

INDUSTRY OVERVIEW

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We commissioned Euromonitor International (“Euromonitor”), an international market intelligence provider and an Independent Third Party, to conduct an analysis of the PRC and global passenger vehicle market. The industry report dated November 25, 2011 prepared by Euromonitor’s analysts was based on their specific knowledge of the PRC automobile industry and the forecasts were based on Euromonitor’s analysis of historical data and trends. This information was obtained by Euromonitor from a variety of industry sources, including relevant PRC government departments and established PRC industry organizations such as the National Bureau of Statistics, Ministry of Transportation, the China Automobile Dealers Association and China Automotive Technology & Research Center. Euromonitor has conducted interviews with market participants and industry experts in order to support, verify and cross check its estimates.

Certain information set forth in this section has been extracted from the industry report prepared by Euromonitor.

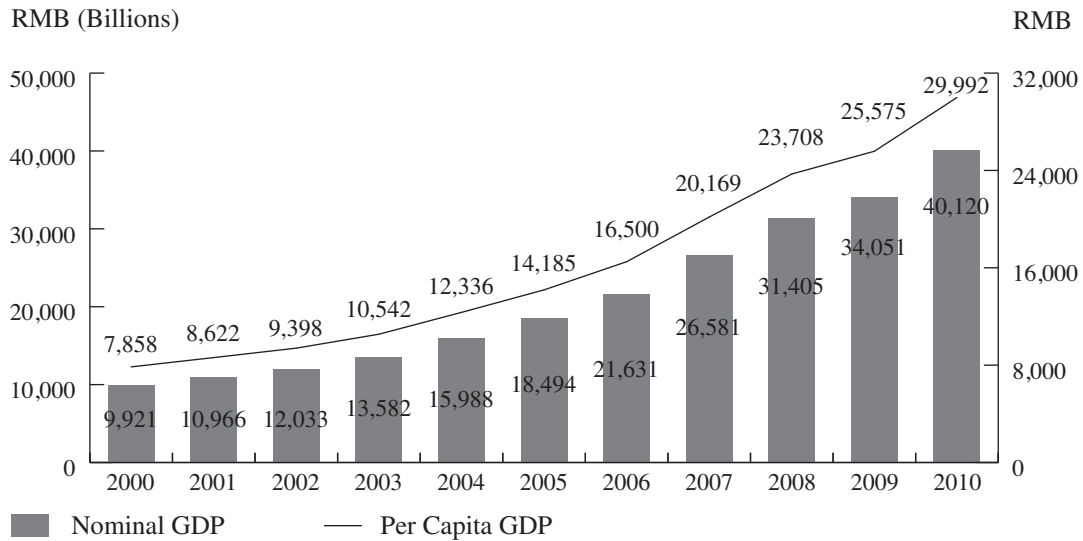
The consulting fee paid by the Company to Euromonitor in connection with the preparation of the industry report for this prospectus was approximately RMB350,000.

ECONOMIC GROWTH IN THE PRC

The Chinese economy has been growing rapidly in the past decade. According to the National Bureau of Statistics of China, the PRC’s nominal GDP grew from RMB9,921 billion in 2000 to RMB40,120 billion in 2010, representing a CAGR of 15.0%, and correspondingly the PRC’s nominal GDP per capita grew from RMB7,858 in 2000 to RMB29,992 in 2010, representing a CAGR of 14.3%.

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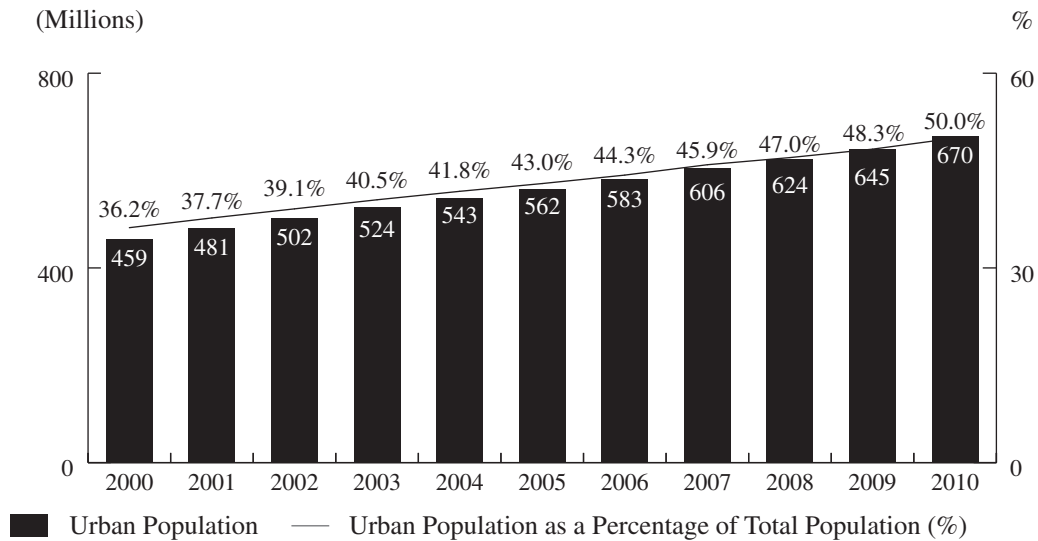
Nominal GDP and Nominal GDP per Capita in the PRC



Source: National Bureau of Statistics of China

Rapid economic growth has accelerated the urbanization process. Between 2000 and 2010, the total urban population in the PRC increased by approximately 211 million or approximately 45.9%. As of December 31, 2010, the total urban population in the PRC was approximately 666 million and accounted for approximately 50% of the total population, according to the National Bureau of Statistics of China.

Growth of the Urban Population in the PRC

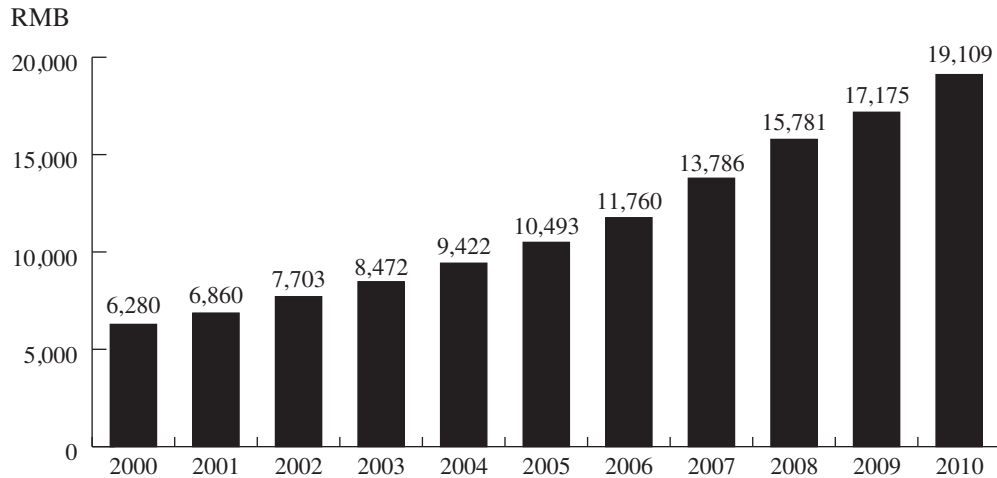


Source: National Bureau of Statistics of China

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The economic growth and the urbanization trend have resulted in an increase in purchasing power. The per capita annual disposable income of urban residents has increased substantially in the past decade. During the period from 2000 to 2010, the per capita annual disposable income of urban households in the PRC increased from approximately RMB6,280 to RMB19,109, representing a CAGR of approximately 11.8%, according to the National Bureau of Statistics of China.

Per Capita Annual Disposable Income of Urban Households in the PRC

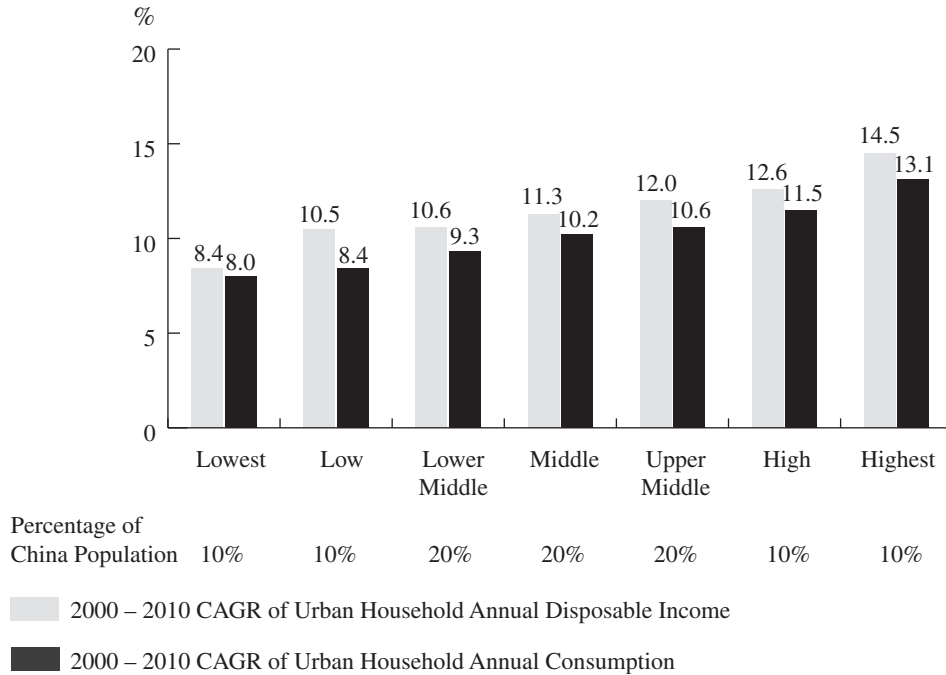


Source: National Bureau of Statistics of China

While the average per capita annual disposable income of urban households went up across all classes, the average per capita annual disposable income for the upper-middle to high income classes (including the upper middle, high and highest income classes in the chart below) grew much faster than the low to middle income classes (including the middle, lower middle, low and lowest income classes in the chart below), signaling tremendous opportunities for businesses targeted at the expanding Chinese affluent classes with stronger consumption power.

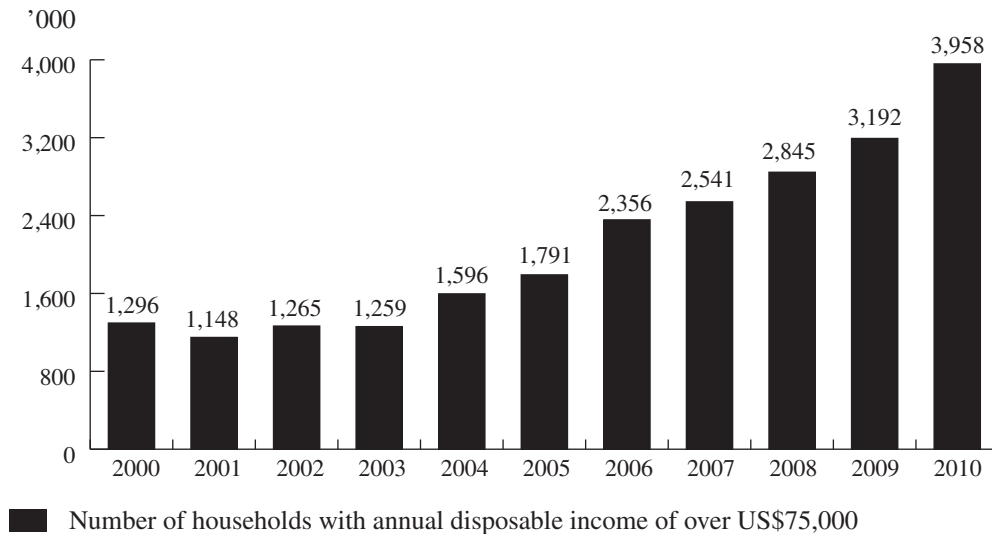
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CAGR of per Capita Disposable Income and Consumption Expenditure of Urban Household of Different Income Classes in China (2000–2010)



Source: National Bureau of Statistics of China

Size of Affluent Class in China

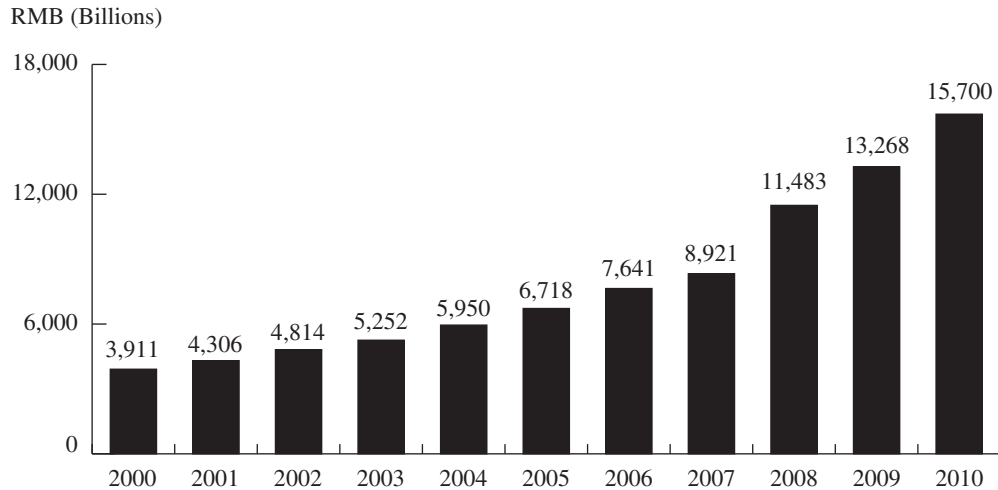


Source: Euromonitor

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As a result of strong economic growth, rapid urbanization, increasing disposable income and the growing affluent class, the PRC's consumer goods market expanded significantly during the past few years. Retail sales of consumer goods in China increased from approximately RMB3,911 billion in 2000 to approximately RMB15,700 billion in 2010, representing a CAGR of approximately 14.9%, according to the National Bureau of Statistics of China.

Total Retail Sales of Consumer Goods in China

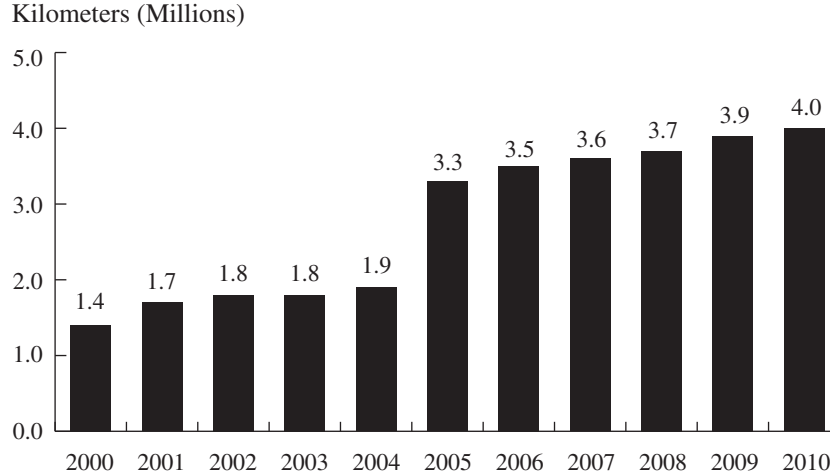


Source: National Bureau of Statistics of China

The rapid economic growth and the accelerated urbanization have been coupled with substantial investment in the transportation infrastructure. The length of China's highways network grew at a CAGR of 11.1% from approximately 1.4 million kilometers in 2000 to approximately 4.0 million kilometers in 2010, according to Ministry of Transportation of China. The increasing length of highways greatly facilitates inter-city travel. Improvement in transportation infrastructure is a key driver for the growth of automobile consumption in China.

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Length of Highways in the PRC



Source: Ministry of Transportation

THE PRC PASSENGER VEHICLE MARKET

Overview of the Chinese Passenger Vehicle Market

China has become the largest passenger vehicle market, and the fastest growing out of the 10 largest passenger vehicle markets worldwide

The PRC passenger vehicle industry has experienced substantial growth. Since 2009, China has become the largest segment among the global passenger vehicle market in terms of sales volumes, driven by the trends discussed above as well as other factors such as favorable government policies, the entry of global automobile manufacturers and the increasing availability of automobile financing.

Top 10 Passenger Vehicle Markets

Number of New Passenger Vehicles Sold (millions)

Rank	Country	2009	2010	YoY (09-10)
1.	China	10.33	13.76	33.2%
2.	U.S.	5.46	5.65	3.6%
3.	Japan	3.92	4.21	7.4%
4.	Brazil	3.01	3.33	10.6%
5.	Germany	3.81	2.92	(23.4%)
6.	France	2.30	2.25	(2.2%)
7.	U.K.	2.00	2.03	1.8%
8.	Italy	2.16	1.96	(9.2%)
9.	Russia	1.47	1.91	30.0%
10.	India	1.43	1.87	31.0%

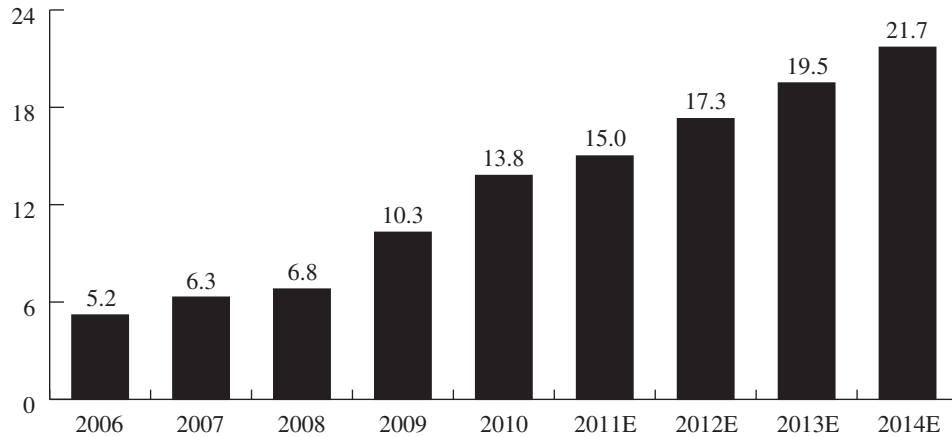
Source: Euromonitor

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The volume of new passenger vehicle sales increased from approximately 5.2 million units in 2006 to approximately 13.8 million units in 2010, representing a CAGR of approximately 27.7%. The strong growth momentum is expected to continue in the near future. According to Euromonitor, the sales volume of new passenger vehicles in China is expected to grow at a CAGR of approximately 13.0% from 15.0 million units in 2011 to 21.7 million units in 2014.

Sales Volume and Sales Volume Forecast of New Passenger Vehicles in China

(Millions)

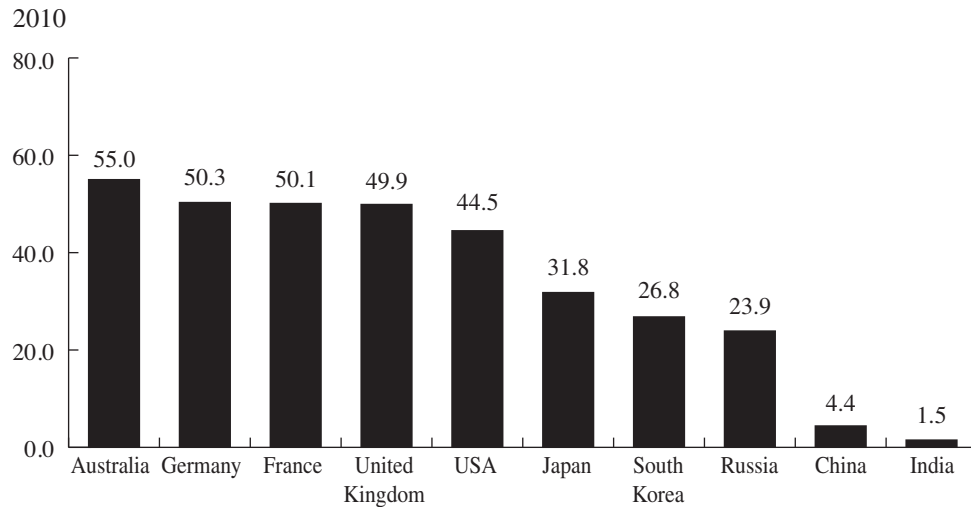


Source: Euromonitor

Significant growth potential is evidenced by the historical robust growth as well as the low penetration rate of passenger vehicles in China relative to other major markets in the world. In 2010, the passenger vehicle penetration rate, which is defined as the number of passenger vehicles per 100 residents, was 4.4 in China, compared to 50.3 in Germany, 49.9 in the United Kingdom, 44.5 in the United States and 31.8 in Japan, according to Euromonitor.

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Passenger Vehicle Penetration Rate⁽¹⁾



Source: Euromonitor

All regions in China experienced strong growth in passenger vehicle consumption

Development in local economy, increase in disposable income and investment in road infrastructures are the main drivers for the passenger vehicle consumption in each region in China. Volume of passenger vehicles sold in East China, North China, Northeast China, Northwest China, Central China, Southwest China and South China grew at a CAGR of 27%, 25%, 30%, 35%, 34%, 34% and 20% from 2006 to 2010, respectively. The strong growth momentum is expected to continue in the future, according to Euromonitor.

Geographical division definition

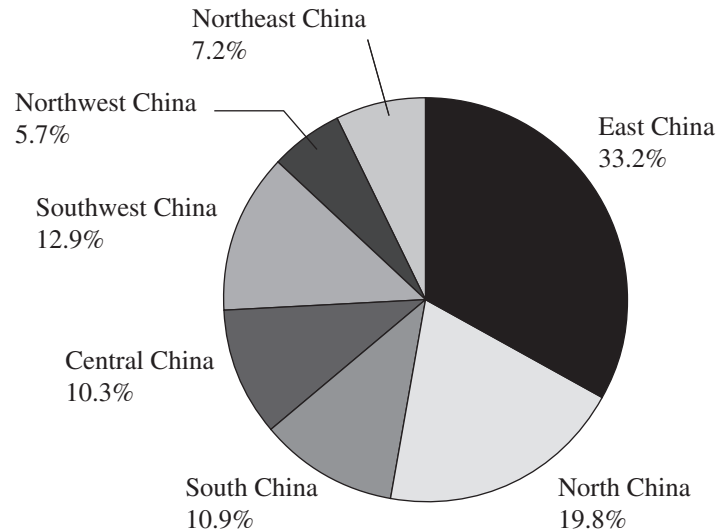
Geographical Division	Provinces Included
East China	Shanghai, Jiangsu, Shandong, Jiangxi, Zhejiang, Anhui
North China	Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia
Northeast China	Heilongjiang, Jilin, Liaoning
Northwest China	Xinjiang, Ningxia, Gansu, Shaanxi, Qinghai
Central China	Henan, Hubei, Hunan
Southwest China	Guangxi, Sichuan, Guizhou, Yunnan, Tibet, Chongqing
South China	Fujian, Hainan, Guangdong

¹ Number of passenger vehicle in use per 100 people

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Regional Distribution of Passenger Vehicle Sales Volume

Based on 2010 sales volume
%



Source: Euromonitor

Despite the significant growth of passenger vehicle consumptions, the affluent cities and provinces in China with above average GDP per capita still demonstrate strong market potential. Their passenger vehicle penetration rates and market shares of luxury and ultra-luxury passenger vehicle are significantly lower compared to developed nations.

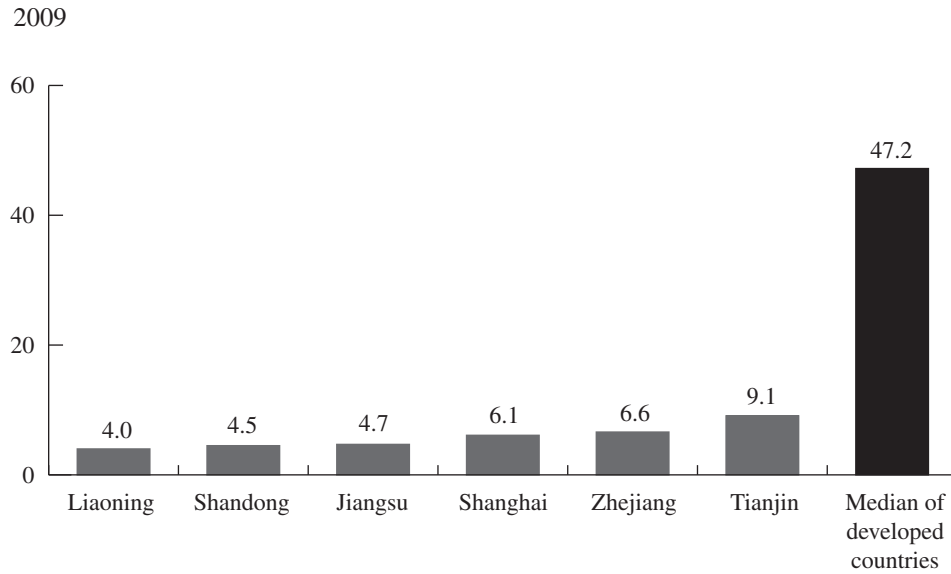
The passenger vehicles' penetration rates of Shanghai, Jiangsu, Zhejiang, Liaoning, Shandong and Tianjin in 2009 are 6.1, 4.7, 6.6, 4.0, 4.5 and 9.1 cars per 100 residents respectively, while the median passenger vehicle penetration rate of developed countries⁽¹⁾ is 47.2 cars per 100 residents, according to Euromonitor and Global Insight⁽²⁾.

¹ Developed countries include US, Japan, UK and Germany

² Global Insight, Inc. ("Global Insight") was not commissioned by our Company or the Joint Sponsors. Global Insight is a subsidiary of IHS Inc (NYSE: IHS), which is a global information company with more than 5,500 employees in more than 30 countries around the world

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Passenger Vehicle Penetration Rate⁽¹⁾ of Selected Affluent Regions

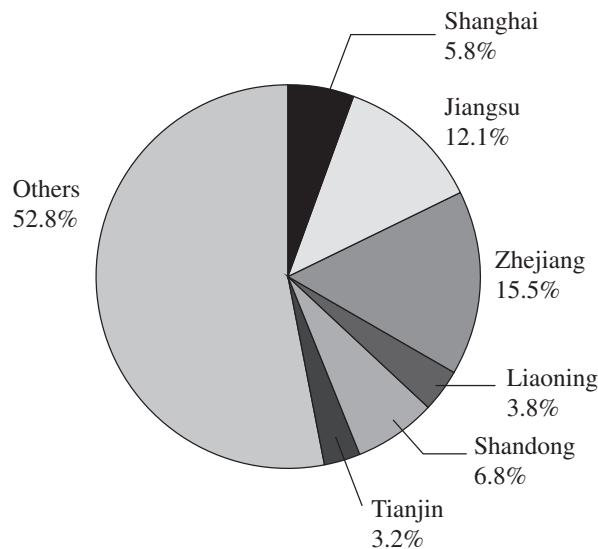


Source: Euromonitor, National Bureau of Statistics, Global Insight

The geographic distribution of sales of luxury and ultra luxury passenger vehicles are skewed to the east coastal regions of China. Shanghai, Jiangsu, Zhejiang, Liaoning, Shandong and Tianjin accounted for 47.2% of China's total luxury and ultra-luxury passenger vehicle sales volume in 2010, according to Euromonitor. However, compared to developed nations, the penetration of luxury and ultra luxury brand in these markets are significantly lower. The following chart sets forth a comparison of market share of luxury and ultra-luxury passenger vehicles in these regions.

Regional Distribution of Luxury and Ultra-Luxury Passenger Vehicle Sales

Based on 2010 sales volume
%



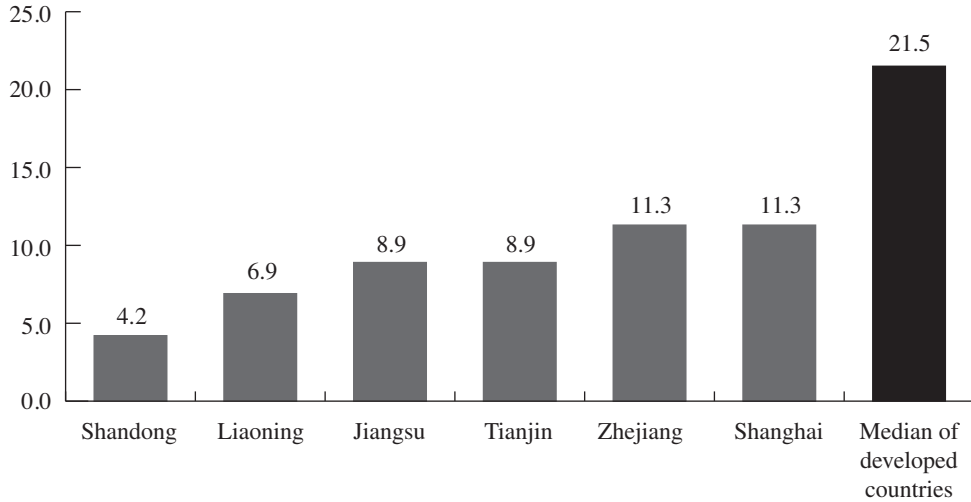
Source: Euromonitor

¹ Number of passenger vehicle in use per 100 people

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Market Share⁽¹⁾ of Luxury and Ultra-Luxury Passenger Vehicle of Selected Affluent Regions

Based on 2010 Sales Volume
%



Source: Euromonitor, National Bureau of Statistics, Global Insight

Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market

According to Euromonitor, the PRC passenger vehicle market can be generally segmented into four categories of brands, based on, among other things, price range and brand positioning: (i) Ultra-luxury, (ii) Luxury, (iii) Mid-to-upper Market and (iv) Low-end. The following table sets forth the representative brands and the indicative average price range of each of the market categories.

¹ Sales volume of luxury and ultra-luxury passenger vehicles as percentage of total sales volume of passenger vehicles in each region.

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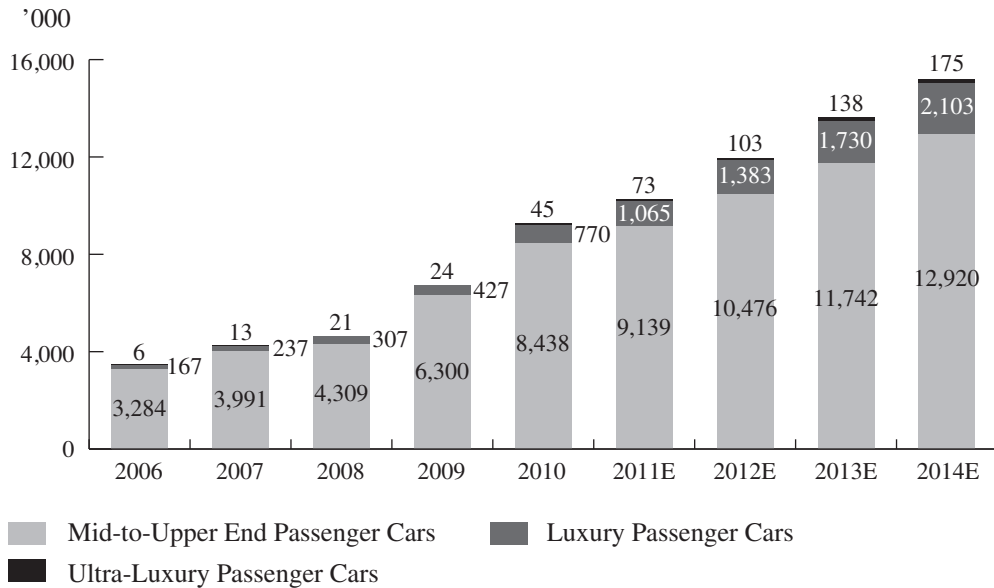
Market segmentation

<u>Segment</u>	<u>Representative Brands</u>	<u>Indicative Average Price Range (RMB)</u>
Ultra-luxury	<ul style="list-style-type: none"> ● Land Rover & Jaguar ● Bentley ● Ferrari ● Porsche ● Rolls-Royce 	Over 1 million
Luxury.	<ul style="list-style-type: none"> ● BMW ● Audi ● Cadillac ● Lexus ● MINI ● Mercedes-Benz ● Volvo 	300,000–1 million
Mid-to-upper market	<ul style="list-style-type: none"> ● Buick ● Chevrolet ● Honda ● Hyundai ● Nissan ● Toyota ● Volkswagen 	80,000–300,000
Low-end	<ul style="list-style-type: none"> ● BYD ● Chery ● Geely ● Great Wall ● Hafei ● Southeast ● SMA 	Below 80,000

Mid-to-upper market, luxury and ultra-luxury passenger vehicles sales all experienced rapid growth in China in the past several years driven by the increasing consumption power of the upper-middle to high income classes in China. Sales volume of mid-to-upper end brand passenger vehicles grew from 3.3 million units in 2006 to 8.4 million units in 2010, representing a CAGR of 26.6% and is expected to grow at a CAGR of 12.2% from 2011 to 2014, according to Euromonitor. For luxury brand passenger vehicles, the sales volume increased from 167,462 in 2006 to 770,289 in 2010, representing a CAGR of 46.4% and is expected to grow at a CAGR of 25.5% from 2011 to 2014, according to Euromonitor. Ultra-luxury brand passenger vehicles sales volume increased from 6,493 in 2006 to 44,921 in 2010, representing a CAGR of 62.2% and is expected to grow at a CAGR of 33.7% from 2011 to 2014, according to Euromonitor. The overall sales volume of mid-to-upper market, luxury and ultra-luxury passenger vehicles grew at a CAGR of 27.9% from 2006 to 2010 and is expected to continue to grow significantly, according to Euromonitor.

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Sales Volume of Mid-to-upper Market, Luxury and Ultra-luxury New Passenger Vehicles



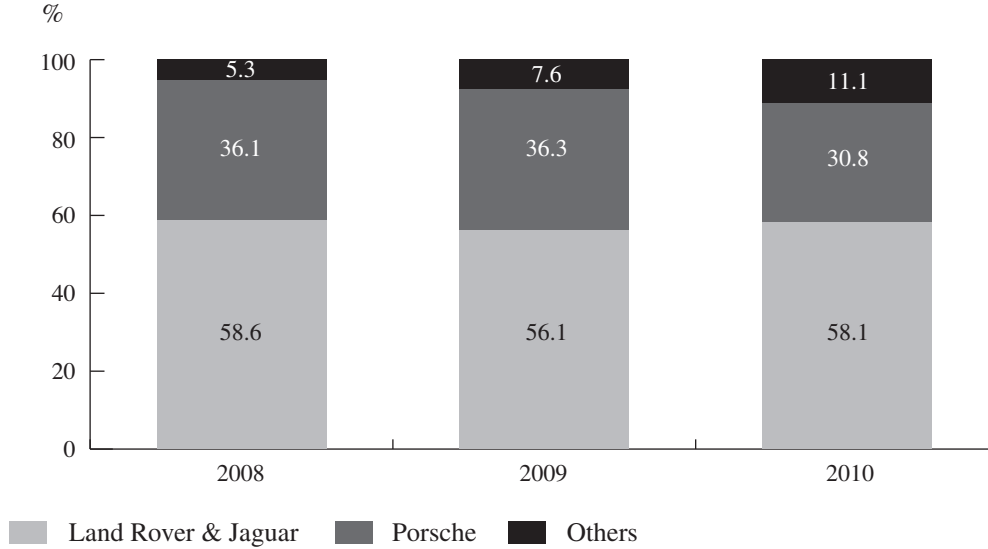
Source: Euromonitor

The ultra-luxury and luxury passenger car segments are characterized by the concentration of market share of a small number of brands. Porsche and Land Rover & Jaguar together accounted for 89.0% of the total sales volume of ultra-luxury passenger car in 2010, according to Euromonitor. Audi, BMW⁽¹⁾ and Benz accounted for 70.4% of the total sales volume of luxury passenger car in 2010, according to Euromonitor. The sales volume of these major brands also experienced significant growth. For the luxury segment, sales volume of Audi and BMW⁽¹⁾ grew at 43.5% and 86.7% from 2009 to 2010, respectively, according to Euromonitor. For the ultra-luxury segment, sales volume of Land Rover & Jaguar and Porsche grew at 95.7% and 60.6% from 2009 to 2010, respectively, according to Euromonitor.

¹ Including MINI

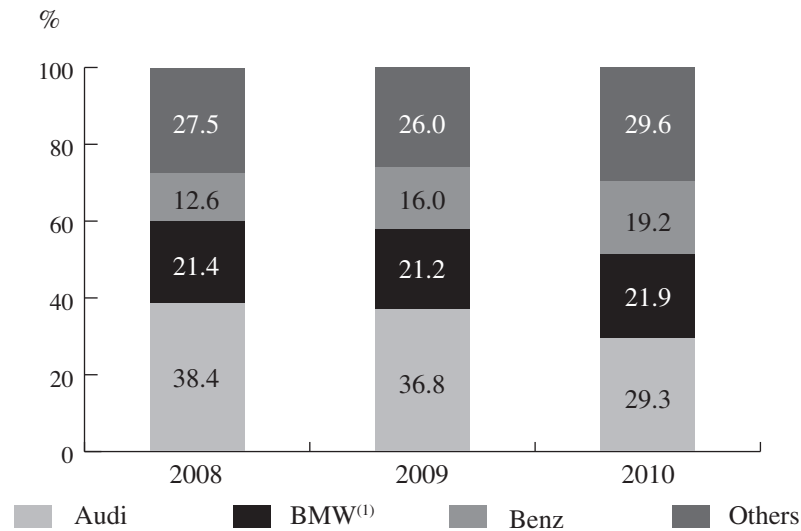
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Ultra-Luxury Passenger Vehicles Sales Volume Breakdown in the PRC



Source: Euromonitor

Luxury Passenger Vehicles Sales Volume Breakdown in the PRC



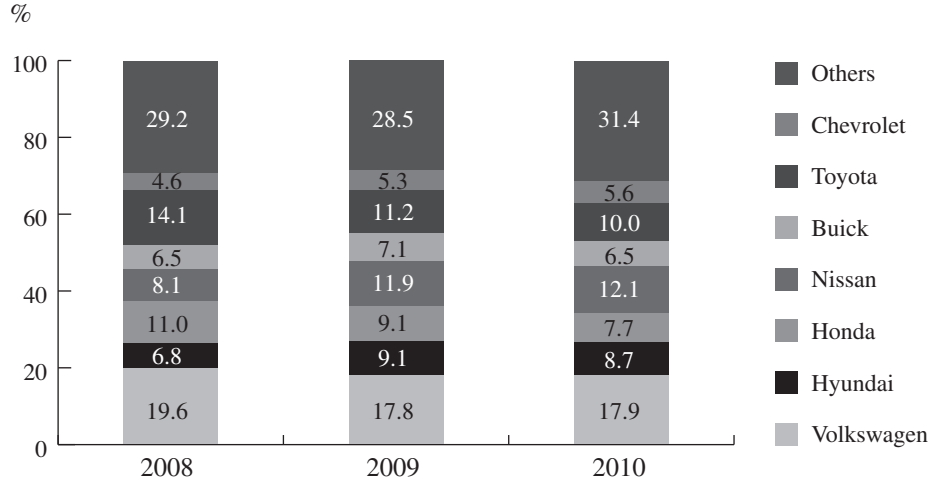
Source: Euromonitor

Some major brands in mid-to-upper market segment include Volkswagen, Hyundai, Honda, Nissan, Buick, Toyota and Chevrolet. Sales of these brands accounted for 68.6% of the total sales volume in 2010 in the mid-to-upper end passenger car segment, according to Euromonitor.

¹ Including MINI

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Mid-to-upper End Passenger Vehicles Sales Volume Breakdown in the PRC



Source: Euromonitor

Retail Platforms for the Chinese Passenger Vehicle Market

4S dealership is the major retail platform for the Chinese passenger vehicle market

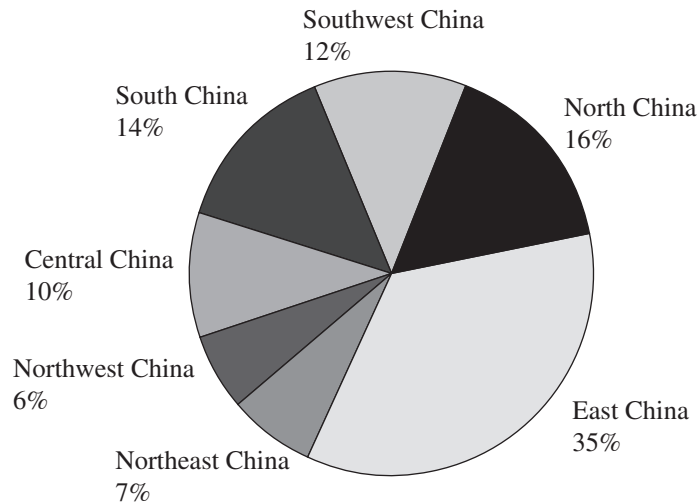
The dominant retail platform in the Chinese passenger vehicle market is the specialized automobile dealerships, known as “4S dealerships” where 4S refers to sales, spare parts, service and survey. The 4S dealership retail platform was introduced to China in the mid-1990s. The dominance of the 4S dealership as the established retail platform was driven by the Automobile Sales Measures. The Automobile Sales Measures stipulate that all automobile dealers must obtain permission from automakers before retailing their brands. As a result of the introduction of the Automobile Sales Measures, other types of automobile sales platforms such as automobile trading markets and automobile supermarkets began to diminish in importance. From 2006 to 2010, total new passenger vehicle sales through 4S dealerships grew from approximately RMB605 billion to RMB1,635 billion, representing a CAGR of approximately 28.2%. Given the solid growth trend, it is expected that total passenger vehicle sales through 4S dealerships will continue to grow.

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Regional distribution of 4S dealerships

As of December 31, 2010, the total number of 4S dealerships in the PRC was approximately 14,000, mostly distributed in East China.

**Regional Distribution of 4S Dealerships by Number of Stores
As of December 31, 2010**
%



Source: Euromonitor

Target customers of 4S dealership stores

Stores of luxury and ultra-luxury brands usually target customers with high income and high net-worth who have higher brand loyalty, higher demand for service quality and lower price sensitivity.

Mid-to-upper market brand dealership stores target customers who have a mix of consumer behavior characteristics of luxury and ultra-luxury brand customers and lower end brand customers.

Lower end brand dealership stores target customers who place more attention on factors such as price, energy efficiency and functionality of the automobiles.

Dealerships for luxury and ultra-luxury brand automobiles

Manufacturers for luxury and ultra-luxury brand automobiles generally have stringent requirements when granting dealership authorizations in order to maintain their premium brand images. Dealership groups that have large scale, proven track record, strong brand recognition and regional dominance are usually well positioned in the competition of the luxury and ultra-luxury segment of automobile dealership market. As an example, according to Euromonitor, in the BMW dealership market of China, the top 10 dealership groups by sales volume in aggregate represent 45.5% of the total sales volume of BMW¹ passenger vehicles in 2010, and these 10 groups represent 84 dealership stores, almost 50% of the total 167 dealership stores for BMW as of December 31, 2010.

⁽¹⁾ Including MINI

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<u>Rank</u>	<u>Dealership Group</u>	<u>2010 Market Share by Sales Volume</u>	<u>Number of BMW Dealership Stores as of December 31, 2010</u>
1.	Dealership group 1	6.1%	16
2.	Our group	5.9%	9
3.	Dealership group 2	5.5%	10
4.	Dealership group 3	5.2%	10
5.	Dealership group 4	5.1%	5
6.	Dealership group 5	4.2%	10
7.	Dealership group 6	3.8%	7
8.	Dealership group 7	3.6%	9
9.	Dealership group 8	3.2%	5
10.	Dealership group 9	2.8%	3
	Subtotal	45.5%	84

Source: Euromonitor

Euromonitor has conducted comprehensive analysis on China's luxury and ultra-luxury automobile dealership market and has identified certain leading dealership groups in the segment, which include our group.

To identify leading luxury and ultra-luxury automobile dealership groups, Euromonitor referred to a list of top 50 passenger vehicle dealers ranked by sales revenue according to CADA. In addition, Euromonitor conducted desk research and interviews with automobile dealerships and industry experts, and made the assessment by considering the following factors:

- (1) The major automobile brands sold by the dealership groups;
- (2) The brand positioning (i.e. ultra-luxury, luxury, mid-to-upper market, and low end) of each brand;
- (3) Estimates on sales contribution of ultra-luxury and luxury brands amongst all brands of each dealer; and
- (4) Estimates on sales value of ultra-luxury and luxury brands of each dealer.

In the ultra-luxury segment, we commenced operation of three Land Rover & Jaguar dealership stores from November 2010 (when we started our cooperation with Land Rover & Jaguar) to June 30, 2011. According to Euromonitor, this makes us the dealership group which opened the largest number of Land Rover & Jaguar dealership stores in this period. The table below sets forth a list of major Land Rover & Jaguar dealership groups by number of stores and the number of new stores opened from November 1, 2010 through June 30, 2011.

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Rank	Dealership Group	Number of Land Rover & Jaguar 4S stores in China as of June 30, 2011	Number of new Land Rover & Jaguar 4S stores opened between November 1, 2010 and June 30, 2011
1.	Dealership group 1	14	0
2.	Dealership group 2	12	0
3.	Dealership group 3	5	0
4.	Our Group	3	3
5.	Dealership group 4	2	0
5.	Dealership group 5	2	0
5.	Dealership group 6	2	0
5.	Dealership group 7	2	1

Source: Euromonitor

Automobile dealerships with large-scale and cross-regional operations are well positioned to capture the future growth opportunity

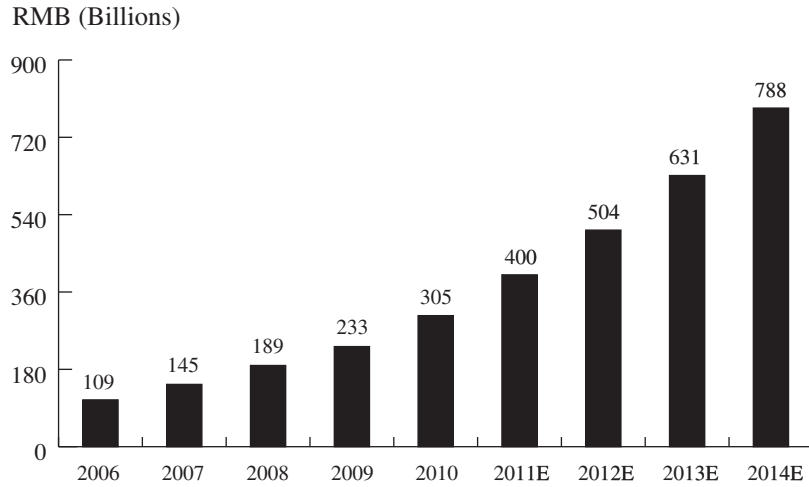
Industry consolidation has led to the emergence of large dealership groups whereby one dealer sets up multiple dealerships and operates multiple automobile brands. With competition intensifying, scale has become an important success factor for dealership engaged in new automobile sales. Large dealership groups are able to gain operational strength in personnel training, brand recognition, capital investment and the integration of regional market resources, which present strong competitive advantages against smaller dealership groups. In addition, large automobile dealership groups have more competitive advantages when penetrating into second and third-tier markets in China as a result of their established brand name and accumulated operating expertise. Stronger cooperative relationships with automobile manufacturers provide the larger automobile dealership groups strategic advantages in developing new market channels and retail strategies as well as in capitalizing on business opportunities. Accordingly, the development of large-scale, cross-regional operations is a growing trend for automobile dealership groups operating in China.

Chinese passenger vehicle after-sales market

The growth of the passenger vehicle market has resulted in a fast growing passenger vehicle after-sales market. The size of the Chinese passenger vehicle after-sales market expanded from RMB109 billion in 2006 to RMB305 billion in 2010 at a CAGR of 29.2%. According to Euromonitor, the Chinese passenger vehicle after-sales market is expected to grow at a CAGR of 26.8% from RMB305 billion in 2010 to RMB788 billion in 2014.

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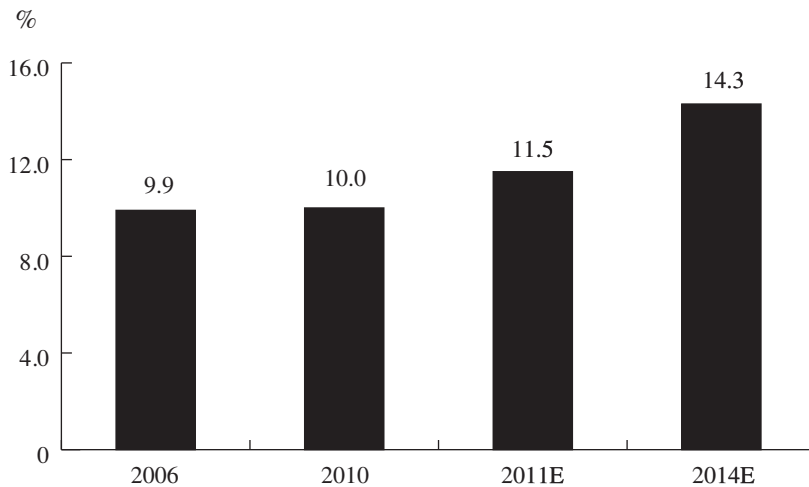
Size of the PRC Passenger Vehicle After-Sales Market⁽¹⁾



Source: Euromonitor

As a result of the increase in number of passenger vehicles in use, the customer base for after-sales services is expected to expand accordingly, which is expected to lead to higher 4S dealership revenue contribution from after-sales services. According to Euromonitor, it is expected that after-sales services revenue would contribute to 14.3% of total 4S dealership revenue in 2014, compared to 10.0% in 2010. After-sales services generally generate higher gross margins than new passenger vehicle sales.

After-sales Revenue Contribution for 4S Dealerships



Source: Euromonitor

¹ Including the sales of automobile accessories and spare parts as well as repair, maintenance and detailing services