July 2013 to 30 June 2014, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

(e) Use of estimates and judgments

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(g) and 1(h)).

In the company's balance sheets, the investment in subsidiary is stated at cost less impairment losses (see note 1(l)).

(g) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The combined financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(h) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation — when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture — when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates (see note 1(g) above).

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the combined balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

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

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

— Buildings	15–30 years
— Leasehold improvements	Over the shorter of the unexpired term of lease and 5 years
— Plant and machinery	5–10 years
— Passenger vehicles	4–5 years
— Office equipment and furniture	3–5 years

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

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(1)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

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

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(1)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years.

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 1(1)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) *Operating lease charges*

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

(l) Impairment of assets

(i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For associates and joint ventures (including those recognised using the equity method (see note 1(g) and 1(h)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).
- For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed

at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments; and
- intangible assets.

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

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

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

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

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

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

(p) Trade and other payables

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

(q) Cash and cash equivalents

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

(r) Employee benefits

(i) Short-term employee benefits

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

(ii) *Defined contribution retirement plan*

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(s) **Income tax**

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

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

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

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

(u) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) Services income

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

(iii) Commission income

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

(iv) Interest income

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

(v) Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

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

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

(x) Borrowing costs

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

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

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(z) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are

reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

As described in note 1(i), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 1(j), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Net realisable value of inventories

As described in note 1(m), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				(Unaudited)	
Sales of passenger vehicles	2,148,983	2,620,475	2,662,417	1,343,744	1,350,057
After-sales services . . .	130,614	203,583	287,080	132,729	164,469
	<u>2,279,597</u>	<u>2,824,058</u>	<u>2,949,497</u>	<u>1,476,473</u>	<u>1,514,526</u>

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of passenger vehicles and provision of after-sales services.

(i) Information about geographical area

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the Relevant Periods.

(ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues.

4 OTHER REVENUE AND NET INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other revenue:					
Commission income	11,868	15,911	15,758	7,070	8,278
Bank interest income	812	1,605	2,534	1,036	1,094
Interest income from Dadong Group (note 27(a))	—	—	—	—	8,324
	<u>12,680</u>	<u>17,516</u>	<u>18,292</u>	<u>8,106</u>	<u>17,696</u>
Other net income:					
Net gain on disposal of property, plant and equipment and lease prepayment	33	287	338	195	831
Others	<u>779</u>	<u>373</u>	<u>1,170</u>	<u>401</u>	<u>1,847</u>
	<u>812</u>	<u>660</u>	<u>1,508</u>	<u>596</u>	<u>2,678</u>
	<u>13,492</u>	<u>18,176</u>	<u>19,800</u>	<u>8,702</u>	<u>20,374</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(a) Finance costs:					
Interest on loans and borrowings wholly repayable within 5 years	13,226	21,062	36,698	16,574	20,066
Other finance costs ⁽ⁱ⁾	4,057	11,153	6,460	5,001	2,406
Less: interest expense capitalised ⁽ⁱⁱ⁾	—	—	—	—	(3,324)
	<u>17,283</u>	<u>32,215</u>	<u>43,158</u>	<u>21,575</u>	<u>19,148</u>
(b) Staff costs:					
Salaries, wages and other benefits	50,016	77,638	91,928	43,558	45,200
Contributions to defined contribution plans ⁽ⁱⁱⁱ⁾	<u>1,267</u>	<u>2,284</u>	<u>2,975</u>	<u>1,420</u>	<u>1,790</u>
	<u>51,283</u>	<u>79,922</u>	<u>94,903</u>	<u>44,978</u>	<u>46,990</u>

(i) It mainly represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.

(ii) The borrowing costs have been capitalised at a rate of 7.07% per annum for the six months ended 30 June 2013. There was no borrowing cost capitalised for the years ended 31 December 2010, 2011 and 2012.

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

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(c) Other items:					
Cost of inventories . . .	2,114,638	2,574,010	2,694,000	1,346,356	1,369,418
Depreciation	9,049	14,212	20,089	9,633	8,814
Amortisation of lease prepayments	333	1,194	1,491	715	1,417
Amortisation of intangible assets . . .	754	754	754	377	377
Operating lease charges	5,354	7,723	10,072	4,798	6,378
Auditors' remuneration.	235	360	465	—	—

6 INCOME TAX IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

- (a) Income tax in the combined statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax:					
Provision for PRC income tax for the year/period (note 21(a))	16,425	25,765	19,634	11,138	14,904
Deferred tax:					
Origination and reversal of temporary differences (note 21(b))	(1,333)	(2,782)	(5,837)	(3,019)	(39)
	15,092	22,983	13,797	8,119	14,865

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

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	65,398	101,060	61,580	36,068	60,639
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned ⁽ⁱ⁾	16,350	25,265	15,395	9,017	16,033
Non-deductible expenses	549	393	418	130	232
Non-deductible expenses/(non-taxable income) on share of losses/(profits) of an associate	378	(75)	131	94	(153)
Non-taxable income on share of profits of a joint venture	(2,185)	(2,600)	(2,147)	(1,122)	(1,247)
Income tax	15,092	22,983	13,797	8,119	14,865

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

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

Under the Corporate Income Tax Law of the PRC (the "new CIT Law") which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate.

7 DIRECTORS' REMUNERATION

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

Year ended 31 December 2010

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ye Fan	—	—	—	—	—
Mr. Ye Tao	—	240	—	—	240
Ms. Liu Xuehua	—	240	137	8	385
	<u>—</u>	<u>480</u>	<u>137</u>	<u>8</u>	<u>625</u>

Year ended 31 December 2011

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ye Fan	—	—	—	—	—
Mr. Ye Tao	—	240	—	—	240
Ms. Liu Xuehua	—	258	203	8	469
	<u>—</u>	<u>498</u>	<u>203</u>	<u>8</u>	<u>709</u>

Year ended 31 December 2012

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ye Fan	—	—	—	—	—
Mr. Ye Tao	—	240	660	—	900
Ms. Liu Xuehua	—	300	240	17	557
	<u>—</u>	<u>540</u>	<u>900</u>	<u>17</u>	<u>1,457</u>

Six months ended 30 June 2012 (Unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ye Fan	—	—	—	—	—
Mr. Ye Tao	—	120	—	—	120
Ms. Liu Xuehua	—	159	—	7	166
	<u>—</u>	<u>279</u>	<u>—</u>	<u>7</u>	<u>286</u>

Six months ended 30 June 2013

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ye Fan	—	20	—	—	20
Mr. Ye Tao	—	200	—	—	200
Ms. Liu Xuehua	—	161	—	14	175
	<u>—</u>	<u>381</u>	<u>—</u>	<u>14</u>	<u>395</u>

No directors of the Company waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the Relevant Periods, none of them are directors of the Company. The aggregate of the emoluments in respect of the five highest paid individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowance and benefits in kind	777	954	1,078	638	709
Discretionary bonuses	900	1,370	618	—	—
Contributions to retirement benefit schemes	4	16	11	5	12
	<u>1,681</u>	<u>2,340</u>	<u>1,707</u>	<u>643</u>	<u>721</u>

The above individuals' emoluments are within the band of Nil to HK\$ 1,000,000.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholder of the Company for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 and the 750,000,000 shares in issue as at the date of the Prospectus, as if the shares were outstanding throughout the entire Relevant Periods.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are equivalent to basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Passenger vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2010	46,588	7,497	7,947	6,807	9,050	60	77,949
Additions	683	2,688	2,235	12,194	3,826	28,429	50,055
Transfer	23,494	—	—	—	—	(23,494)	—
Disposals	—	—	(1)	(1,078)	(5)	—	(1,084)
At 31 December 2010	<u>70,765</u>	<u>10,185</u>	<u>10,181</u>	<u>17,923</u>	<u>12,871</u>	<u>4,995</u>	<u>126,920</u>
At 1 January 2011	70,765	10,185	10,181	17,923	12,871	4,995	126,920
Additions	172	901	5,680	10,691	5,413	42,647	65,504
Transfer	33,836	—	—	—	—	(33,836)	—
Disposals	—	—	(103)	(4,057)	(54)	—	(4,214)
At 31 December 2011	<u>104,773</u>	<u>11,086</u>	<u>15,758</u>	<u>24,557</u>	<u>18,230</u>	<u>13,806</u>	<u>188,210</u>
At 1 January 2012	104,773	11,086	15,758	24,557	18,230	13,806	188,210
Additions	238	872	981	20,497	2,483	34,964	60,035
Transfer	16,334	746	2,129	—	—	(19,209)	—
Disposals	—	(11)	(174)	(13,623)	(55)	—	(13,863)
At 31 December 2012	<u>121,345</u>	<u>12,693</u>	<u>18,694</u>	<u>31,431</u>	<u>20,658</u>	<u>29,561</u>	<u>234,382</u>
At 1 January 2013	121,345	12,693	18,694	31,431	20,658	29,561	234,382
Additions	7,105	784	1,256	8,701	4,040	41,470	63,356
Transfer	35,334	—	—	—	—	(35,334)	—
Disposals	(2,581)	(166)	(112)	(4,169)	(42)	—	(7,070)
At 30 June 2013	<u>161,203</u>	<u>13,311</u>	<u>19,838</u>	<u>35,963</u>	<u>24,656</u>	<u>35,697</u>	<u>290,668</u>
Accumulated depreciation:							
At 1 January 2010	4,082	3,787	2,357	2,689	4,449	—	17,364
Charge for the year	2,500	1,627	927	2,042	1,953	—	9,049
Written back on disposals	—	—	(1)	(461)	(1)	—	(463)
At 31 December 2010	<u>6,582</u>	<u>5,414</u>	<u>3,283</u>	<u>4,270</u>	<u>6,401</u>	<u>—</u>	<u>25,950</u>
At 1 January 2011	6,582	5,414	3,283	4,270	6,401	—	25,950
Charge for the year	3,784	1,732	1,298	4,684	2,714	—	14,212
Written back on disposals	—	—	(73)	(1,509)	(51)	—	(1,633)
At 31 December 2011	<u>10,366</u>	<u>7,146</u>	<u>4,508</u>	<u>7,445</u>	<u>9,064</u>	<u>—</u>	<u>38,529</u>
At 1 January 2012	10,366	7,146	4,508	7,445	9,064	—	38,529
Charge for the year	5,897	2,959	1,678	6,247	3,308	—	20,089
Written back on disposals	—	(11)	(105)	(4,644)	(43)	—	(4,803)
At 31 December 2012	<u>16,263</u>	<u>10,094</u>	<u>6,081</u>	<u>9,048</u>	<u>12,329</u>	<u>—</u>	<u>53,815</u>
At 1 January 2013	16,263	10,094	6,081	9,048	12,329	—	53,815
Charge for the period	2,760	1,152	830	2,872	1,200	—	8,814
Written back on disposals	(1,247)	(136)	(31)	(1,243)	(40)	—	(2,697)
At 30 June 2013	<u>17,776</u>	<u>11,110</u>	<u>6,880</u>	<u>10,677</u>	<u>13,489</u>	<u>—</u>	<u>59,932</u>
Net book value:							
At 31 December 2010	<u>64,183</u>	<u>4,771</u>	<u>6,898</u>	<u>13,653</u>	<u>6,470</u>	<u>4,995</u>	<u>100,970</u>
At 31 December 2011	<u>94,407</u>	<u>3,940</u>	<u>11,250</u>	<u>17,112</u>	<u>9,166</u>	<u>13,806</u>	<u>149,681</u>
At 31 December 2012	<u>105,082</u>	<u>2,599</u>	<u>12,613</u>	<u>22,383</u>	<u>8,329</u>	<u>29,561</u>	<u>180,567</u>
At 30 June 2013	<u>143,427</u>	<u>2,201</u>	<u>12,958</u>	<u>25,286</u>	<u>11,167</u>	<u>35,697</u>	<u>230,736</u>

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB64,183,000, RMB94,407,000, RMB105,082,000 and RMB138,775,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

Property, plant and equipment with net book value of RMB1,804,000, RMB1,682,000 and RMBnil and RMBnil have been pledged as security for bank loans (see note 19(b)(i)) as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

11 LEASE PREPAYMENTS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January	16,111	25,922	61,858	114,684
Additions	9,811	35,936	52,826	663
Disposal	—	—	—	(3,457)
At 31 December/30 June . . .	<u>25,922</u>	<u>61,858</u>	<u>114,684</u>	<u>111,890</u>
Accumulated amortisation:				
At 1 January	(1,384)	(1,717)	(2,911)	(4,402)
Charge for the year/period . .	(333)	(1,194)	(1,491)	(1,417)
Written back on disposal . . .	—	—	—	778
At 31 December/30 June . . .	<u>(1,717)</u>	<u>(2,911)</u>	<u>(4,402)</u>	<u>(5,041)</u>
Net book value:				
At 31 December/30 June . . .	<u>24,205</u>	<u>58,947</u>	<u>110,282</u>	<u>106,849</u>

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 34–40 years when granted.

Lease prepayments with net book value of RMB10,424,000, RMB46,717,000, RMB42,812,000 and RMB42,232,000 are pledged as security for bank loans (see note 19(b)(i)) as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

12 INTANGIBLE ASSETS

	<u>Car dealership</u>
	<u>RMB'000</u>
Cost:	
At 31 December 2010, 2011 and 2012 and 30 June 2013	15,083
Accumulated amortisation:	
At 1 January 2010	(629)
Charge for the year	(754)
At 31 December 2010	<u>(1,383)</u>
At 1 January 2011	(1,383)
Charge for the year	(754)
At 31 December 2011	<u>(2,137)</u>
At 1 January 2012	(2,137)
Charge for the year	(754)
At 31 December 2012	<u>(2,891)</u>
At 1 January 2013	(2,891)
Charge for the period	(377)
At 30 June 2013	<u>(3,268)</u>
Net book value:	
At 31 December 2010	<u>13,700</u>
At 31 December 2011	<u>12,946</u>
At 31 December 2012	<u>12,192</u>
At 30 June 2013	<u>11,815</u>

The Group's identifiable intangible assets represent a car dealership in the PRC, arising from the relationship with the automobile manufacturer, with an estimated useful life of 20 years. The intangible assets were recognised as a result of the acquisition of Beijing Zhongye in 2009. The fair value of the car dealership as at the acquisition date was determined by using the multiple-period excess earning method.

13 INTEREST IN AN ASSOCIATE

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Share of net assets	<u>4,370</u>	<u>4,669</u>	<u>4,146</u>	<u>4,758</u>

The following contains the particulars for the associate during the Relevant Periods, which is an unlisted limited liability company established in the PRC:

Name of associate	Place of incorporation	At	Particulars of registered and paid up capital	Proportion of ownership interest	Principal activities
				Group's effective interest	
Dongguan Anxin	The PRC	31 December 2010	RMB12,000,000	49%	Automobile
		31 December 2011	RMB12,000,000	49%	dealership
		31 December 2012	RMB12,000,000	49%	
		30 June 2013	RMB12,000,000	49%	

Summary financial information on the associate.

	Assets	Liabilities	Equity	Revenue	(Loss)/profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010					
100 percent	37,354	28,436	8,918	17,909	(3,082)
Group's effective interests. . .	<u>18,304</u>	<u>13,934</u>	<u>4,370</u>	<u>8,775</u>	<u>(1,510)</u>
31 December 2011					
100 percent	46,481	36,953	9,528	145,502	610
Group's effective interests. . .	<u>22,776</u>	<u>18,107</u>	<u>4,669</u>	<u>71,296</u>	<u>299</u>
31 December 2012					
100 percent	47,227	38,766	8,461	159,120	(1,067)
Group's effective interests. . .	<u>23,141</u>	<u>18,995</u>	<u>4,146</u>	<u>77,969</u>	<u>(523)</u>
30 June 2013					
100 percent	59,760	50,050	9,710	92,956	1,249
Group's effective interests. . .	<u>29,282</u>	<u>24,524</u>	<u>4,758</u>	<u>45,548</u>	<u>612</u>

14 INTEREST IN A JOINT VENTURE

Details of the group's interest in the joint venture are as follows:

Name of joint venture	Place of incorporation	At	Particulars of registered and paid up capital	Proportion of ownership interest	Principal activities
				Group's effective interest	
Dongguan Meidong	The PRC	31 December 2010	RMB20,000,000	49%	Automobile
		31 December 2011	RMB20,000,000	49%	dealership
		31 December 2012	RMB20,000,000	49%	
		30 June 2013	RMB20,000,000	49%	

Dongguan Meidong, the only joint arrangement in which the Group participates, is principally engaged in the passenger vehicles 4S dealership in the PRC.

Dongguan Meidong is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Dongguan Meidong as a joint venture.

Summary financial information of the joint venture- group's effective interest.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	12,647	11,854	10,073	9,832
Current assets	57,460	67,722	70,560	55,059
Current liabilities.	45,202	44,270	48,501	46,302
Net assets.	<u>24,905</u>	<u>35,306</u>	<u>32,132</u>	<u>18,589</u>

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Income.	291,275	318,087	351,987	182,258	154,280
Expenses	282,535	307,686	343,401	177,772	149,293
Profit and total comprehensive income for the year/period	<u>8,740</u>	<u>10,401</u>	<u>8,586</u>	<u>4,486</u>	<u>4,987</u>

15 INVENTORIES

(a) Inventories in the combined balance sheets comprise:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Passenger vehicles	194,767	259,775	272,616	369,144
Others	9,160	14,234	18,138	20,343
	<u>203,927</u>	<u>274,009</u>	<u>290,754</u>	<u>389,487</u>

No inventory provision was made as at 31 December 2010, 2011 and 2012 and 30 June 2013. The inventories as at 31 December 2010, 2011 and 2012 and 30 June 2013 were stated at cost.

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

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Carrying amount of inventories sold.	<u>2,114,638</u>	<u>2,574,010</u>	<u>2,694,000</u>	<u>1,346,356</u>	<u>1,369,418</u>

Inventories with carrying amount of RMB114,526,000, RMB51,513,000, RMB108,815,000 and RMB163,943,000 have been pledged as security for bank loans and borrowings from other financial institutions (see note 19(b)(i)) as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

Inventories with carrying amount of RMB32,795,000, RMB102,023,000, RMB132,438,000 and RMB120,207,000 have been pledged as security for bills payable (see note 20) as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

16 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	11,693	12,621	14,021	23,963
Prepayments	86,783	93,323	61,991	75,817
Other receivables and deposits	68,550	88,158	117,377	129,184
Amounts due from third parties	167,026	194,102	193,389	228,964
Amounts due from related parties (note 27(b))	132,160	256,321	308,793	750
Trade and other receivables	<u>299,186</u>	<u>450,423</u>	<u>502,182</u>	<u>229,714</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year, or for certain expenses incurred for the proposed listing exercise, to be offset against the share premium account upon listing.

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current	11,569	12,464	13,633	21,197
Less than 3 months past due	12	64	99	2,178
3 to 12 months past due	108	56	238	577
Over 12 months past due	4	37	51	11
Total amount past due	<u>124</u>	<u>157</u>	<u>388</u>	<u>2,766</u>
	<u>11,693</u>	<u>12,621</u>	<u>14,021</u>	<u>23,963</u>

Details on the Group's credit policy are set out in note 24(a).

Other receivables with carrying amount of RMB19,700,000, RMB21,950,000, RMB27,800,000 and RMB31,700,000 have been pledged as security for borrowings from other financial institutions (see note 19(b)(i)) as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

Prepayments with carrying amount of RMB30,012,000, RMB17,147,000, RMB5,449,000 and RMB16,161,000 have been pledged as security for borrowings from other financial institutions (see note 19(b)(i)) as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

17 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable (note 20)	65,649	131,372	100,666	92,634

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

18 CASH AND CASH EQUIVALENTS**(a) Cash comprise:**

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	105,837	100,219	158,571	147,406

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation		65,398	101,060	61,580	36,068	60,639
Adjustments for:					(Unaudited)	
— Depreciation	5(c)	9,049	14,212	20,089	9,633	8,814
— Amortisation of lease prepayments	5(c)	333	1,194	1,491	715	1,417
— Amortisation of intangible assets	5(c)	754	754	754	377	377
— Net gain on disposal of property, plant and equipment and lease prepayment	4	(33)	(287)	(338)	(195)	(831)
— Finance costs	5(a)	17,283	32,215	43,158	21,575	19,148
— Share of losses/(profits) of an associate		1,510	(299)	523	376	(612)
— Share of profits of a joint venture		(8,740)	(10,401)	(8,586)	(4,486)	(4,987)
— Interest income	4	(812)	(1,605)	(2,534)	(1,036)	(9,418)
Operating profit before changes in working capital		84,742	136,843	116,137	63,027	74,547
Increase in inventories		(78,106)	(70,082)	(16,745)	(56,821)	(98,733)
(Increase)/decrease in trade and other receivables		(66,196)	(27,076)	713	(46,220)	(35,575)
(Increase)/decrease in pledged bank deposits		(13,347)	(65,723)	30,706	20,484	8,032
Increase/(decrease) in trade and other payables		44,132	98,191	(67,900)	(10,638)	34,006
Cash (used in)/generated from operations		(28,775)	72,153	62,911	(30,168)	(17,723)

19 LOANS AND BORROWINGS

(a) Loans and borrowings were repayable as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	321,455	378,002	508,625	641,664
After 1 year but within 2 years	—	—	60,000	80,000
	<u>321,455</u>	<u>378,002</u>	<u>568,625</u>	<u>721,664</u>

(b) Loans and borrowings were secured as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured bank loans	94,000	183,502	278,500	314,389
Unsecured borrowings from other financial institutions	15,790	23,758	7,746	5,433
Unsecured borrowings from a third party	—	—	—	50,000
	<u>109,790</u>	<u>207,260</u>	<u>286,246</u>	<u>369,822</u>
Secured bank loans ⁽ⁱ⁾	53,200	87,473	153,485	151,000
Secured borrowings from other financial institutions ⁽ⁱ⁾	158,465	83,269	128,894	200,842
	<u>211,665</u>	<u>170,742</u>	<u>282,379</u>	<u>351,842</u>
	<u>321,455</u>	<u>378,002</u>	<u>568,625</u>	<u>721,664</u>

(i) Loans and borrowings were secured by the following assets of the Group:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Inventories	114,526	51,513	108,815	163,943
Other receivables	19,700	21,950	27,800	31,700
Prepayments	30,012	17,147	5,449	16,161
Property, plant and equipments	1,804	1,682	—	—
Lease prepayments	10,424	46,717	42,812	42,232
	<u>176,466</u>	<u>139,009</u>	<u>184,876</u>	<u>254,036</u>

(ii) Loans and borrowings of RMB293,455,000, RMB347,729,000, RMB568,625,000 and RMB481,784,000 were guaranteed by certain related parties as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively (see note 27(d)).

20 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	13,102	18,107	20,685	24,527
Bills payable	172,171	230,916	162,485	214,840
	185,273	249,023	183,170	239,367
Receipts in advance	61,620	94,530	86,757	64,933
Other payables and accruals	16,467	20,290	31,586	36,281
Amount due to third parties	263,360	363,843	301,513	340,581
Amount due to related parties (note 27(b))	45,409	85,572	58,554	125,526
Trade and other payables	308,769	449,415	360,067	466,107

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

Bills payable were secured by the following assets of the Group:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged bank deposits	65,649	131,372	100,666	92,634
Inventories	32,795	102,023	132,438	120,207
	98,444	233,395	233,104	212,841

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due within 3 months	164,904	223,857	182,751	235,867
Due after 3 months but within 6 months	20,369	25,166	419	3,500
	185,273	249,023	183,170	239,367

21 INCOME TAX IN THE COMBINED BALANCE SHEETS

(a) Income tax payables in the combined balance sheets represent:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	4,046	8,308	12,643	11,092
Provision for current income tax for the year/period	16,425	25,765	19,634	14,904
Payment during the year/period	(12,163)	(21,430)	(21,185)	(15,866)
Income tax payables at the end of the year/period	8,308	12,643	11,092	10,130

(b) Deferred tax assets and liabilities recognised

(i) *The components of deferred tax assets/(liabilities) recognised in the combined balance sheets and the movements during the Relevant Periods are as follows:*

	Fair value adjustment arising from a business combination	Depreciation/ amortisation charges in excess of depreciation/ amortisation allowances	Unused tax losses	Accruals	Capitalised interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax (liabilities)/assets arising from:						
At 1 January 2010.	(3,613)	643	25	256	—	(2,689)
Credited to profit or loss (note 6(a))	188	441	495	209	—	1,333
At 31 December 2010.	<u>(3,425)</u>	<u>1,084</u>	<u>520</u>	<u>465</u>	<u>—</u>	<u>(1,356)</u>
At 1 January 2011.	(3,425)	1,084	520	465	—	(1,356)
Credited/(charged) to profit or loss (note 6(a))	188	(232)	2,015	811	—	2,782
At 31 December 2011.	<u>(3,237)</u>	<u>852</u>	<u>2,535</u>	<u>1,276</u>	<u>—</u>	<u>1,426</u>
At 1 January 2012.	(3,237)	852	2,535	1,276	—	1,426
Credited to profit or loss (note 6(a))	189	162	3,676	1,810	—	5,837
At 31 December 2012.	<u>(3,048)</u>	<u>1,014</u>	<u>6,211</u>	<u>3,086</u>	<u>—</u>	<u>7,263</u>
At 1 January 2013.	(3,048)	1,014	6,211	3,086	—	7,263
Credited/(charged) to profit or loss (note 6(a))	94	(739)	2,214	(699)	(831)	39
At 30 June 2013.	<u>(2,954)</u>	<u>275</u>	<u>8,425</u>	<u>2,387</u>	<u>(831)</u>	<u>7,302</u>

Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years, which are progressing to their normal operating stage and are expected to derive profits in the foreseeable future. Accordingly, it is considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

(ii) *Reconciliation to combined balance sheets:*

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Representing:				
Net deferred tax assets	2,069	4,663	10,311	10,256
Net deferred tax liabilities	<u>(3,425)</u>	<u>(3,237)</u>	<u>(3,048)</u>	<u>(2,954)</u>
	<u>(1,356)</u>	<u>1,426</u>	<u>7,263</u>	<u>7,302</u>

(c) Deferred tax liabilities not recognised

The new CIT Law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 30 June 2013 in respect of undistributed earnings of RMB29,852,000 because it is probable that they will not be distributable in the foreseeable future.

22 SHARE CAPITAL

The Company was incorporated on 24 February 2012 with an authorised capital of HK\$10,000,000 divided into 100,000,000 ordinary shares of HK\$0.1 each and 1,000,000 issued ordinary share of HK\$100,000, as nil paid. After the completion of the Reorganisation in July 2013, the Company became the holding company of the Group.

For the purpose of this report, share capital as at 31 December 2010, 2011 and 2012 and 30 June 2013 represents the issued and paid-up capital of the Company and the aggregate amount of the Company's share of the nominal value of the issued and paid-up capital of the companies comprising the Group at the respective dates, after elimination of investments in subsidiaries.

23 RESERVES

(a) Capital reserves

Capital reserve comprises contributions by the Controlling shareholder at the respective dates and balances arising from transactions with owners in their capacity as the equity owners.

(b) PRC statutory reserves

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

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

(c) Change in the Group's interests in subsidiaries

In July 2012, the Group disposed of 30% equity interests in Chengde Meibaohang to third parties for RMB3,000,000, decreasing the Group's equity interests in Chengde Meibaohang from 100% to 70%. The carrying amount of Chengde Meibaohang's net

assets on the date of disposal was RMB9,217,000. The Group recognised an increase in non-controlling interests of RMB2,765,000 and an increase in capital reserves of RMB235,000.

In May 2013, the Group disposed of 25% equity interests in Beijing Meibaohang to third parties for RMB7,500,000, decreasing the Group's equity interests in Beijing Meibaohang from 100% to 75%. The carrying amount of Beijing Meibaohang's net assets on the date of disposal was RMB29,489,000. The Group recognised an increase in non-controlling interests of RMB7,372,000 and an increase in capital reserves of RMB128,000.

(d) Dividends

During the year ended 31 December 2012, Xiamen Meidong, the Group's subsidiary declared and paid dividends in cash totalling RMB12,000,000 to its then equity holder, Dadong Group.

In May 2013, certain subsidiaries of the Group declared dividends of RMB166,609,000 and RMB3,310,000 to their then equity holder, Dadong Group and the non-controlling shareholder of a subsidiary of the Group, respectively. Of the RMB166,609,000, RMB126,180,000 was settled by way of set-off against outstanding amounts due from Dadong Group and the remaining RMB40,429,000 was paid in cash.

(e) Deemed distribution

Deemed distribution of RMB2,940,000, RMB11,760,000 and RMB18,530,000 during the year ended 31 December 2010 and 2012 and the six months ended 30 June 2013, represents the dividend declared and paid by Dongguan Meidong, the Group's joint venture to Dadong Group.

Deemed distribution arising from the Reorganisation for the six months ended 30 June 2013 represents the total considerations of RMB343,907,000 for the transfer of the entire equity interests in Dongguan Meixin, the PRC Operating Entities and the 49% equity interest in Dongguan Anxin from their then equity holders to the Group in connection with the Reorganisation, among which RMB220,680,000 has been settled in cash as of 30 June 2013 (see Note 1(b)). Such consideration was accounted for as a deemed distribution to the then equity holders arising from the Reorganisation.

(f) Distributable reserves

The Company was incorporated on 24 February 2012. There were no reserves available for distribution to equity shareholders as at 30 June 2013.

(g) Capital risk management

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

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

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. The Group defines net debt as loans and borrowings and bills payable, less pledged bank deposits and cash and cash equivalents.

The net debt-to-equity ratios at 31 December 2010, 2011 and 2012 and 30 June 2013 were as follows:

		As at 31 December			As at 30 June
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities:					
Loans and borrowings	19	321,455	378,002	508,625	641,664
Bills payable	20	172,171	230,916	162,485	214,840
		493,626	608,918	671,110	856,504
Non-current liabilities:					
Loans and borrowings	19	—	—	60,000	80,000
Total debt		493,626	608,918	731,110	936,504
Less: Pledged bank deposits	17	(65,649)	(131,372)	(100,666)	(92,634)
Cash and cash					
equivalents	18	(105,837)	(100,219)	(158,571)	(147,406)
Adjusted net debt		322,140	377,327	471,873	696,464
Total equity		202,861	378,938	458,971	41,389
Adjusted net					
debt-to-equity ratio		1.59	1.00	1.03	16.83

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

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

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

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk
- fair value

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

(a) Credit risk

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

Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, receivables from credit sales to corporate customers and individual customers of the Group from sales of passenger vehicles and provision of after-sales services. The mortgage receivable is normally settled within one month directly by major financial institutions. The credit sales are offered through credit evaluation and subject to high level management's approval. Normally, the Group does not obtain collateral from customers.

At the respective balance sheet dates, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2010, 2011 and 2012 and 30 June 2013 represented 67%, 74%, 70% and 39% of the total trade and other receivables respectively, while 43%, 56%, 61% and 12% of the total trade and other receivables were due from the largest single debtor respectively.

Except for the financial guarantees given by the Group as set out in note 26, the Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

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

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

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

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

At 31 December 2010			
Contractual undiscounted cash outflow			
Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings . . .	327,058	—	327,058
Trade and other payables .	308,769	—	308,769
	<u>635,827</u>	<u>—</u>	<u>635,827</u>
			<u>630,224</u>
At 31 December 2011			
Contractual undiscounted cash outflow			
Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings . . .	387,606	—	387,606
Trade and other payables .	449,415	—	449,415
	<u>837,021</u>	<u>—</u>	<u>837,021</u>
			<u>827,417</u>

At 31 December 2012				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings . . .	521,025	64,244	585,269	568,625
Trade and other payables .	360,067	—	360,067	360,067
	<u>881,092</u>	<u>64,244</u>	<u>945,336</u>	<u>928,692</u>

At 30 June 2013				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings . . .	664,854	81,085	745,939	721,664
Trade and other payables .	466,107	—	466,107	466,107
	<u>1,130,961</u>	<u>81,085</u>	<u>1,212,046</u>	<u>1,187,771</u>

(c) Interest rate risk*(i) Interest rate profile*

Cash at bank, pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with fixed interest rates ranging from 0.35% to 0.50% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

The Group's interest-bearing borrowings and interest rates as at 31 December 2010, 2011 and 2012 and 30 June 2013 are set out as follows:

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Interest rate %	RMB'000	Interest rate %	RMB'000	Interest rate %	RMB'000	Interest rate %	RMB'000
Fixed rate borrowings								
Bank loans	4.86-6.37	102,200	5.81-9.27	64,475	6.60-8.53	218,485	6.00-7.20	251,488
Borrowings from a third party .	—	—	—	—	—	—	1.00	50,000
		<u>102,200</u>		<u>64,475</u>		<u>218,485</u>		<u>301,488</u>
Variable rate borrowings								
Bank loans	6.19-7.42	45,000	7.22-8.53	206,500	6.60-7.76	213,500	5.88-7.20	213,901
Borrowings from other financial institutions	5.31-7.20	174,255	6.24-10.98	107,027	6.90-9.24	136,640	8.25-8.89	206,275
		<u>219,255</u>		<u>313,527</u>		<u>350,140</u>		<u>420,176</u>
		<u>321,455</u>		<u>378,002</u>		<u>568,625</u>		<u>721,664</u>

(ii) Sensitivity analysis

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

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the end of the Relevant Periods and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the Relevant Periods, the impact on the Group's profit after tax (and retained profits) and other components of combined equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Relevant Periods.

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit after tax and retained profits for the year/ period</u> <u>RMB'000</u>
At 31 December 2010		
Basis points	100	(1,644)
Basis points	(100)	1,644
At 31 December 2011		
Basis points	100	(2,351)
Basis points	(100)	2,351
At 31 December 2012		
Basis points	100	(2,626)
Basis points	(100)	2,626
At 30 June 2013		
Basis points	100	(3,151)
Basis points	(100)	3,151

(d) Foreign currency risk

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

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

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013 due to the short maturities of those instruments, except for the amounts due from/to related parties, which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

25 COMMITMENTS**(a) Capital commitments**

Capital commitments of the Group in respect of plant, property and equipment outstanding at each of the balance sheet dates not provided for in the Financial Information were as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	18,509	25,667	36,885	23,877

(b) Operating lease commitments

At each of the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	4,234	4,704	8,915	9,038
After 1 year but within				
5 years	13,977	15,872	28,241	30,205
After 5 years	36,707	38,060	94,900	96,603
	54,918	58,636	132,056	135,846

The Group is the lessee in respect of a number of land and properties held under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the leases when all the terms are renegotiated.

26 CONTINGENT LIABILITIES

As at 31 December 2012 and 30 June 2013, one subsidiary of the Group has issued a financial guarantee to a bank in respect of a banking facility granted to a related party of the Group in the amount of RMB80,000,000 and the banking facility utilised by the related party amounted to RMB50,000,000 as at 31 December 2012 and 30 June 2013. Another subsidiary of the Group had an asset being pledged to the same bank as security for such utilised banking facility by the related party as disclosed in note 27(c).

As at the balance sheet dates, the directors do not consider it probable that a claim will be made against the two subsidiaries under the above guarantee or for the asset pledged.

Such guarantee and asset pledged have been released as at the date of this report.

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Ye Fan 葉帆	Controlling Shareholder
Hu Huanran 胡煥然	Close family member of the Controlling Shareholder
Ye Nian'en 葉念恩	Close family member of the Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Liu Shuchang 劉樹昌	Non-controlling shareholder of a subsidiary
Liu Haiming 劉海銘	Non-controlling shareholder of a subsidiary
Wang Shenwu 王慎武	Non-controlling shareholder of certain subsidiaries
Liu Rong 劉榮	Non-controlling shareholder of a subsidiary
Dadong Group 廣東大東汽車集團有限公司	Controlled by the Controlling shareholder
Dongguang Meidong 東莞美東汽車服務有限公司	Joint venture
Dongguan Anxin 東莞安信豐田汽車銷售服務有限公司	Associate
Dongguan Juxinghang Auto Sales and Services Co., Ltd. ("Juxinghang") 東莞市聚星行汽車銷售服務有限公司	Controlled by the Controlling Shareholder before 21 September 2012
Hunan Meibohang Auto Sales and Services Co., Ltd. ("Hunan Meibohang") 湖南省美博行汽車銷售服務有限公司	Controlled by the Controlling Shareholder before 14 May 2013

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

(a) Non-recurring transactions

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Receipt of services:					
Dadong Group	1,253	1,168	—	—	—
Sales of passenger vehicles:					
Dongguan Meidong	2,915	6,375	14,586	11,555	8,995
Purchases of passenger vehicles:					
Dongguan Meidong	5,835	10,378	2,753	2,202	3,251
Advances to related parties:					
Dadong Group	347,265	675,603	574,622	295,060	184,027
Juxinghang	—	10,782	—	—	—
Ye Fan	570	—	—	—	—
Hunan Meibohang	—	—	—	—	750
	347,835	686,385	574,622	295,060	184,777
Repayment of advances to related parties:					
Dadong Group	309,273	548,998	522,094	240,321	365,880
Juxinghang	—	10,726	56	56	—
Ye Fan	639	2,500	—	—	760
	309,912	562,224	522,150	240,377	366,640
Advances from related parties:					
Dadong Group	159,637	210,810	119,607	71,626	48,005
Dongguan Meidong	—	2,610	—	—	—
Hunan Meibohang	—	—	3,649	3,500	—
Ye Fan	5,140	2,009	1,834	1,784	—
	164,777	215,429	125,090	76,910	48,005
Repayment of advances from related parties:					
Dadong Group	133,162	169,546	152,108	74,970	92,044
Hunan Meibohang	—	—	—	—	3,500
Dongguan Meidong	—	2,610	—	—	—
Ye Fan	30,650	3,110	—	—	—
	163,812	175,266	152,108	74,970	95,544
Disposal of property, plant and equipment and lease prepayment:					
Dadong Group	—	—	—	—	4,775
Interest income:					
Dadong Group	—	—	—	—	8,324

Advances from/to related parties of the Group are unsecured, interest-free and have no fixed term of repayment during the Relevant Periods, except for the six months ended 30 June 2013 of which the advances the PRC Operating Entities granted to Dadong Group bore an annual interest rate of 6.4%. The directors of the Company have confirmed that the above transactions will not be continued in the future after the listing of the Company's shares on the Stock Exchange.

(b) Balances with related parties

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables				
due from:				
Dadong Group	128,564	250,850	308,033	—
Dongguan Meidong . . .	336	4,655	—	—
Ye Fan.	3,260	760	760	—
Juxinghang	—	56	—	—
Hunan Meibohang	—	—	—	750
	<u>132,160</u>	<u>256,321</u>	<u>308,793</u>	<u>750</u>
Other payables				
due to:				
Dadong Group	42,299	83,563	51,062	112,343
Hunan Meibohang	—	—	3,649	150
Ye Fan.	3,110	2,009	3,843	9,723
Liu Shuchang	—	—	—	3,310
	<u>45,409</u>	<u>85,572</u>	<u>58,554</u>	<u>125,526</u>

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment. The directors of the Company confirm that the balance will be settled before the listing of the Company's share on the Stock Exchange.

(c) Guarantees issued by the Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees issued by the Group in respect of a banking facility granted to a related party				
— Dadong Group	—	—	80,000	80,000

In addition, the carrying value of the asset of the Group pledged to the bank as security for the aforementioned banking facility utilised by Dadong Group as at each balance sheet date is analysed as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Lease prepayments	—	—	21,529	20,869

The above guarantee and the asset pledged have been released as at the date of this report.

(d) Guarantees issued by related parties

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:</i>				
— Ye Fan	22,288	153,851	106,695	71,625
— Ye Fan/Dadong Group . . .	31,857	49,212	143,800	165,012
— Ye Fan/Juxinghang	10,000	—	—	—
— Ye Fan/Hu Huanran	20,000	—	15,000	10,000
— Ye Fan/Ye Nian'en	10,000	28,000	—	—
— Ye Fan/Hu Huanran/ Dadong Group	189,310	116,666	243,130	198,659
— Ye Fan/Hu Huanran/ Ye Nian'en	10,000	—	—	—
— Ye Fan/Ye Tao	—	—	30,000	—
— Ye Fan/Wang Shenwu/ Liu Haiming/Ye Tao . . .	—	—	30,000	30,000
— Dadong Group	—	—	—	6,488
	<u>293,455</u>	<u>347,729</u>	<u>568,625</u>	<u>481,784</u>

The directors have confirmed that the above guarantees granted by Mr. Ye Fan, Mr. Ye Tao, Ms. Hu Huanran and Dadong Group will be released upon the listing of the Company's shares on the Stock Exchange.

(e) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 7 and note 8.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2013 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities	1 January 2014
Amendments to HKAS 32	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC) 21	Levies	1 January 2014
HKFRS 9	Financial instruments (2009) Financial instruments (2010)	1 January 2015
Amendments to HKFRS 7	Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2015
Amendments to HKFRS 9	Financial instruments	1 January 2015

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

C SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2013:

(a) Group reorganisation

The Company was incorporated in the Cayman Islands on 24 February 2012. The companies comprising the Group underwent and completed a Reorganisation in July 2013 in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

As further described in Note 1(b) of Section B, Dadong Group transferred its 49% equity interest in Dongguan Meidong to Dongguan Meixin in July 2013 at a consideration of RMB16,748,000. The consideration of RMB16,748,000 will be recorded within equity as a deemed distribution arising from the Reorganisation.

(b) Capital injection

On 16 October 2013, the authorized share capital of the Company was increased from HK\$10,000,000 to HK\$2,000,000,000 by the creation of 19,900,000,000 new shares of HK\$0.10 each in the capital of the Company pursuant to a resolution passed by its sole shareholder, Apex Sail Limited ("Apex Sail"). On the same day, the Company issued and allotted 749,000,000 shares of HK\$0.10 each at par and nil paid, to Apex Sail.

The total outstanding subscription amount of HK\$75,000,000 on the 750,000,000 shares that were previously allotted and issued to Apex Sail (representing the 1,000,000 shares issued on 24 February 2012 and the aforementioned 749,000,000 shares) were subsequently paid up on 24 October 2013.

(c) Early repayment of a long term borrowing

On 12 November 2013, the Group voluntarily made an early repayment of the principal of a long term borrowing from a third party of RMB50 million, which is due in March 2015.

(d) Share option scheme

Pursuant to the written resolution of the sole shareholder of the Company passed on 13 November 2013, the Company has conditionally approved and adopted a share option scheme. The principal terms of the share option scheme are set out in the section headed "D. Share Option Scheme" of Appendix V "Statutory and General Information" to the Prospectus.

D FINANCIAL INFORMATION OF THE COMPANY

	<u>Note</u>	<u>As at 30 June 2013 RMB'000</u>
Non-current assets		
Investment in a subsidiary		1
Current assets		
Trade and other receivables		5,612
Current liabilities		
Amount due to related parties	(i)	(11,352)
Net current liabilities		(5,739)
Total assets less current liabilities		(5,739)
Net liabilities		(5,739)
Equity		
Share capital	22	—
Accumulated losses		5,739
Total equity-deficit		5,739

- (i) Amount due to a related party is unsecured, interest-free, and have no fixed terms of repayment.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report on the financial information of the Group for the Track Record Period prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only and it may not give a true picture of our net tangible assets following the Global Offering. The following unaudited pro forma adjusted net tangible assets is set out here to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2013 as derived from our combined financial information set forth in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets statement does not form part of the Accountants' Report.

	Combined net tangible assets of our Group attributable to equity shareholders of our Company as at 30 June 2013 ^(Note 1)	Estimated net proceeds from the Global Offering ^(Note 2)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted net tangible assets per Share ^(Notes 3 and 4)	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the Offer Price of HK\$1.8 for each Share	15,039	331,300	346,339	0.35	0.44

Notes:

- (1) The combined net tangible assets of our Group attributable to equity shareholder of our Company as at 30 June 2013 is compiled based on the combined financial information included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined net assets attributable to equity shareholder of our Company of RMB26,854,000 less intangible assets of RMB11,815,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.8 per Share, after deduction of the underwriting fees and other related expenses payable by us. No account has been taken of the Shares which may fall to be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible asset per Share is arrived at after the adjustment for the estimated net proceeds from the Global Offering payable to us as described in Note (1) and on the basis that a total of 1,000 million Shares were in issue as at 1 January 2013 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering).

- (4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7913 to HK\$1.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2013.

UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

All statistics in this table are based on the assumption that no options are granted under the Share Option Scheme.

Forecast consolidated profit attributable to equity shareholders

of the Company⁽¹⁾ not less than RMB97,400,000

Unaudited pro forma forecast earnings per Share⁽²⁾⁽³⁾ not less than RMB0.09
(approximately HK\$0.11)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2013 has been prepared are summarized in Appendix III to this prospectus.
- (2) The calculation of the forecast earnings per Share on a pro forma basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013, assuming that the Company has been listed since 1 January 2013 and a total of 1,000,000,000 Shares were in issue during the entire year.
- (3) The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7913 to HK\$1.

The following is the text of report, prepared for the purpose of incorporation in this prospectus, received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in connection with the unaudited pro forma financial information of the Group.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China MeiDong Auto Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China MeiDong Auto Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2013 and the unaudited pro forma forecast earnings per share for the year ending 31 December 2013 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus dated 22 November 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2013; and the forecast financial performance of the Company for the year ending 31 December 2013 as if the Global Offering had taken place at 30 June 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position as at 30 June 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus. Information about the Group's forecast of the consolidated profit attributable to the equity shareholders of the Company for the year ending 31 December 2013 (the "Profit Forecast") has been extracted by the Directors from the section headed "Financial Information" in the Prospectus on which an accountants' report has been published as set out in Appendix III to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical or forecast financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

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

22 November 2013

Our forecast of the consolidated profit for the year ending 31 December 2013 is set out in the section headed “Financial Information — Profit Forecast For the Year Ending 31 December 2013” in this prospectus.

A. PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

We have prepared our profit forecast for the year ending 31 December 2013. This profit forecast is based on audited combined financial statements for the six months ended 30 June 2013, unaudited consolidated financial statements of the Group for the three months ended 30 September 2013 and forecast of the consolidated financial statements for the remaining three months ending 31 December 2013. The forecast for the year ending 31 December 2013 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountants’ Report set out in Appendix I to this prospectus and the principal assumptions set out below.

Principal Assumptions for the Profit Forecast

The principal assumptions adopted by the Directors of the Company in preparing the profit forecast are as follows:

There will be no material changes in existing political, legal, fiscal, market or economic conditions in China, Hong Kong, or any other country or territory in which the Group currently carries on business or which are otherwise material to the Group’s turnover or results;

There will be no changes in legislation, regulations or rules in China, Hong Kong or any other country or territory in which the Group operates or with which the Group has arrangements or agreements, which may have a material adverse effect on the Group’s business;

There will be no government action or industrial disputes for reasons that are beyond the control of the Directors which will materially affect the operations and results of the Group;

There will be no interruption of operations that will adversely affect the Group as a result of any circumstances such as natural disasters which are beyond the Group’s control;

There will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those prevailing as at the last audited balance sheet date;

There will be no significant changes to the PRC foreign exchange regulations, which will adversely affect the Group’s cash flow and fund remittance;

There will be no material changes in the bases or rates of taxation in the PRC or any country or territory in which the Group operates or in the countries in which the Company or its subsidiaries were incorporated;

The Group’s operations, results, and financial position will not be adversely affected by the risk factors described under the “Risk Factors” section of the Prospectus;

There will be no significant changes in the Group's operations and the Directors do not expect any extraordinary items to occur during the Forecast Period;

Profit forecast for the Year Ending 31 December 2013

Forecast consolidated profit

attributable to equity shareholders (*Note 1*) not less than RMB97.4 million

Unaudited pro forma forecast earnings

per Share (*Notes 2 and 3*)not less than RMB0.09
(approximately HK\$0.11)

Notes:

- (1) The above profit forecast has been prepared in accordance with the principal assumptions set forth above.
- (2) The calculation of the forecast earning per share on a pro forma basis is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013, assuming that the Company has been listed since 1 January 2013 and a total of 1,000,000,000 shares were in issue during the entire year.
- (3) The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7913 to HK\$1.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of the letter received by the directors from our reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast for the year ending 31 December 2013.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

22 November 2013

The Directors
China MeiDong Auto Holdings Limited

CCB International Capital Limited

Dear Sirs,

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit attributable to equity holders of China MeiDong Auto Holdings Limited ("the Company") for the year ending 31 December 2013 ("the Profit Forecast"), for which the directors of the Company are solely responsible, as set forth in the section headed "Financial Information" in the prospectus of the Company dated 22 November 2013 ("the Prospectus").

The Profit Forecast has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as "the Group") for the six months ended 30 June 2013, the unaudited consolidated results based on management accounts of the Group for the three months ended 30 September 2013 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2013.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions made by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 22 November 2013, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sole Sponsor, in connection with the forecast of our consolidated profit for the year ending 31 December 2013.



22 November 2013

The Directors
China MeiDong Auto Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit of China MeiDong Auto Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31 December 2013 (the “Profit Forecast”), as set out in the prospectus dated 22 November 2013 issued by the Company (the “Prospectus”).

The Profit Forecast, for which the Directors are solely responsible, has been prepared by the Directors based on the results shown in the audited combined financial information of the Group for the six months ended 30 June 2013, the unaudited management accounts of the Group for the three months ended 30 September 2013, and a forecast of the results of the remaining three months of the year ending 31 December 2013.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 22 November 2013 addressed to you and us from KPMG, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by KPMG, Certified Public Accountants, Hong Kong, we have formed the opinion that the Profit Forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
CCB International Capital Limited
Lai Voon Wai
Managing Director, Corporate Finance

Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix VI to this Prospectus. As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of our Company (the "Articles") were adopted on 13 November 2013. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or its holdings company

There are no provisions in the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such

other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors,

including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract

of service between him and our Company). Subject to the statutes and the provisions of the Articles, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) Qualification shares

Directors of our Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the

holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;

- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of our Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy

shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or

document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less

than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase its own shares

The Articles provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member

willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons

holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by

death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this prospectus shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear

business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the

company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Cayman Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(I) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's legal advisors on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 24 February 2012 with an authorised share capital of HK\$10,000,000 divided into 100,000,000 Shares (having a par value of HK\$0.10 each).

Our Company has established a principal place of business in Hong Kong at Room 2404, 24/F, World-Wide House, 19 Des Voeux Road, Central, Hong Kong and our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 5 July 2013. Mr. Yu Man To Gerald Maximillian has been appointed the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Cayman Islands Companies Law and to the constitution comprising the Memorandum and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company***(a) Change in authorised and issued share capital***

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$10,000,000 divided into 100,000,000 shares of HK\$0.10 each.

On 24 February 2012, one share of HK\$0.10 was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Apex Sail on the same date. On 24 February 2012, our Company further allotted and issued 999,999 Shares, nil paid, to Apex Sail.

On 16 October 2013, our authorised share capital was increased to HK\$2,000 million by the creation of 19,900 million Shares pursuant to a resolution passed by our sole Shareholder.

On 16 October 2013, our Company issued and allotted 749 million Shares of HK\$0.10 each, at par and nil paid, to Apex Sail. Following that, 750 million nil paid Shares then in issue were paid up on 24 October 2013 by Apex Sail by paying a total subscription amount of HK\$75 million to our Company.

(b) Information as of the Latest Practicable Date and immediately after the Global Offering

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering:

<i>Authorised share capital:</i>		<i>HK\$</i>
20,000 million	shares (having a par value of HK\$0.10 each)	2,000.0 million
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
750 million	Shares in issue as at the date of this prospectus	75.0 million
<u>250 million</u>	Shares to be issued pursuant to the Global Offering	<u>25.0 million</u>
<u>1,000 million</u>	Total	<u>100.0 million</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued upon the exercise of options under the Share Option Scheme or the Over-allotment Option or of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$2,000 million, divided into 20,000 million Shares, and an issued share capital of HK\$75 million, divided into 750 million Shares, all fully paid or credited as fully paid.

Immediately following completion of the Global Offering and upon the exercise of the Over-allotment Option in full but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the authorised share capital of our Company remains to be HK\$2,000 million divided into 20,000 million Shares, of which 1,037.5 million Shares will be issued fully paid or credited as fully paid, and 18,962.5 million Shares will remain unissued.

(c) Founder shares

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our sole Shareholder passed on 13 November 2013

Pursuant to the written resolutions passed by our sole Shareholder on 13 November 2013 among others:

- (a) our Company approved and adopted our Articles of Association;
- (b) conditional on (A) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering; (B) the Offer Price having been determined; (C) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; (D) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the grant of the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme (the principal terms of which are set forth in “— D. Share Option Scheme” below) were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) a general unconditional mandate (“**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, or scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering but excluding (where applicable) any shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (iv) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable

Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Global Offering but excluding (where applicable) any shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (v) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (iv) above.

4. Further information about our Group’s PRC subsidiaries, Joint Venture and associate

Our Group has interest in the registered capital of 23 companies established in the PRC. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

(a) Foreign Investment Enterprise

(i)	Full name of company	1. Dongguan Meixin 東莞美信企業管 理諮詢有限公司
(ii)	Date of establishment	10 September 2012
(iii)	Economic nature	Limited liability company
(iv)	Registered holder(s)	HK Subsidiary
(v)	Total investment amount	RMB50 million
(vi)	Registered capital fully paid up	RMB50 million
(vii)	Percentage equity interest attributable to our Group	100%
(viii)	Term of operation (or, where applicable, its expiry date)	Long-term

(b) Limited Liability Companies

(i)	Full name of company	2. Dongguan Dongbu (Note 1) 東莞市東部豐田汽車銷售服務有限公司	3. Dongguan Dongmei (Note 2) 東莞東美豐田汽車銷售服務有限公司	4. Dongguan Dongxin (Note 3) 東莞市東鑫汽車銷售服務有限公司	5. Dongguan Guanfeng (Note 4) 東莞市冠豐汽車有限公司
(ii)	Date of establishment	23 October 2003	16 January 2007	28 May 2007	10 April 2003
(iii)	Registered holder(s)	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin	1. Dongguan Meixin (70%) 2. Liu Shuchang (30%)
(iv)	Registered capital fully paid up	RMB10 million	RMB10 million	RMB12 million	RMB10 million
(v)	Percentage equity interest attributable to our Group	100%	100%	100%	70%
(vi)	Term of operation (or, where applicable, its expiry date)	Long-term	Long-term	Long-term	Long-term
(i)	Full name of company	6. Quanzhou Meidong 泉州美東豐田汽車銷售服務有限公司	7. Lanzhou Meidong 蘭州美東雷克薩斯汽車銷售服務有限公司	8. Xiamen Meidong 廈門美東汽車銷售服務有限公司	9. Beijing Zhongye (Note 5) 北京中業豐田汽車銷售服務有限公司
(ii)	Date of establishment	7 December 2009	15 March 2010	3 January 2008	23 August 2001
(iii)	Registered holder(s)	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin
(iv)	Registered capital fully paid up	RMB10 million	RMB30 million	RMB15 million	RMB12 million
(v)	Percentage equity interest attributable to our Group	100%	100%	100%	100%
(vi)	Term of operation (or, where applicable, its expiry date)	6 December 2029	14 March 2020	2 January 2028	22 August 2038

(i)	Full name of company	10. Beijing Meibaohang 北京美寶行汽車 銷售服務有限公 司	11. Heyuan Guanfenghang 河源市冠豐行 汽車有限公司	12. Zhuzhou Meibaohang 株洲市美寶行 汽車銷售服務 有限公司	13. Yiyang Dongxin 益陽市東鑫 汽車銷售服務 有限公司
(ii)	Date of establishment	24 October 2011	27 January 2011	4 December 2009	19 October 2010
(iii)	Registered holder(s)	1. Dongguan Meixin (75%) 2. Wang Shenwu (15%) 3. Liu Rong (10%)	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin
(iv)	Registered capital fully paid up	RMB30 million	RMB10 million	RMB30 million	RMB20 million
(v)	Percentage equity interest attributable to our Group	75%	100%	100%	100%
(vi)	Term of operation (or, where applicable, its expiry date)	23 October 2031	1 August 2014	3 December 2029	18 October 2060
(i)	Full name of company	14. Chengde Meibaohang 承德美寶行 汽車銷售服務 有限公司	15. Hengyang Meibaohang 衡陽市美寶行汽 車銷售服務有限 公司	16. Changde Meibaohang 常德市美寶行汽 車銷售服務有限 公司	17. Changsha Meidong 長沙美東雷克薩 斯汽車銷售服務 有限公司
(ii)	Date of establishment	8 August 2011	14 June 2011	27 April 2012	18 April 2012
(iii)	Registered holder(s)	1. Dongguan Meixin (70%) 2. Wang Shenwu (20%) 3. Liu Haiming (10%)	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin
(iv)	Registered capital fully paid up	RMB10 million	RMB10 million	RMB10 million	RMB30 million
(v)	Percentage equity interest attributable to our Group	70%	100%	100%	100%
(vi)	Term of operation (or, where applicable, its expiry date)	7 August 2051	13 June 2031	Long-term	17 April 2014

(i)	Full name of company	18. Foshan Dongbao 佛山東保汽車銷售服務有限公司	19. Shantou Dongbao 汕頭市東保汽車銷售服務有限公司	20. Longyan Meidong 龍岩美東雷克薩斯汽車銷售服務有限公司	21. Dongguan Dongyue 東莞市東粵二手車有限公司
(ii)	Date of establishment	26 March 2012	23 May 2012	11 December 2012	20 April 2012
(iii)	Registered holder(s)	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin	Dongguan Meixin
(iv)	Registered capital fully paid up	RMB5.01 million	RMB5 million	RMB30 million	RMB5 million
(v)	Percentage equity interest attributable to our Group	100%	100%	100%	100%
(vi)	Term of operation (or, where applicable, its expiry date)	Long-term	15 May 2027	10 December 2032	Long-term
(i)	Full name of company	22. Dongguan Meidong 東莞美東汽車服務有限公司	23. Dongguan Anxin 東莞市安信豐田汽車銷售服務有限公司		
(ii)	Date of establishment	4 April 2007	18 June 2009		
(iii)	Registered holder(s)	1. Dongguan Meixin (49%) 2. Meichang Auto Group (Asia) Limited (51%)	1. Dongguan Meixin (49%) 2. Mr. Wei Songgen (51%)		
(iv)	Registered capital fully paid up	RMB20 million	RMB12 million		
(v)	Percentage equity interest attributable to our Group	49% (a Joint Venture)	49% (an associate)		
(vi)	Term of operation (or, where applicable, its expiry date)	4 April 2037	Long-term		

The scope of permitted business as recorded in the business licences of the respective PRC subsidiaries, Joint Venture and associate of our Group as at the Latest Practicable Date is set out below:

1. Dongguan Meixin Corporate management consultancy services
2. Dongguan Dongbu Sales of FAW Toyota branded automobiles (including used vehicles), sales of used vehicles, used-vehicle agency, sales of imported Toyota branded automobiles, Type 1 vehicle repairing (subject to holding of valid license for operation), technical services, sales of auto parts, tyres, automobile accessories, automobile cleaning products, automobile antifreeze solutions, canned lubricant oil, mechanical products, metal and electrical materials, business vehicles, sundries, construction materials (excluding hazardous chemical materials), paper products (excluding publications), agency for insurance (automotive car insurance and short-term personal injury insurance), vehicle rental, agency for automobile licensing services, automobile decorations, import and export of goods, import and export of technology (excluding those prohibited by law or administrative regulations; subject to obtaining permit for restrictive items under law or administrative regulations for operation), business information consultancy services, economic information consultancy services
3. Dongguan Dongmei Sales of FAW Toyota branded automobiles, sales of used vehicles, used-vehicle agency, sales of imported Toyota branded automobiles, Type 2 vehicle repairing (subject to holding of valid licence for operation), sales of auto parts, tyres, automobile accessories, automobile cleaning products, automobile antifreeze solutions, canned lubricant oil, mechanical products, metal and electrical materials, business vehicles, sundries, construction materials (excluding hazardous chemical materials), paper products (excluding publications), agency for insurance (automotive car insurance and short-term personal injury insurance), vehicle rental, agency for automobile licensing services, import and export of goods, import and export of technology, business information consultancy services, economic information consultancy services

4. Dongguan Dongxin Sales of GAC Toyota branded automobiles (including used vehicles), sales of imported Toyota branded automobiles, sales of used vehicles, used-vehicle agency, Type 2 vehicle repairing (small vehicle repairing) (subject to holding of valid licence for operation) sales of auto parts, tyres, automobile accessories, automobile cleaning products, automobile antifreeze solutions, canned lubricant oil, mechanical products, electronic and metal materials, business vehicles, sundries, construction materials (excluding hazardous chemical materials), paper products (excluding publications), agency for insurance (automotive car insurance and short-term personal injury insurance) (subject to holding of valid licence for operation), vehicle rental, agency for automobile licensing services, import and export of goods, import and export of technology (excluding those prohibited by law or administrative regulations; subject to obtaining permit for restrictive items under law or administrative regulations for operation), business information consultancy services, economic information consultancy services
5. Dongguan Guanfeng Sales of Beijing Hyundai branded automobiles and auto parts, mechanical products, sales of used vehicles, Type 2 vehicle repairing (small vehicle repairing), agency for insurance (automotive car insurance and short-term personal injury insurance) (subject to holding of valid license for operation), agency for automobile licensing services, business information consultancy services (excluding those forbidden by law, administrative regulations or decisions of State Council, or those subject to obtaining permit for operation), automobile beauty services, automobile accessories decoration services, sales of sundries, vehicle rental
6. Quanzhou Meidong Sales of FAW Toyota branded automobiles and imported Toyota branded automobiles, auto parts, metal and electrical materials, automobile related products, sundries, construction materials (excluding hazardous chemical materials), sales of used vehicles, intermediary for sale and purchase of used vehicles, vehicle rental, business information consultancy services, economic information consultancy services (except consultation on options, securities and finance), self-operation of and agency for import and export of goods and technology, excluding those operation by corporate designated by the Nation or goods and technology prohibited for import and export, passenger vehicle repairing (valid until 14 February 2017), automotive car insurance (valid until 22 March 2014) (for items where permission for operation is required, subject to obtaining of relevant permit(s) from relevant authorities for carrying on such operation)

7. Lanzhou Meidong Sales of Lexus branded automobiles, wholesale and retail of used vehicles, auto parts, and metal and electrical materials, Type 1 vehicle repairing (automobile repairing, assembly repairing, vehicle maintenance, minor overhaul, special repairing, test on repair completion), sales of automobile related products, vehicle rental, agency for automobile related applications services, business information consultancy services (excluding forbidden or restricted activities under the Catalogue of Industries for Guiding Foreign Investment (2011 Revision); subject to compliance with relevant requirements for national forbidden items and obtaining special permit)
8. Xiamen Meidong Sales of imported Lexus branded automobiles, agency for insurance (automotive car insurance and short-term personal injury insurance which relates directly to its main business; valid until 29 March 2015), Type 1 vehicle repairing: passenger vehicle repairing (valid until 29 September 2015), sales of used vehicles, sales of auto parts, automobiles related products, metal and electrical materials, sundries, sales of automobiles (excluding passenger vehicle), business information consultancy, agency for automobiles related applications, import and export of goods and technology (catalogue of import and export of goods is not attached), excluding those operation by corporate designated by the Nation or goods and technology prohibited for import and export, vehicle rental (excluding operation) (for items where permission for operation is required, subject to obtaining of valid permit(s) from relevant authorities for carrying on such operation)
9. Beijing Zhongye Permitted scope of operation: sales (excluding wholesale) of FAW Toyota branded automobiles and imported Toyota branded automobiles, Type 1 vehicle repairing, agency for insurance; general scope of operation: sales of auto parts, rubber products, cleaning products, lubricant oil, electronic products, metal and electrical materials, automobiles (excluding those with less than nine seats), sundries, construction materials, paper products, vehicle rental, automobile decorations, import and export of goods, import and export of technology, economic information consultancy, technological services
10. Beijing Meibaohang Sales of BMW-Brilliance branded automobiles and imported BMW branded automobiles, sales of automobiles (excluding those with less than nine seats), auto parts, metals and electrical materials, lubricant oil, rubber products, cleaning products, sundries, mechanical equipments, electronic products, construction materials, paper products, import and export of goods, import and exports of technology, vehicle rental, technical consultancy and services

11. Heyuan
Guanfenghang Sales of Beijing Hyundai branded automobiles and auto parts, mechanical products, automobile related products, Type 1 vehicle repairing (small vehicle repairing), automobile beauty, agency for automobile related applications services, agency for insurance (automotive car insurance and short-term personal injury insurance), vehicle rental, sales of used vehicles (excluding valuation), retail and wholesale of metal and electrical materials (excluding those forbidden by law or administrative regulations; subject to obtaining approval if so required for carrying on such operation)
12. Zhuzhou Meibaohang Type 1 vehicle repairing (small vehicle repairing) (valid until 12 October 2014), sales of BMW-Brilliance branded automobiles, imported BMW branded automobiles and used vehicles, sales of automobiles (excluding small sedan), automobile beauty, decorations, maintenance, cleaning services, vehicle rental, sales of auto parts, accessories, cleaning products, maintenance products, sales of mechanical products, metals and electrical materials, sundries, construction materials, paper products (excluding publications), import and export of the above goods, agency for automobile licensing services, agency for licence applications, business information consultation services, (excluding consultation on finance, securities and options), agency for automobiles insurance, accidental injury insurance for drivers and passengers (valid until 21 November 2014)
13. Yiyang Dongxin Sales of GAC Toyota branded automobiles and imported Toyota branded automobiles, Type 1 vehicle repairing (small vehicle repairing) (valid until 11 July 2017), agency for insurance (limited to accidental injury insurance for drivers and passengers, automotive car insurance and short-term health insurance) (valid until 20 May 2015), sales of used vehicles, used-vehicle agency, sales of auto parts, automobile accessories, mechanical products, metals and electrical materials, sundries products, vehicle rental (excluding services for road operation), agency for automobile licensing services, automobile beauty, automobile decoration, social and economic information consultancy services
14. Chengde Meibaohang Sales of BMW-Brilliance branded automobiles and imported BMW branded automobiles, tyres, sales of business vehicles, sales of auto parts, automobile accessories, antifreeze solutions, lubricant oil, mechanical products, sundries, metal and electrical materials, clothes and accessories, bags and purses, stationery, sports products, vehicle rental, agency for automobile licensing services, business information consultancy services, economic information consultancy services, leasing of properties and venues

15. Hengyang
Meibaohang Sales of BMW-Brilliance branded automobiles and imported BMW branded automobiles, Type 1 vehicle repairing (small vehicle repairing. Valid until 26 May 2016), sales of auto parts, metal and electrical materials, automobile beauty, automobile decorations, business and economic information consultancy services (subject to obtaining valid permit for operation where administrative approval is required)
16. Changde Meibaohang Sales of automobiles (excluding small sedans), purchase and sales of auto parts and metal and electrical materials
17. Changsha Meidong Sales of imported Lexus branded automobiles, auto parts, tyres, accessories, cleaning products, automobile antifreeze solutions, lubricant oil, mechanical products, metal and electrical materials, sundries, operation of used vehicles, vehicle rental, agency for transfer of vehicles, licensing application and annual inspection, business information consultancy, Type 1 vehicle repairing (small vehicle repairing) (the licence for road transport operation is valid until 21 April 2017). (For items where qualification and permit are required, subject to obtaining the relevant valid qualification and permit for operation) (subject to holding of relevant administrative permit(s) for carrying on such operation)
18. Foshan Dongbao Sales of automobiles (excluding branded automobiles), sales of auto parts, tyres, automobile accessories, automobile cleaning products, automobile antifreeze solutions, canned lubricant oil, mechanical products, metal and electrical materials, sundries, construction materials (excluding hazardous chemical materials), paper products (excluding publications), vehicle rental, agency for automobiles licensing services, automobile decorations, business information consultancy services, economic information consultancy services (excluding those prohibited by law, administrative regulations and the decision of State Council or where permission is required)
19. Shantou Dongbao Sales of automobiles (excluding small sedans) and accessories, tyres, automobile accessories, automobile cleaning products, automobile antifreeze solutions, canned lubricant oil, mechanical products, metal and electrical materials, sundries, construction materials, paper products, vehicle rental, automobile beauty, automobile decorations, business information consultancy services, import and export of goods, import and export of technology (excluding those prohibited by law and administrative regulations; subject to obtaining permit if so required by law or administrative regulations for carrying on such operation)

20. Longyan Meidong Sales of business vehicles, auto parts, automobile accessories, metal products, sundries, economic and business consultation (except consultation on securities, options and accreditations), agency for application for automobile annual inspection, registration and business (except reapplication for vehicle registration certificate) (for items where permission for operation is required, subject to obtaining permit(s) from relevant authority(ies))
21. Dongguan Dongyue Sales of used vehicles, used-vehicle agency, vehicle rental, agency for automobiles licensing services, consultancy services in relation to vehicle repair technique, business information consultancy services, economic information consultancy services, sales of auto parts, automobile accessories, canned lubricant oil, mechanical products, metal and electrical materials and sundries
22. Dongguan Meidong As the automobiles distributor of imported Lexus branded automobiles of Toyota (China) Investment Limited, it is engaged in sales of the above-named branded automobiles (excluding wholesale) as well as sales of used automobiles, sales of auto parts, metal materials and electrical appliances, Type 1 vehicle repairing (small vehicle repairing), sale of used vehicles, agency for insurance (subject to holding valid licence for operation; tyres: automotive car insurance and short-term personal injury insurance), agency for automobile licensing services, commission-based agency for automobile accessories (excluding auction, for items required operation licence, subject to application pursuant to the relevant national requirements)
23. Dongguan Anxin Sales of FAW Toyota branded automobiles (including used automobiles), sales of imported Toyota branded automobiles, Type 1 vehicle repairing (subject to holding of valid permit for operation), sales of auto parts, metal and electrical materials, agency for automotive car insurance (subject to holding of valid permit for operation), vehicle rental, import and export of goods, import and export of technology (excluding those prohibited by law or administrative regulations; subject to obtaining permit for restrictive items under law or administrative regulations for operation)

Notes:

1. Dongguan Dongbu was established in the PRC on 23 October 2003. As at the date of its incorporation, Mr. Ye Fan owned 50% of its equity interest, and the remaining 50% equity interest was owned by an Independent Third Party. Before February 2009, the equity interests in Dongguan Dongbu were changed for a few times and Mr. Ye Fan has since its incorporation been one of its equity-holders whose equity-holding ranged from 45% to 51% and the then remaining equity interest was held by other Independent Third Parties. In February 2009, Mr. Ye Fan and Ms. Hu Huanran (who held the equity interest on trust for the benefit of Mr. Ye Fan) acquired the entire equity interest in Dongguan Dongbu at the consideration equivalent to the nominal amount of capital contribution attributable to the equity interest being acquired. The entire equity interest of Dongguan Dongbu was transferred from Mr. Ye Fan and Ms. Hu Huanran (who held the equity interest on trust for the benefit of Mr. Ye Fan) to Dadong Group in April 2009 at an aggregate consideration of RMB10 million, representing its entire registered capital.

2. Dongguan Dongmei was established in the PRC on 16 January 2007. As at the date of its incorporation, Mr. Ye Fan owned 88% of its equity interest, and the remaining 12% equity interest was owned by an Independent Third Party. In April 2008, Mr. Ye acquired the remaining 12% equity interest from the said Independent Third Party at the consideration of RMB1.2 million, representing the nominal amount of capital contribution attributable to the equity interest being acquired. In April 2009, the entire equity interest of Dongguan Dongmei was transferred from Mr. Ye Fan to Dadong Group at the consideration of RMB10 million, representing its entire registered capital.
3. Dongguan Dongxin was established in the PRC on 28 May 2007. As at the date of its incorporation, Mr. Ye Fan owned 88% of its equity interest, and the remaining 12% equity interest was owned by an Independent Third Party. In June 2007, Mr. Ye acquired the remaining 12% equity interest from the said Independent Third Party at the consideration of RMB1.44 million, representing the amount of nominal capital contribution attributable to the equity interest being acquired. In February 2008, the entire equity interest of Dongguan Dongxin was transferred from Mr. Ye Fan to Dadong Group at the consideration of RMB12 million, representing its entire registered capital.
4. Dongguan Guanfeng was established in the PRC on 10 April 2003. As at the date of its incorporation, Mr. Ye Fan owned 68% of its equity interest, and the remaining 32% equity interest was owned by an Independent Third Party. In July 2004, Ms. Hu Huanran (who then held the 32% equity interest on trust for the benefit of Mr. Ye Fan) acquired the remaining 32% equity interest from the said Independent Third Party at the consideration of RMB3.2 million, representing the amount of capital contribution attributable to the equity interest being acquired. In December 2005 Ms. Hu Huanran (who held such equity interest on trust for the benefit of Mr. Ye Fan) transferred her 2% and 30% equity interests in Dongguan Guanfeng to Mr. Ye Fan and Mr. Liu Shuchang (an Independent Third Party, other than being a substantial shareholder of this subsidiary) at the respective consideration of RMB0.2 million and RMB3 million, representing the respective nominal amount of capital contribution attributable to the equity interest being transferred. In April 2009, the 70% equity interest of Dongguan Guanfeng held by Mr. Ye Fan was transferred to Dadong Group at the consideration of RMB7 million, representing 70% of the nominal amount of its registered capital.
5. Beijing Zhongye was established in the PRC on 23 August 2001 and was then owned by various Independent Third Parties. In March 2009, Dadong Group acquired 100% equity interest in Beijing Zhongye from its then equity holders (both being Independent Third Parties) at an aggregate purchase price of RMB9.6 million, which was agreed by the parties to the agreement after negotiation. In consideration of the waiver of shareholder's loan in the total of RMB24 million advanced by one of the then equity holders of Beijing Zhongye, Dadong Group had agreed to pay to the relevant equity holder a sum of RMB3.12 million as consideration for the waiver.

5. Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus.

See “History, Development and Reorganisation — Change in registered/issued capital and/or equity holders of members of our Group” and “History, Development and Reorganisation — Reorganisation” in this prospectus for the details of changes in the share capital of our subsidiaries during the Track Record Period and within the two years immediately preceding the Latest Practicable Date.

6. Repurchases by our Company of our own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company shall not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, under the Companies Law any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Cayman Islands Companies Laws, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Cayman Islands Companies Laws, out of capital.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as

required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate

to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,000 million Shares in issue immediately following the completion of the Global Offering, could accordingly result in up to 100 million Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any

consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

7. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Room 2404, 24/F, World-Wide House, 19 Des Voeux Road, Central, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Yu Man To Gerald Maximillian, our Company Secretary and Chief Financial Officer, has been appointed as agent of our Company for the acceptance of service of process and notices on us in Hong Kong.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 15 March 2013 entered into between our HK Subsidiary as purchaser and Dadong Group as vendor, pursuant to which our HK Subsidiary acquired the entire equity interest in Dongguan Meixin from Dadong Group at a consideration of RMB50 million;
- (b) an equity transfer agreement dated 10 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Dongguan Dongbu from Dadong Group at a consideration of RMB15,707,952.13;
- (c) an equity transfer agreement dated 10 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired 70% equity interest in Dongguan Guanfeng from Dadong Group at a consideration of RMB7,858,152.08;
- (d) an equity transfer agreement dated 15 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Foshan Dongbao from Dadong Group at a consideration of RMB5.01 million;

- (e) an equity transfer agreement dated 15 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired 75% equity interest in Beijing Meibaohang from Dadong Group at a consideration of RMB22.5 million;
- (f) an equity transfer agreement dated 15 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Dongguan Dongmei from Dadong Group at a consideration of RMB12,892,136.95;
- (g) an equity transfer agreement dated 15 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Dongguan Dongxin from Dadong Group at a consideration of RMB13,541,959.01;
- (h) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Shantou Dongbao from Dadong Group at a consideration of RMB5 million;
- (i) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Zhuzhou Meibaohang from Dadong Group at a consideration of RMB30,670,127.09;
- (j) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired 70% equity interest in Chengde Meibaohang from Dadong Group at a consideration of RMB7 million;
- (k) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Hengyang Meibaohang from Dadong Group at a consideration of RMB10 million;
- (l) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Changde Meibaohang from Dadong Group at a consideration of RMB10 million;
- (m) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Xiamen Meidong from Dadong Group at a consideration of RMB20,846,627.11;

- (n) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Lanzhou Meidong from Dadong Group at a consideration of RMB30 million;
- (o) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Longyan Meidong from Dadong Group at a consideration of RMB10 million;
- (p) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Changsha Meidong from Dadong Group at a consideration of RMB30 million;
- (q) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Quanzhou Meidong from Dadong Group at a consideration of RMB10 million;
- (r) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Beijing Zhongye from Dadong Group at a consideration of RMB12 million;
- (s) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Heyuan Guanfenghang from Dadong Group at a consideration of RMB10 million;
- (t) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Dongguan Dongyue from Dadong Group at a consideration of RMB5 million;
- (u) an equity transfer agreement dated 20 May 2013 entered into between Dongguan Meixin as purchaser and Ms. Hu Huanran (who was the registered holder of 49% interest in Dongguan Anxin) as vendor, pursuant to which Dongguan Meixin acquired 49% equity interest in Dongguan Anxin from Ms. Hu Huanran at a consideration of RMB5.88 million;
- (v) an equity transfer agreement dated 22 May 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired the entire equity interest in Yiyang Dongxin from Dadong Group at a consideration of RMB20 million;

- (w) an equity transfer agreement dated 17 June 2013 entered into between Dongguan Meixin as purchaser and Dadong Group as vendor, pursuant to which Dongguan Meixin acquired 49% equity interest in Dongguan Meidong from Dadong Group at a consideration of RMB16,748,131.93;
- (x) a deed of non-competition and other undertakings dated 13 November 2013 executed by our Controlling Shareholders as covenantors in favour of our Company, details of which are set out in “Relationship with Controlling Shareholders — Competition and Conflict of Interests” in this prospectus;
- (y) the Deed of Indemnity; and
- (z) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

As at the Latest Practicable Date, a member of our Group registered the following domain name which is material to our business:

<u>Domain name</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry date</u>
meidongauto.com	Dongguan Meixin	9 April 2013	9 April 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the interests or short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

<u>Name of Director</u>	<u>Nature of interest/ Capacity</u>	<u>Relevant company (including associated corporations)</u>	<u>Number of shares (or, as the case may be, amount of registered capital) in the relevant company</u>	<u>Approximate percentage of shareholding</u>
Mr. Ye Fan	Settlor of a trust	Our Company (<i>Note 1</i>)	750 million	75%

Note:

- (1) Mr. Ye Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire issued share capital of Apex Holdings is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail. Upon completion of the Global Offering, Apex Sail will directly hold 750 million Shares. By virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares held by Apex Sail.

Save as disclosed in “History, Development and Reorganisation”, “Relationship with Controlling Shareholders”, “Connected Transactions” and the paragraph “— C. Further information about our Directors and substantial shareholders — 2. Directors’ service contracts and letters of appointment” in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Interests of the Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to

our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>	<u>Capacity/Nature of interest</u>
Apex Sail	750 million (L)	75%	Beneficial owner
Apex Holdings ⁽²⁾	750 million (L)	75%	Interest in a controlled corporation
Mr. Ye Fan ⁽²⁾⁽³⁾	750 million (L)	75%	Settlor of a trust
Ms. Hu Huanran ⁽³⁾	750 million (L)	75%	Interest of spouse

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares. This does not take account of up to 37.5 million Shares which may be the subject of the Stock Borrowing Agreement to be entered into between CCB International Capital Limited (as borrower) and Apex Sail (as lender).
- (2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. Ye Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.
- (3) Mr. Ye Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares held by Apex Sail. Mr. Ye Fan’s spouse is Ms. Hu Huanran and is deemed to be interested in such 750 million Shares by virtue of the SFO.

In addition to the above and so far as our Directors are aware, immediately following the completion of the Global Offering, the following person is directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

<u>Name of our subsidiary</u>	<u>Substantial shareholder of such subsidiary</u>	<u>Approximate percentage of shareholding</u>
Dongguan Guanfeng	Mr. Liu Shuchang	30%
Chengde Meibaohang	Mr. Wang Shenwu	20%
	Mr. Liu Haiming	10%
Beijing Meibaohang	Mr. Wang Shenwu	15%
	Mr. Liu Rong	10%

2. Directors’ service contracts and letters of appointment

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which he/she agreed to act as an executive Director for an initial term of three years with effect from 15 November 2013.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment of not more than 10% of the annual salary immediately prior to such increase after 31 December 2014 at the discretion of our Directors). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited combined net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary (RMB)
Mr. Ye Fan.	600,000
Mr. Ye Tao	2,400,000
Ms. Liu Xuehua	720,000

Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company pursuant to which he has been appointed for an initial term of three years commencing from 15 November 2013. Mr. Jip Ki Chi is entitled to a director's fee of HK\$166,560 per annum. Each of Mr. Li Lin and Mr. Pan Lu is entitled to a director's fee of HK\$100,000 per annum. Save for Directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

3. Directors' remuneration

- (a) The aggregate emoluments paid by our Group to the Directors in respect of the three financial years ended 31 December 2012 and six months ended 30 June 2013 were approximately RMB625,000, RMB709,000, RMB1,457,000 and RMB395,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2013 are expected to be approximately RMB1.57 million.
- (c) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2012 and the six months ended 30 June 2013.

4. Disclaimers

- (a) Save as disclosed in “— C. Further information about our Directors and substantial shareholders — 1. Disclosure of interests — (a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations” above, none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) save as disclosed in “— C. Further information about our Directors and substantial shareholders — 1. Disclosure of interests — (b) Interests of the Substantial Shareholders” above and in “Substantial Shareholders” in this prospectus, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group once the Shares are listed on the Stock Exchange;
- (c) save as disclosed in “History, Development and Reorganisation”, “Relationship with Controlling Shareholders” and “Connected Transactions” in this prospectus, none of our Directors nor any of the persons listed in the section headed “— F. Other Information — 6. Qualification of experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) save as disclosed in “History, Development and Reorganisation”, “Relationship with Controlling Shareholders” and “Connected Transactions” in this prospectus, none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “— F. Other Information — 6. Qualification of experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (f) save for the Underwriting Agreements, none of the persons listed in “— F. Other Information — 6. Qualification of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (g) save as disclosed in “— C. Further information about our Directors and substantial shareholders — 2. Directors’ service contracts and letters of appointment” above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (h) so far as is known to our Directors, none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers of our Group during the Track Record Period; and
- (i) none of our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

D. SHARE OPTION SCHEME**1. Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our then sole Shareholder on 13 November 2013:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

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

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (“**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to

how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or Substantial Shareholders of our Company or their respective associates

- (aa) Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of

such options must be taken on a poll. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise

Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company’s knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of options to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders of our Company, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of

arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iv) notwithstanding

(i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalization issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the supplementary guidance on Rule 17.03(13) of the Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September 2005; and (v) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

2. Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) *Compliance with Listing Rules*

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

E. ESTATE DUTY, TAX AND OTHER INDEMNITIES

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries and the Joint Venture) (being the material contract (y) referred to in “— B. Further information about our business — 1. Summary of material contracts” above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group or the Joint Venture by reason of any relevant transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group or the Joint Venture at any time on or before the Listing; and
- (b) tax liabilities (including all actual fines, penalties, liabilities, costs, charges, expenses and interests relation to taxation) which might be payable by any member of our Group or the Joint Venture in respect of any income, profits, gains earned, accrued, received on or before the date of Listing, or any transactions, events, matters or things entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group or the Joint Venture for any accounting period up to 30 June 2013; or
- (b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group or the Joint Venture in respect of their accounting periods commencing on 1 July 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group or the Joint Venture (whether alone or in conjunction with some other act, omission or

transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2013 or pursuant to any statement of intention made in this prospectus; or

- (c) to the extent that such taxation claim or liabilities for such taxation arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim or liability for such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group or the Joint Venture up to 30 June 2013 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us and the Joint Venture that he/she/it will indemnify and at all times keeps us and the Joint Venture fully indemnified, on a joint and several basis, from any depletion in or reduction in value of assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group or the Joint Venture may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the Deed of Indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group and the Joint Venture, among other indemnities against:

- (a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which such member of our Group or the Joint Venture may incur, suffer, accrue, directly or indirectly, from any act of such company arising from or in connection with any non-compliance of such company on or before the date of Listing, including not having paid all requisite tax or obtained all relevant or necessary approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this prospectus or all litigation, arbitration, claims, counter-claims; actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of our Group or the Joint Venture which was issued, accrued and/or arising from any act of any of such company at any time on or before the date of Listing;
- (b) any penalty which may be imposed on any member of our Group or the Joint Venture, or any costs, expenses and losses which such company may suffer in connection with such penalty, due to such company's failure to duly make all relevant filings or reports and supply

all other information required to be supplied to any relevant PRC governmental authority, including but not limited to the relevant tax bureau and relevant administration of industry and commerce, or to observe any laws, regulations or rules in the PRC in this regard;

- (c) any loss, liability, damages, claims, fines, penalties, orders, expenses and costs or loss of profits, benefits or other commercial advantages suffered by any member of our Group or the Joint Venture as a result of or in connection with:
 - (i) the title of any of the properties owned by, leased to or otherwise occupied by us and the Joint Venture in the PRC (“PRC Properties”) not being good and/or marketable or being subject to encumbrances (including without limitation the absence of building ownership certificate(s) of any of the PRC Properties as at the Listing Date);
 - (ii) the existing use of any premises demised by any of the PRC Properties and/or building(s) erected thereon being unlawful;
 - (iii) the relocation of any dealership stores on the PRC Properties by such member of our Group or the Joint Venture arising from or in connection with the lack of relevant title certificates or documents by us, the Joint Venture or the lessor or, if applicable the lessors’ registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member or the Joint Venture;
 - (iv) such member’s or the Joint Venture’s failure to obtain the relevant building ownership certificates and/or other title certificates of any of the PRC Properties (including but not limited to relocation costs, operating losses, penalties and rental difference between new lease and the existing ones incurred or suffered by us or the Joint Venture as a result of any disputes as to our or the Joint Venture’s rights to lease and/or use any of the properties for our or the Joint Venture’s business operations).

The scope of indemnities under the Deed of Indemnity covers, among other indemnities, loss of profits of our Group or the Joint Venture as a result of the relocation or suspension of any dealership stores.

Under the Deed of Indemnity, the loss of profits as a result of the relocation or suspension of any dealership stores shall be determined with reference to, among other factors, the following:

$$\begin{aligned} & \{ \text{Estimated daily profit (“EDP”) for the relevant shop} \} \\ & \times \{ \text{no. of days suspended during or in connection with the relocation} \} \end{aligned}$$

and “EDP” for a particular shop for the last 12 months (or a shorter period, taking into consideration the shorter operation period of such shop, to be agreed between us or the Joint Venture and our Controlling Shareholders) = {Total gross profit generated from such shop} / 365 (or the number of days of such shorter period).

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or,

to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of Indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the BVI is likely to fall on our Group members.

F. OTHER INFORMATION

1. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

2. Litigation

As of the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

3. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$10,000 and are payable by our Company.

4. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

5. Agency fees or commissions received

Except as disclosed in “Underwriting — Commissions and Expenses” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital and/or debenture of any member of our Group within the two years immediately preceding the date of this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
CCB International Capital Limited.	a corporation licenced under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
KPMG.	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited.	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited.	Independent property valuer and consultant
All China Marketing Research Co., Ltd..	Independent industry consultants

7. Consents of experts

Each of the experts referred to in “— F. Other information — 6. Qualifications of experts” above, has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

10. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash, save as disclosed in “History, Development and Reorganisation” in this prospectus;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
 - (v) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
 - (vi) our Company has no outstanding convertible debt securities.
- (b) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

- (c) The Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2013 (being the date to which the latest audited combined financial statements of our Group were made up).
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under the Cayman Islands Companies Law, the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** application forms, the written consents referred to under “Appendix V — Statutory and General Information — F. Other information — 7. Consents of experts” in this prospectus, and certified copies of the material contracts referred to in “Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 40/F, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including 6 December 2013:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report from KPMG in respect of the historical financial information of our Group for the financial years ended 31 December 2010, 2011 and 2012, and for the six months ended 30 June 2013, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;
- (d) the letters from KPMG and the Sole Sponsor in relation to the profit forecast for the financial year ending 31 December 2013, the text of which are set out in Appendix III to this prospectus;
- (e) the Companies Law;
- (f) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group, our Joint Venture and associate and the property interests of our Group, our Joint venture and associate in the PRC and summary of PRC laws and regulations relating to our business;
- (h) the material contracts in “Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in this prospectus;
- (i) the written consents referred to in the section headed “Appendix V — Statutory and General Information — F. Other information — 7. Consents of experts” in this prospectus;
- (j) the rules of the Share Option Scheme; and

- (k) the service contracts and appointment letters referred to in “Appendix V — Statutory and General Information — C. Further information about our Directors and substantial shareholders — 2. Directors’ service contracts and letters of appointment” in this prospectus.

CHINA MEIDONG AUTO HOLDINGS LIMITED
中國美東汽車控股有限公司