

OUR BUSINESS

OVERVIEW

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business. 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. We have a well-established network comprising 28 4S dealership stores (including a jointly-controlled entity) as of September 30, 2011, 18 of which were luxury and ultra-luxury brand stores. As of the Latest Practicable Date, we received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, including five stores which we expect to commence operations by December 31, 2011. All of our 4S dealership stores are strategically located in populous and affluent regions in China with rapidly growing local economies. Our strong brand portfolio includes luxury brands such as BMW, MINI, Audi, and Cadillac, ultra-luxury brands such as Land Rover & Jaguar, and other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai. Sales under our luxury and ultra-luxury brands have contributed to an increasing percentage of our revenue and gross profit from automobile sales over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenue from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profit from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. We believe that our focus on luxury and ultra-luxury brands has enabled us to achieve rapid revenue and profit growth and increasing profit margins over the Track Record Period.

Since we commenced operation in 1999 and became one of the first authorized dealerships for Audi in 1999, we have established a proven track record in building successful, high quality 4S dealership stores. We opened one of the first BMW Brilliance authorized 4S dealership stores in China in 2004 and have since become one of BMW's most important and largest dealerships in China in terms of 2010 sales volume. BMW was one of the best-selling and one of the fastest growing luxury automobile brands in terms of sales volumes in China in 2010, according to Euromonitor. In 2010, China was the third largest market for BMW, and the fastest growing of its three largest markets worldwide in terms of sales volume according to BMW's 2010 annual report. In 2010, three of our BMW 4S dealership stores ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Award. This ranking takes into account all operational aspects of a 4S dealership store, including sales performance, customer service quality and customer satisfaction rates. We were the only dealership group to achieve multiple placings in this ranking by BMW, which had around 170 authorized 4S dealership stores in China at the time of the ranking. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. 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 and one of the largest Land Rover & Jaguar dealership groups in eastern China in terms of the number of stores as of June 30, 2011. We believe that our leading position and superior operational capabilities and expertise have enabled us to develop long term and stable relationships with leading automobile manufacturers and placed us in a strong position to win additional authorizations from existing and new automobile manufacturers in the future for our organic expansion and potential acquisitions.

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We sold 14,081 units, 17,138 units, 22,314 units and 12,976 units of automobiles in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The following table sets forth a breakdown by geography of the average sales volume per store and average revenue from automobile sales per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands:

Revenue Source	Year Ended December 31,										Six Months Ended June 30,					
	2008		2009				2010				2010		2011			
	Sales		Sales		Sales		Sales		Sales		Sales		Sales		Sales	
	Volume	Revenue	Volume	Growth	Revenue	Growth	Volume	Growth	Revenue	Growth	Volume	Revenue	Volume	Growth	Revenue	Growth
	RMB			RMB				RMB			RMB			RMB		
	million	Unit	%	million	%	Unit	%	million	%	Unit	million	Unit	%	million	%	
Automobile Sales																
Luxury and ultra-luxury brand automobile sales																
Shanghai	1,298	572.5	1,570	21.0	733.1	28.1	2,060	31.2	970.4	32.4	913	434.5	1,187	30.0	572.0	31.6
Jiangsu	1,669	823.1	1,733	3.8	849.0	3.1	1,972	13.8	977.2	15.1	905	437.9	1,025	13.3	473.7	8.2
Zhejiang	—	—	—	—	—	—	—	—	—	—	—	—	976	—	497.5	—
Greater Bohai Rim Economic Region	—	—	—	—	—	—	—	—	—	—	—	—	649	—	336.6	—
Average:	1,422	656.0	1,624	14.2	771.8	17.7	2,030	25.0	972.6	26.0	910	435.6	1,000	9.9	491.6	12.9

Average sales volume per store of the three luxury and ultra-luxury dealership stores that have been in operation for at least 24 months as of January 1, 2011 grew by 24.5% from 910 units in the six months ended June 30, 2010 to 1,133 units in the six months ended June 30, 2011, while their average revenue from automobile sales per store grew by 23.8% from RMB435.6 million in the six months ended June 30, 2010 to RMB539.2 million in the six months ended June 30, 2011.

Our after-sales business, which generates recurring revenues and high profit margins for us, has grown significantly over the Track Record Period. We expect that our after-sales business will continue to grow. The following table sets forth a breakdown by geography of the average revenue from after-sales business per store and the gross profit margin of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands:

Revenue Source	Year Ended December 31,									Six Months Ended June 30,				
	2008		2009			2010			2010		2011			
	Gross		Gross		Gross		Gross		Gross		Gross		Gross	
	Revenue	Margin	Revenue	Growth	Margin	Revenue	Growth	Margin	Revenue	Margin	Revenue	Growth	Margin	
	RMB													
	million	%	million	%	%	million	%	%	million	%	million	%	%	
After-sales business														
Luxury and ultra-luxury brand														
Shanghai	81.5	40.9	94.8	16.3	46.5	114.7	21.0	49.3	49.4	49.8	57.8	17.0	47.7	
Jiangsu	52.9	41.6	70.8	33.8	50.3	70.4	(0.6)	44.6	33.9	43.6	34.1	0.6	47.8	
Zhejiang	—	—	—	—	—	—	—	—	—	—	—	—	—	
Greater Bohai Rim Economic Region	—	—	—	—	—	—	—	—	—	—	—	—	—	
Average:	71.9	41.0	86.8	20.7	47.6	99.9	15.1	48.2	44.2	48.2	49.9	12.9	47.7	

We have a proven track record for rapid organic expansion and have accelerated the growth in our network since early 2009 by increasing the number of our 4S dealership stores from 13 as of December 31, 2008 to 28 (including a jointly-controlled store) as of September 30, 2011. As of September 30, 2011, over 40% of our luxury and ultra-luxury 4S dealership stores had been operating for less than one year. As our newer stores continue to ramp up their operations, we expect them to experience higher revenue growth rates than our more established stores and to contribute to an increasing percentage of

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our revenues and gross profits in 2011 and 2012. We operated two, six, nine and 11 BMW 4S dealership stores as of December 31, 2008, 2009, 2010 and June 30, 2011, respectively. In addition, we opened a BMW authorized repair center in 2010. Revenues derived from these BMW dealership stores and the repair center were RMB1,680.6 million, RMB2,958.2 million, RMB5,075.4 million and RMB3,403.9 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 45.4%, 57.3%, 65.8% and 65.0% of our total revenue for the relevant period. Since July 1, 2011, we have commenced operation at a new BMW dealership store, and as of the Latest Practicable Date, we had received BMW's authorizations, conditional approvals and non-binding letters of intent to establish four additional BMW 4S dealership store and showrooms by the end of 2011 and another six BMW 4S dealership stores and a repair center in 2012. We will seek opportunities to expand through further organic expansion and selective acquisitions in existing and new areas and to diversify our portfolio of luxury and ultra-luxury automobile brands. With our large and strategically located dealership network, we have been able to achieve synergies that provide significant competitive advantages in China's highly fragmented automobile dealership industry. Our operating scale allows us to better manage our automobiles and spare parts inventory turnover, coordinate and aggregate our purchases of automobile accessories and other products and implement a systematic approach to train and promote talented personnel.

We have recorded significant growth in our revenues and profits during the Track Record Period. Our revenue increased from RMB3,701.3 million in 2008 to RMB5,164.7 million in 2009 and RMB7,716.6 million in 2010, representing a CAGR of 44.4% and grew by 54.3% from RMB3,392.7 million for the six months ended June 30, 2010 to RMB5,233.3 million for the same period of 2011, while our net profits increased from RMB57.5 million in 2008 to RMB175.8 million in 2009 and RMB307.7 million in 2010, representing a CAGR of 131.3%, and grew by 63.0% from RMB131.2 million for the six months ended June 30, 2010 to RMB213.9 million for the same period of 2011. Our gross profit margins for automobile sales increased from 3.1% in 2008 to 5.0% in 2009, 6.0% in 2010 and 7.5% for the six months ended June 30, 2011, while our gross profit margins for our after-sales business increased from 41.6% in 2008 to 46.5% in 2009, 47.5% in 2010 and 48.0% for the six months ended June 30, 2011.

OUR COMPETITIVE STRENGTHS

The following competitive strengths have contributed to our success and we believe will continue to help us to compete and expand in China's growing automobile market:

As a leading luxury 4S dealership group in China, we are well positioned to benefit from the anticipated rapid growth in China.

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business. China was the largest passenger vehicle market and the fastest growing of the 10 largest passenger vehicle markets, worldwide in 2010 in terms of sales volumes. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. Our strong brand portfolio includes luxury brands such as BMW, MINI, Audi, and Cadillac, and ultra-luxury brands such as Land Rover & Jaguar. As of September 30, 2011, 18 out of 28, or more than 60%, of our 4S dealership stores are dedicated to luxury and ultra-luxury brands. Sales of our

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luxury and ultra-luxury brands have contributed to an increasing percentage of our revenues and gross profits from automobile sales over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenues from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profits from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Since July 1, 2011, we have commenced operation at two new luxury and ultra-luxury brand dealership stores and, as of the Latest Practicable Date, we obtained authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, which will increase the proportion of luxury and ultra-luxury brand stores in our network to over 70% when they are established. During our 12 years of experience in China's highly fragmented automobile dealership industry, we have been able to achieve the following key milestones:

- since we opened our first BMW 4S dealership store in 2004, we have become one of the most important and largest BMW dealerships in China in terms of 2010 sales volumes and we were the only dealership group to achieve multiple placings among the 10 BMW 4S dealership stores nationwide that won its 2010 Best Dealership Quality Award. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. BMW was one of the best-selling and one of the fastest growing luxury brands in terms of sales volumes in China in 2010, according to Euromonitor;
- according to Euromonitor, we are a leading BMW dealership group in terms of 2010 sales volumes in each of the regions where we operate, especially in Jiangsu, Liaoning and Shanghai, where per store sales volume of our BMW stores is generally 30% higher than the average per store sales volume of our key competitors in 2010;
- our Audi 4S store ranked 2nd among all the 10 Audi 4S stores in Shanghai in terms of sales volume in 2010, according to Euromonitor; and
- 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 and one of the largest Land Rover & Jaguar dealership groups in eastern China in terms of the number of stores as of June 30, 2011.

Our sales of luxury and ultra-luxury automobiles usually result in higher profit margins than our sales of other types of automobiles and has contributed to the growth of our after-sales service business as luxury and ultra-luxury automobile users tend to demand the premium after-sales offered by 4S dealership stores. During the Track Record Period, over 85% of the new customers of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands returned to our 4S dealership stores for maintenance or repair services.

As a result of our focus on luxury and ultra-luxury brands, we have recorded significant growth in our revenues and profits during the Track Record Period. We believe that our strong automobile brand portfolio positions us well to capture future growth opportunities in the luxury and ultra-luxury markets.

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We have a well-established network of stores strategically located in populous and affluent regions with rapidly growing economies.

We have a well-established network of stores strategically located in populous and affluent regions in the PRC with rapidly growing economies. The regions where we operate, namely, Shanghai, Jiangsu, Zhejiang, Shandong, Tianjin and Liaoning, were all ranked in the top 10 in terms of per capita GDP in China in 2010 according to the Economist magazine. Sales of luxury and ultra-luxury passenger vehicles in these regions accounted for 47.2% of total sales of luxury and ultra-luxury passenger vehicles in China in 2010, according to Euromonitor. Our presence in these affluent regions differentiates us from competitors who operate in less developed regions. The relatively higher disposable income per capita of the population in these regions generates higher demand for passenger vehicles, particularly for luxury and ultra-luxury passenger vehicles, and for the premium after-sales services offered by 4S dealership stores. Despite their relatively developed economies compared to other regions in China, the passenger vehicle ownership rates in Shanghai, Zhejiang, Jiangsu, Shandong, Tianjin and Liaoning are still well below the passenger vehicle ownership rates in developed countries such as the United States, Japan and Germany and passenger vehicle demand in these regions still have high potential for growth. At the same time, local demand for passenger vehicles in these regions developed earlier than elsewhere in China and, as a result, we believe that there is a growing number of end users who may replace their aging automobiles over the next few years. We believe that many of these potential customers will seek an upgrade when they replace their automobiles due to the increase in affluence in these regions in the past decade. As ownership of passenger vehicles in the regions where we operate increases, we also benefit from a fast growing after-sales services market that generates much higher margins than new vehicle sales. We believe that the advantageous locations of our luxury and ultra-luxury stores contribute to our high per store sales volumes and revenues.

Shanghai municipality. We operated 13 dealership stores in Shanghai as of September 30, 2011. The average revenue from automobile sales per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands in Shanghai increased by a CAGR of 30.2% from RMB572.5 million in 2008 to RMB970.4 million in 2010 and reached RMB572.0 million in the six months ended June 30, 2011. We commenced operation of a new Land Rover & Jaguar dealership store in Shanghai in January 2011. Sales volume at this new store in Shanghai reached 493 units in the six months ended June 30, 2011, while revenue from automobile sales derived from this store was RMB447.5 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Shanghai was RMB2,798.1 million, RMB3,206.0 million, RMB3,925.9 million and RMB2,511.4 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 75.6%, 62.1%, 50.9% and 48.0%, respectively, of our total revenue for the relevant period.

Jiangsu province. We operated seven stores in Jiangsu province as of September 30, 2011, six of which were opened after 2008. All of these stores are luxury or ultra-luxury brand stores. The average revenue from automobile sales per store of our Comparable Store for Automobile Sales in Jiangsu increased by a CAGR of 9.0% from RMB823.1 million in 2008 to RMB977.2 million in 2010 and reached RMB473.7 million in the six months ended June 30, 2011. We had five dealership stores in Jiangsu that have been in operation for less than one year as of June 30, 2011. Average sales volume per store of these stores reached 125 units in the six months ended June 30, 2011, while average revenue per store from automobile sales derived from these stores was RMB64.3 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Jiangsu was RMB876.0

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million, RMB1,038.4 million, RMB1,367.3 million and RMB1,001.5 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 23.7%, 20.1%, 17.7% and 19.1%, respectively, of our total revenue for the relevant period.

Zhejiang province. We operated five stores in Zhejiang province as of September 30, 2011, all of which were opened after 2008. All of these stores are luxury or ultra-luxury brand stores. The average revenue from automobile sales per store of our stores in Zhejiang which opened in 2009 increased by 134.3% from RMB359.3 million in 2009 to RMB841.8 million in 2010 and reached RMB497.5 million in the six months ended June 30, 2011. We commenced operation of a new Land Rover & Jaguar dealership store in Zhejiang in May 2011. Sales volume at this new store in Zhejiang reached 41 units in the six months ended June 30, 2011, while revenue from automobile sales derived from this store was RMB46.3 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Zhejiang was RMB23.4 million, RMB727.9 million, RMB1,725.4 million and RMB1,072.0 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 0.6%, 14.1%, 22.4% and 20.5%, respectively, of our total revenue for the relevant period.

Greater Bohai Rim Economic Region. We operated three stores in the Greater Bohai Rim Economic Region as of September 30, 2011, including one store which commenced operation in May 2009 and two stores which commenced operation in 2010. All of these stores are luxury or ultra-luxury brand stores. The revenue from automobile sales of the store which opened in 2009 increased by 159.3% from RMB188.1 million in 2009 to RMB487.7 million in 2010 and reached RMB336.6 million in the six months ended June 30, 2011. We commenced operation of a new BMW dealership store in Tianjin in July 2010. Sales volume at this new store in Tianjin reached 558 units in the six months ended June 30, 2011, while revenue from automobile sales derived from this store was RMB294.5 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Greater Bohai Rim Economic Region was RMB3.8 million, RMB192.4 million, RMB698.0 million and RMB648.4 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 0.1%, 3.7%, 9.0% and 12.4%, respectively, of our total revenue for the relevant period.

Our superior sales, after-sales services and other operational capabilities and expertise enabled us to form strong partnerships with leading automobile manufacturers.

We have a proven track record in establishing successful, high quality dealership stores. We were among the first dealership groups authorized by BMW Brilliance, Audi, Buick and FAW Toyota to establish 4S stores in China. We believe that our superior operational capabilities and expertise have helped our automobile manufacturer partners gain market share and win customer loyalty in China, which have contributed to our long term and stable relationships with them. Our superior sales, after-sales services and other operational capabilities and expertise have been recognized by numerous awards from automobile manufacturers, industry groups, media and government entities. In 2010, three of our BMW 4S dealership stores ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Awards. In 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. One of our Buick stores in Shanghai was accredited by Shanghai GM as a five-star authorized service center for sales in 2008, 2009 and 2010 and for after-sales services in 2006, 2009 and 2010, an award that is only given to the top 10% of its 4S dealership stores in terms of overall performance for sales and after-sales services, respectively. See “—Our Dealership Network—Awards and Achievements” below.

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Our strong sales capabilities are evident from our strong per store sales performance and revenue per store over the Track Record Period. Average sales volume per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands increased by 14.2% from 1,422 units in 2008 to 1,624 units in 2009 and by a further 25.0% to 2,030 units in 2010 and reached 1,000 units for the six months ended June 30, 2011, while their average revenue from automobile sales per store increased by 17.7% from RMB656.0 million in 2008 to RMB771.8 million in 2009 and by a further 26.0% to RMB972.6 million in 2010 and reached RMB491.6 million for the six months ended June 30, 2011.

Our strong after-sales service capabilities are evident from the significant growth in our after-sales business over the Track Record Period. Average revenue from after-sales business per store of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands grew by 20.7% from RMB71.9 million in 2008 to RMB86.8 million in 2009 and by a further 15.1% to RMB99.9 million in 2010 and reached RMB49.9 million for the six months ended June 30, 2011. The combined gross profit margin of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands increased from 41.0% in 2008 to 47.6% in 2009, 48.2% in 2010 and was 47.7% for the six months ended June 30, 2011. During the Track Record Period, over 85% of the new automobile customers for our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands returned to our dealership stores for their maintenance or repair services, which we attribute to our high service quality and superior operational capabilities.

We believe that our superior operational capabilities and expertise have enabled us to develop long term and stable relationships with leading automobile manufacturers and placed us in a strong position to win additional authorizations from existing and new automobile manufacturers in the future for our organic expansion and potential acquisitions.

We have a proven track record for rapid organic expansion and successfully managing our store network across different areas.

We have a proven track record for rapid organic expansion and successfully managing our store network across different areas. We have rapidly expanded our network since early 2009 by opening four new 4S dealership stores in 2009, three (including a jointly-controlled entity) in 2010 and eight during the nine months ended September 30, 2011, which increased the number of our luxury and ultra-luxury 4S dealership stores from three as of December 31, 2008 to 18 (including a jointly-controlled entity) as of September 30, 2011. All of our 4S dealership stores were established and are operated by us, except for a jointly-controlled entity which we established and operate together with an Independent Third Party. We have been able to ramp up sales at our new stores and generate profit within the first six to eight months of commencement of operation. Our ability to successfully ramp up sales in new stores is demonstrated, for example, by Qingdao Xinbaohang, a BMW 4S store, which commenced operation in May 2009 and recorded revenue from automobile sales of RMB188.1 million in 2009, and Shanghai Tianhua, a Land Rover & Jaguar store, which commenced operation in January 2011 and recorded revenue from automobile sales of RMB447.5 million during the six months ended June 30, 2011. Many of our new stores are located in areas that were new markets for us, including Hangzhou, Ningbo and Qingdao, which we believe demonstrates our ability to successfully expand into and operate across different areas. We signed our first letter of intent with Land Rover & Jaguar in November 2010 and had opened four new 4S dealership stores under this brand by September 30, 2011.

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We have an operating model for establishing new stores which has been successfully replicated in different areas. When selecting a new area, we take into account a broad range of factors, including, among others, local disposable income per capita, consumption patterns and automobile ownership rates. In selecting a new store venue, we consider different factors, such as convenience and ease of access, traffic flow and parking availability. We operate standardized processes for work allocation, training and promotion which enable us to use our human resources efficiently, help to instill our business practices and corporate culture at new stores and ensure consistent service quality across our network. Our large pool of skilled employees allow us to staff new stores quickly and appropriately. To help our new stores normalize their operations quickly, we have a dedicated Dealership Quality Program (DQP) team of highly experienced management, sales and after-sales personnel that oversees the establishment and early operation of all our new 4S dealership stores. We also select seasoned store managers and sales and after-sales personnel from our existing stores and post them to our new stores.

We believe that we are well positioned to obtain new dealership authorizations and representations of new brands due to our strong partnerships with leading automobile manufacturers, proven track record and strong operational capabilities and expertise. We also believe that our ability to open new stores quickly makes us an attractive partner for automobile manufacturers when they expand. We expect our network of luxury and ultra-luxury brand dealership stores to generate sustainable growth for our business in the long term.

We are led by an experienced senior management team with a proven track record and we have a large and growing pool of skilled employees to support our expanding network and business.

We are led by an experienced senior management team that has, over the years, overseen the growth of our business through different economic cycles, our transition into a dealership group focused on luxury and ultra-luxury brands, the increase in the number of our 4S stores, our expansion into 10 additional cities from our initial base in Shanghai and the growth of our automobile brand portfolio from one in 1999 to the existing 12. Many members of our senior management team, including Mr. Yang Aihua, Mr. Yang Hansong and Mr. Zhu Jieling, have worked in China's automobile industry since the 1980s. The majority of our senior management team has been with our Group for more than 10 years. We believe that their operational experience and long history with our Group have given them in-depth knowledge of our business and customers and contributed significantly to our success.

We have a large pool of employees, including 81 management personnel, 704 sales and marketing personnel and 1,239 after-sales service personnel as of September 30, 2011, to support our planned network expansion. We dedicate significant resources to personnel training, recruiting and promotion. Over the Track Record Period, our staff has doubled to meet the requirements of our growing dealership network and business operations. A number of our employees have been honored with accolades from automobile manufacturers in the past, including the "Top Dealer Management Award", "Top Marketing Performance Award", "Top Service Performance Award" and "Media Coverage Award" awards of BMW. See "—Our Dealership Network—Awards and Achievements" below. Based on our experience and the training programs of our automobile manufacturer partners, we have developed standardized processes and comprehensive courses for the training of our employees and continuous upgrading of their skills and know-how. We employ full time in-house trainers and regularly apprentice new recruits to our best performing dealership stores for training. We have a systematic approach for identifying and promoting talented employees, often by rotating them to different stores, which offer them long-term

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career paths and performance incentives and allow us to leverage the skills and know-how of our more experienced employees at our new stores. As a result of the foregoing, we have a large and growing pool of skilled employees to support our expanding network and business.

Our large operating scale allows us to enjoy competitive advantages in China's highly fragmented automobile dealership industry.

Our large operating scale allows us to achieve synergies that provide significant competitive advantages in China's highly fragmented automobile dealership industry.

We are able to coordinate and aggregate orders for automobile accessories and other products due to our operating scale in different regions. We can also re-allocate automobile and spare parts inventory and repair and maintenance orders among different stores of same automobile brand in the same general area according to demand and available capacity. This flexibility allows us to exercise better inventory control and helps us to optimize the mix of automobiles and other products in each of our dealership stores. In addition, the scale of our operations and our considerable financial resources put us in a better position than smaller competitors to bargain for better commercial terms from suppliers of automobile accessories and other products.

As a result of our operating scale, we have greater liquidity and better access to bank financing and other financial resources than smaller competitors, which enable us to order optimal quantities of automobiles as well as spare parts, automobile accessories and other products from our suppliers to meet the demands of our customers. In addition, through a centralized budgeting and management process, we are able to allocate our financial resources more efficiently across our entire dealership network. In addition, as a large group, we can have more resources for projects that benefit our stores, such as our proposed training institute in Changshu and our centralized enterprise resource planning (ERP) system.

OUR STRATEGIES

Our goal is to strengthen our market position as a leading luxury 4S dealership group in China and to capture the opportunities in the large and fast-growing luxury and ultra-luxury markets by pursuing the following strategies:

Continue to expand dealership network and brand offerings through organic store growth and selective acquisitions.

We will continue to focus primarily on luxury and ultra-luxury brands to attract high net worth customers who require premium products and services, are less price sensitive and have greater brand loyalty, and we intend to increase the proportion of our stores dedicated to these brands. We plan to expand our 4S dealership network over the next few years through new store openings, and we may make selective acquisitions of other 4S dealerships if suitable opportunities arise.

Organic growth. We will continue to strengthen our leading position in eastern China by leveraging our presence, local knowledge and relationships in the areas where we already operate to expand into adjacent or nearby areas. We will also seek opportunities to expand into other populous and affluent areas with rapidly growing economies and relatively higher disposable income per capita, which we believe are poised to have significant growth potential in passenger vehicle demand. We plan to focus our network expansion in the foreseeable future primarily in provincial, sub-provincial and

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prefectural cities, but we believe that certain county cities and smaller towns that are relatively affluent could also offer significant growth potential in passenger vehicle demand and we will selectively expand into such areas. We will also continue to open new stores for our mid-to-upper market brands opportunistically when we identify suitable store venues or markets.

We also plan to pursue opportunities to cooperate with other luxury or ultra-luxury brand automobile manufacturers to expand our brand portfolio. We believe that our well-established relationships with leading automobile manufacturers and our successful track record in operating luxury and ultra-luxury brands, including BMW and Land Rover & Jaguar, position us well to obtain authorizations from other luxury and ultra-luxury brand manufacturers. We believe that the addition of other luxury and ultra-luxury brands will leverage our existing strengths, complement our existing brand portfolio and enhance our product mix.

Acquisitions. We believe that, due to the highly fragmented nature of China's automobile dealership industry and automobile manufacturers' increasing preference to work only with the larger dealership groups, there will be attractive opportunities for industry consolidation. We will seek opportunities to acquire other dealership groups of a meaningful size that provide access to new geographical markets, expand our customer base and diversify our brand portfolio. We believe that our well-established relationships with leading automobile manufacturers and our experience and operational expertise in this industry will enable us to integrate any acquired targets into our dealership network and realize synergies from such acquisitions. We will leverage our existing network, industry experience and operating expertise to improve the performance of acquired stores. We had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions as of the Latest Practicable Date.

Continue to enhance and expand our after-sales capabilities and capacity.

Our after-sales business generates recurring revenues and high profit margins for us. We expect the accumulation in our new automobile customers to develop into a growing after-sales customer base over time. To grow our after-sales services business, we plan to continue to increase our service capacity, expand the scope of our after-sales services, improve the productivity of our after-sales service personnel and expand into new product and service offerings.

To increase our service capacity, we are extending service hours and expanding or maximizing utilization of the floor space allocated to the provision of after-sales services at our existing stores. We are also reallocating work flow among different stores within the same region to increase the utilization of our service capacity. We currently operate one BMW authorized repair center which is dedicated to providing after-sales services for BMW and generates profitable after-sales revenues for us. We plan to open additional repair centers to capture increasing market demand. As of the Latest Practicable Date, we had received authorization to establish another BMW authorized repair center.

To improve the productivity of our after-sales service personnel, we are in the process of rolling out an initiative at all of our stores which is designed to increase productivity through (1) increasing the degree of specialization of our after-sales service technicians by categorizing customer orders according to different automobile models and work type and allocating work more systematically according to its complexity and the level of experience and technical expertise required, (2) introducing systematic performance evaluation procedures and measures to better evaluate an employee's performance and

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output, and adopting compensation practices to incentivize employees to increase their output and improve their skills and efficiency, and (3) adopting more efficient designs of our after-sales service areas based on workstreams for different automobile models and tasks.

In addition, we will continue to broaden our revenue sources and enhance our profitability by expanding our other automobile related businesses, including our automobile styling and accessories businesses which have high profit margins. The automobile accessories that we offer include electronics, styling products and automobile care products. We believe that the increasing demand for automobile styling and automobile care products, together with our large and growing automobile customer base, provide significant growth potential for our automobile accessories business. The majority of our automobile accessories are obtained from independent suppliers. We intend to maintain and strengthen our relationships with these suppliers in order to expand our offering of high-quality automobile accessories and provide our customers with the latest and most advanced products at attractive prices.

In addition, we are working with insurance companies to develop certified collision damage assessment centers within the service shops of our dealership stores. We believe that these damage assessment centers would bring more repair service referrals to our stores. Other services we are currently expanding include a 24-hour customer service call center and emergency roadside towing service.

Further enhance our operational capabilities and sales and marketing efforts.

We will continue to seek ways to enhance our operational capabilities and sales and marketing efforts to improve sales performance and improve profitability.

As part of our continuing efforts to improve our performance, we will continue to enhance our training programs and improve the product familiarity and other professional knowledge of our sales personnel. We will also enhance our sales and marketing efforts through more advertising and marketing campaigns and participation in promotional events, such as sponsorships of selected events where a high proportion of the attendees are likely to meet our targeted customer demographics. We plan to further grow our automobile-related services, such as our agency services for automobile insurance policies and new automobile registration services, through more proactive sales and marketing initiatives.

We plan to further upgrade our centralized ERP system over the next 12 months to enhance our operational efficiency. These upgrades are designed to enhance our management of supplies purchases and inventory across different stores, which will in turn help to reduce our inventory turnover days and related expense.

Continue to attract, train and retain skilled employees to support our future growth and expansion.

We recognize that our employees are critical to our long term success, and therefore we plan to continue to focus on attracting, training and retaining skilled employees to support our continuing growth and expansion. We plan to open a dedicated training institute in Changshu, Jiangsu province by December 31, 2011. Our training institute in Changshu will be located adjacent to our 4S dealership store in Changshu and equipped with its own campus, after-sales service facilities, classrooms and boarding facilities. This training institute will provide training courses for all levels of our employees in different fields, including technical skills, product knowledge, customer service, sales and communications skills and management skills.

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We plan to train and internally promote a majority of the store managers, senior managers and skilled technical personnel required to support our expansion. We plan to continue to evaluate and enhance our human resources management processes to strengthen our ability to train, identify and retain employees. We will continue to regularly evaluate the performance of our employees and provide talented employees with career opportunities within our Group. We will also continue to evaluate our merit-based compensation system to ensure that incentives are aligned with performance. In addition to the automobile manufacturers' standard training courses, we will continue to invest in, develop and upgrade our in-house training programs. As part of our initiative to improve employee productivity, we are developing standardized processes and course modules to help our employees develop the skills and product knowledge relevant to the automobile brands and geographical areas that they service.

OUR DEALERSHIP NETWORK

Overview

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business, with 28 4S dealership stores as of September 30, 2011. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. As of the Latest Practicable Date, we had received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, including five stores which we expect to commence operations by December 31, 2011. Of our 28 existing dealership stores as of September 30, 2011, 18 are dedicated to luxury and ultra-luxury brands, including BMW, MINI, Audi, Land Rover & Jaguar and Cadillac, and the other 10 specialize in mid-to-upper market brands, including Buick, Toyota, Honda, Volkswagen, Chevrolet, Hyundai and Nissan. In addition, as of September 30, 2011, we also operated one BMW authorized repair center and two automobile customization centers, and we had another BMW authorized repair center and three BMW showrooms under development.

All of our stores are strategically located in populous and affluent regions in China with rapidly growing local economies, including Shanghai, Jiangsu and Zhejiang where we had 13, seven and five 4S dealership stores, respectively, as of September 30, 2011. We have also expanded into the Greater Bohai Rim economic region with three 4S dealership stores in Shandong, Liaoning and Tianjin as of September 30, 2011.

We offer a comprehensive range of automobile-related sales and services including (1) sale of new automobiles, both imported and domestically manufactured, (2) automobile maintenance and repair services, (3) sales of automobile accessories and other automobile-related products, (4) automobile customization and styling services and (5) sales-related agency services that help buyers obtain insurance, title and registration. Our 4S dealership stores also conduct consumer surveys and provide other customer support for automobile manufacturers. Each of our 4S dealership stores has a non-exclusive dealership authorization arrangement with one automobile manufacturer (or its PRC affiliates) to offer only the products of and services for one or more brands of that manufacturer.

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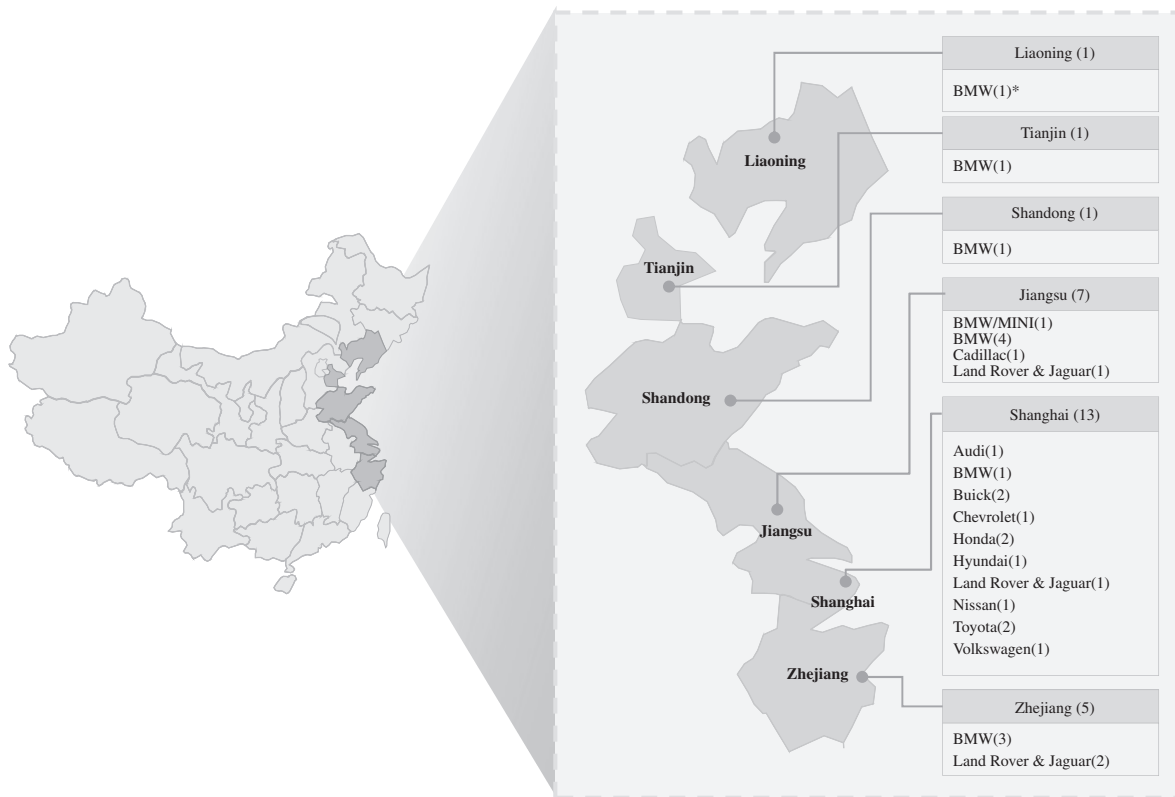
The following table sets forth a breakdown of our revenue for the periods indicated.

Revenue Source	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobiles Sales										
Luxury and ultra-luxury brands . . .	1,994,348	53.9	3,336,666	64.6	5,583,995	72.4	2,451,315	72.3	4,213,133	80.5
Mid-to-upper market brands	1,341,874	36.2	1,392,256	27.0	1,584,111	20.5	703,505	20.7	708,927	13.5
After-sales Business ⁽¹⁾	365,039	9.9	435,808	8.4	548,458	7.1	237,913	7.0	311,268	6.0
Total	3,701,261	100.0	5,164,730	100.0	7,716,564	100.0	3,392,733	100.0	5,233,328	100.0

Note:

- (1) Includes revenue from the provision of after-sales services, such as repair, maintenance and customization, related sales of spare parts, and sales of automobile accessories and other products.

The map below sets forth the geographic distribution of our 4S dealership stores as of September 30, 2011.



Markets where the Company has presence
Number in parenthesis indicates number of 4S dealerships

* Refers to a jointly-controlled entity whose revenues and sales volume are not included in our combined data.

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The following table sets forth the details of our 4S dealership stores as of September 30, 2011. See “Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market” for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

<u>Dealership Store</u>	<u>City</u>	<u>Province</u>	<u>Commenced Operation</u>	<u>Dealership Expiration Date</u>
Luxury and Ultra-luxury Brand 4S Stores				
BMW				
Shanghai Baoxin	Shanghai	Shanghai	April 2004	December 2011
Hangzhou Baoxin ⁽⁶⁾	Hangzhou	Zhejiang	January 2009	December 2012
Ningbo Baoxin	Ningbo	Zhejiang	February 2009	December 2011
Changshu Baoxin ⁽⁶⁾	Changshu ⁽¹⁾	Jiangsu	March 2009	December 2011
Qingdao Xinbaohang	Qingdao	Shandong	May 2009	December 2012
Shenyang Xinbaohang ⁽²⁾	Shenyang	Liaoning	January 2010	December 2011
Tianjin Baoxin	Tianjin	Tianjin	July 2010	December 2013
Yangzhou Xinbaohang ⁽⁶⁾	Yangzhou	Jiangsu	September 2010	December 2013
Taizhou Xinbaohang ⁽⁶⁾	Taizhou	Jiangsu	January 2011	December 2013
Suzhou Xinbaohang	Suzhou	Jiangsu	April 2011	December 2014
Ninghai Baoxin	Ningbo	Zhejiang	August 2011	December 2014
BMW/MINI				
Suzhou Baoxin	Suzhou	Jiangsu	February 2005	December 2011
Land Rover & Jaguar				
Shanghai Tianhua	Shanghai	Shanghai	January 2011	December 2011
Ningbo Tianhua	Ningbo	Zhejiang	May 2011	December 2011
Wuxi Tianhua	Wuxi	Jiangsu	May 2011	December 2011
Jiaxing Tianhua	Jiaxing	Zhejiang	July 2011	April 2012
Audi				
Shanghai Kailong Qimao ⁽³⁾	Shanghai	Shanghai	December 1999	December 2011
Cadillac				
Yangzhou Mingkai	Yangzhou	Jiangsu	May 2011	March 2013
Mid-to-Upper Market Brand 4S Stores				
Buick				
Shanghai Taipingyang Jinsha	Shanghai	Shanghai	September 2002	March 2012
Shanghai Taipingyang Hongqiao	Shanghai	Shanghai	August 2004	March 2012
Chevrolet				
Shanghai Taipingyang Shenlong	Shanghai	Shanghai	May 2005	March 2013
Toyota (FAW)				
Shanghai Kailong Toyota	Shanghai	Shanghai	October 2002	March 2012
Toyota (GAC)				
Shanghai Xuhui Kailong	Shanghai	Shanghai	June 2006	May 2012
Honda (GAC)				
Shanghai Xinlong	Shanghai	Shanghai	May 2003	December 2011
Shanghai Ya'ou	Shanghai	Shanghai	December 2005	December 2011
Volkswagen (FAW)				
Shanghai Kailong Qifu	Shanghai	Shanghai	October 2001	December 2011
Hyundai				
Shanghai Zhongchuang ⁽⁴⁾	Shanghai	Shanghai	December 2003	December 2011
Nissan (Dongfeng)				
Minhang Automobiles ⁽⁵⁾	Shanghai	Shanghai	November 2001	March 2012

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Notes:

- (1) Changshu, Jiangsu Province is a county city.
- (2) Shenyang Xinbaohang is a jointly-controlled entity whose revenues and sales volume are not included in our combined revenues and sales volume.
- (3) The dealership authorization agreement for this 4S dealership store was entered into with FAW-Volkswagen Sales Co., Ltd, the general distributor for the Audi automobiles manufactured by FAW-Volkswagen Automobiles Co., Ltd.
- (4) The land on which this dealership store is located is owned by Shanghai Kailong Qixiao, a company controlled by one of the Controlling Shareholders. See “Relationship with Our Controlling Shareholders—Lease Arrangements with a Connected Person” for additional information.
- (5) The land on which this dealership store is located is owned by Shanghai Kailong Qixiao, a company controlled by one of the Controlling Shareholders. See “Relationship with Our Controlling Shareholders—Lease Arrangements with a Connected Person” for additional information.
- (6) We hold alternative properties where we will be able to relocate this dealership store to in the future should we believe it is in the interest of the Company to do so. As of the Latest Practicable Date, we did not have any plan or time schedule for any such relocation.

Other Stores

In addition to 4S dealership stores, our network also included other stores as of September 30, 2011, including:

- A BMW authorized repair center in Shanghai, which offers BMW after-sales services and spare parts. This store, which opened in 2010, supplements the repair capacity of our BMW 4S dealership store in Shanghai.
- Two automobile customization centers in Shanghai that provide a broad range of vehicle styling and detailing services, such as window tinting and electronics installation, for different brands of automobiles. These two automobile customization centers opened in 2003 and 2010, respectively.

As of the Latest Practicable Date, we had received authorizations to commence operations at three showrooms, which engage in sales of automobiles but do not offer after-sales services.

Awards and Achievements

Our 4S dealership stores have received numerous awards and recognition from automobile manufacturers, industry trade associations, media and government bureaus, including the following:

- In 2008, we were named one of the 10 most influential 4S dealership groups in China by the CADA, and in 2010, we were awarded the CADA’s 2010 Dealership Service Innovation Award.
- In 2010, three of our BMW stores were selected from around 170 BMW 4S dealership stores in China and ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Awards. We were the only dealership group to achieve multiple placings in this ranking, which takes into account all operational aspects of a dealership store, including sales performance, customer service quality and customer

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satisfaction rates. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best dealership stores nationwide for after-sales business.

- One of our Buick stores in Shanghai was accredited by Shanghai GM as a five-star authorized service center for sales in 2008, 2009 and 2010 and for after-sales services in 2006, 2009 and 2010, an award that is awarded only to the top 10% of its dealerships as ranked by Shanghai GM.

In addition, a number of our employees have been honored accolades from automobile manufacturers in the past. In 2007, the spare parts department manager of our Shanghai BMW store won first place globally in BMW's After-sales Competition of Excellence for product knowledge and sales of parts, accessories, and lifestyle products and was honored at BMW headquarters in Germany. Other awards include the "Most Valuable Employee" of GAC-Toyota (2008 and 2010) and the "Top Dealer Management Award" (2008), "Top Marketing Performance Award" (2008), "Top Service Performance Award" (2009) and "Media Coverage Award" (2009) awards of BMW.

Network Expansion

Our network expansion to date has been achieved through organic growth. The following table sets forth the number of our 4S dealership stores as of the dates indicated:

<u>Number of Stores</u>	<u>As of January 1,</u>	<u>As of December 31,</u>			<u>As of June 30,</u>	<u>As of September 30,</u>
	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>
Luxury and ultra-luxury brands	3	3	7	10 ⁽¹⁾	16 ⁽¹⁾	18 ⁽¹⁾
Audi	1	1	1	1	1	1
BMW	2	2	6	9 ⁽¹⁾	11 ⁽¹⁾	12 ⁽¹⁾
Cadillac	—	—	—	—	1	1
Land Rover & Jaguar	—	—	—	—	3	4
Mid-to-upper market brands . .	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total	<u>13</u>	<u>13</u>	<u>17</u>	<u>20⁽¹⁾</u>	<u>26⁽¹⁾</u>	<u>28⁽¹⁾</u>

⁽¹⁾ Includes a jointly-controlled entity whose revenues and sales volume are not included in our combined data.

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As of the Latest Practicable Date, we had received automobile manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. Our showrooms engage in sales of automobile but do not offer after-sales services. The details of these stores are described below:

<u>Geographical Location</u>	<u>Brand</u>	<u>Store Type</u>	<u>Actual/Planned Commencement Date</u>
Ningbo, Zhejiang Province ⁽¹⁾⁽⁵⁾	BMW	Showroom	November 2011
Qingdao, Shandong Province ⁽¹⁾⁽⁵⁾	BMW	Showroom	November 2011
Tianjin ⁽¹⁾⁽⁵⁾	BMW	Showroom	November 2011
Zibo, Shandong Province ⁽²⁾	Land Rover & Jaguar	4S store	November 2011
Dandong, Liaoning Province ⁽²⁾⁽⁵⁾	BMW	4S store	December 2011
Tianjin ⁽²⁾	Land Rover & Jaguar	4S store	1st quarter of 2012
Dongguan, Guangdong Province ⁽²⁾	BMW	4S store	2nd quarter of 2012
Wuxi, Jiangsu Province ⁽²⁾	BMW	4S store	2nd quarter of 2012
Yantai, Shandong Province ⁽²⁾	BMW	4S store	2nd quarter of 2012
Fuyang, Zhejiang Province ⁽²⁾⁽³⁾⁽⁴⁾	BMW	4S store	2nd quarter of 2012
Shanghai ⁽²⁾	Audi	4S store	2nd quarter of 2012
Shenyang, Liaoning Province ⁽²⁾	BMW	Repair center	2nd quarter of 2012
Beijing ⁽²⁾	BMW	4S store	2nd quarter of 2012
Shanghai ⁽²⁾	BMW	4S store	4th quarter of 2012

⁽¹⁾ We have received the relevant automobile manufacturer's authorization to commence the operation of this store and are in the process of negotiating a dealership authorization agreement for this store.

⁽²⁾ We have received a non-binding letter of intent for this store from the relevant automobile manufacturer.

⁽³⁾ Fuyang, Zhejiang Province is a county city.

⁽⁴⁾ We are in the process of acquiring a property for this dealership store. See "Our Business—Properties—Property to be Acquired" for additional information.

⁽⁵⁾ We had entered into a lease agreement for this dealership store as of the Latest Practicable Date.

We are in the process of obtaining the government approvals, licences and permits required for the 14 stores that we plan to launch in 2011 and 2012. As to the Latest Practicable Date, we had duly incorporated legal entities for eight of the 14 stores. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that they do not anticipate any substantive legal impediment for us to obtain the necessary approval from MOFCOM or its local counterparts for the establishment of our planned stores. See "Risk Factors—Risks Relating to Our Business—Our status as a foreign enterprise could complicate our efforts to make acquisitions or expand our dealership network in the PRC" and "Regulatory Overview—Regulations Relating To the PRC Automobile Industry—30 Dealership Limitation" for additional information.

We are in the process of securing premises for the 14 stores which we plan to launch in 2011 and 2012. As of the Latest Practicable Date, we secured premises for six of these stores in Ningbo, Qingdao, Tianjin, Dandong, Fuyang and Zibo as disclosed in the table above, and will determine whether to purchase or lease premises for other planned stores in due course taking into account of land availability

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and other specific circumstances in the local area and our business needs. We estimate that our capital expenditure for establishing the planned 4S dealership stores will range between RMB40 million to RMB100 million per store, depending on location and other factors, such as whether the store is located on purchased or leased premises. For stores located on purchased premises, approximately 40% to 55% of the total capital expenditure will be used for the related land use rights and property construction and renovation. For stores located on leased premises, approximately 20% to 30% of the total capital expenditure will be used for leasehold prepayments and renovation. In addition, 25% to 40% of the total capital expenditure will be used to purchase equipment and fittings and approximately 10% to 15% of the total capital expenditure will be used for other purposes, including the purchase of automobiles for test drives.

We estimate that our capital expenditure for establishing the planned showrooms will range between RMB5 million to RMB6 million per store, approximately 50% to 65% of which will be used to renovate the store premises and approximately 35% to 50% of which will be used for leasehold rental payments.

Apart from the estimated net proceeds from the Global Offering, we expect to fund our capital expenditure for establishing the planned stores by (i) cash from automobile sales and after-sales business, (ii) cash from other operating activities, such as automobile insurance commissions; and (iii) proceeds from bank loans and other borrowings.

We have an operating model for establishing new stores which has been replicated in different areas. We select new store locations by taking into account our automobile manufacturers' expansion plans, which identify the markets they target for new stores, and other factors including, among others, local disposable income per capita, consumption patterns and automobile ownership rates. In selecting a new store venue, we consider different factors, such as convenience and ease of access, traffic flow and parking availability. Each new store proposal that we make for a target market includes our own market analysis and business plan. When our new store proposal is accepted by an automobile manufacturer, we are required to complete the construction and build-out of the dealership store within a prescribed time agreed by the manufacturer. Each completed dealership store must pass the manufacturer's inspection before it can commence its operations.

We operate standardized processes for work allocation, training and promotion which enable us to use our human resources efficiently, help to instill our business practices and corporate culture at new stores and ensure consistent service quality across our network. To help a new store ramp up its operations quickly, we have a dedicated Dealership Quality Program (DQP) team of highly experienced management, sales and after-sales personnel that oversees and supports the establishment and early operations of our new stores. We also select seasoned store managers and sales and after-sales personnel from our existing stores and post them to our new stores. Our large pool of management, sales and technical personnel allows us to staff new stores quickly and appropriately.

To maintain consistent service quality across our growing network, we provide regular training programs for all customer-facing employees and personnel from our headquarters will conduct site-visits, including unscheduled visits, to our stores to monitor their operations. To manage our inventory levels and working capital across different stores, we have a centralized ERP system that provides up-to-date information regarding our cash levels and accounts, as well as sales and inventory levels of

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different automobile models at different 4S dealership stores on a daily basis, to our headquarters. This information is reviewed regularly to ensure that our stores are adequately funded and appropriately stocked with inventory.

Dealership Arrangements

We have dealership authorization agreements with BMW China, BMW Brilliance, Jaguar Land Rover, Shanghai GM, FAW Toyota, GAC Toyota, GAC Honda, Beijing Hyundai, FAW-Volkswagen, Dongfeng Nissan or their general automobile distributors in China.

The agreements are non-exclusive and granted for an initial period of one to three years. The automobile manufacturers, through dealership authorization agreements, impose standards and restrictions on the dealers of their vehicles. Under these agreements, the automobile manufacturers specify the locations of our 4S dealership stores and require us to observe their recommended pricing guidelines from time to time. Their representatives conduct site-visits, including unscheduled visits, to inspect the compliance of our stores with their requirements. Under our existing dealership authorization agreements, the automobile manufacturers usually require our 4S dealership stores to:

- sell only their brands of automobiles at that store;
- make full payment for our automobile inventory prior to shipment and take ownership and assume risk for the automobiles either upon shipment or upon delivery;
- provide designated services such as vehicle maintenance and provision of spare parts;
- adhere to the automobile manufacturer's design guidelines for the dealership stores; and
- observe the automobile manufacturers' sales policies.

The dealership authorization agreements permit our stores to use the automobile manufacturer's trademarks, trade names and other marketing and branding content in ways consistent with standards set by the automobile manufacturer to promote sales at our 4S dealership stores. The agreements generally do not impose minimum purchase requirements on our 4S dealership stores. The automobile manufacturers can terminate the agreements with written notice for a variety of reasons, including our failure to abide by the agreements, unapproved business relationships with other automobile manufacturers and unapproved changes to our ownership or management structure that would affect our ability to meet our contractual obligations. Our PRC legal advisors, Jingtian & Gongcheng, have advised that we have complied with the restriction on unapproved business relationships with other automobile manufacturers. The notice period required to terminate a dealership authorization agreement varies for different agreements according to the policies of different automobile manufacturers and ranges from nil (namely, a termination notice that takes immediate effect) to 90 days. During the Track Record Period, none of our dealership authorization agreements was terminated before its expiration date or not renewed after it expired and there was no material adverse change in the terms of these agreements.

Our discussions with automobile manufacturers to renew a dealership agreement usually start around a month before its expiration date. As the expiration date for all of our dealership authorization agreements expiring in 2011 is December 31, 2011, we have not commenced discussions with the

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relevant automobile manufacturers for their renewal. We expect to be able to renew all of these agreements before they expire. We were able to renew all of our dealership authorization agreements which expired during the Track Record Period.

AUTOMOBILE SALES

We derive a majority of our revenue from automobile sales. The following table shows our revenue from automobile sales for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Luxury and ultra-luxury brands ⁽¹⁾	1,994,348	59.8	3,336,666	70.6	5,583,995	77.9	2,451,315	77.7	4,213,133	85.6
Mid-to-upper market brands ⁽¹⁾	1,341,874	40.2	1,392,256	29.4	1,584,111	22.1	703,505	22.3	708,927	14.4
Total	3,336,222	100.0	4,728,922	100.0	7,168,106	100.0	3,154,820	100.0	4,922,060	100.0

Notes:

⁽¹⁾ See “Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market” for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

Our automobile manufacturer partners set annual non-binding sales targets for each of our dealership stores and review its performance from time to time, usually on a quarterly basis. Achievement of these targets will be taken into account of when the relevant automobile manufacturer subsequently assesses the dealership store’s performance and decides the allocation of new automobiles for future sales. All of our 4S dealership stores met their sales targets set by our automobile manufacturer partners during the Track Record Period. The retail prices of our new automobiles are determined with reference to the manufacturers’ wholesale prices and retail pricing guidelines, which do not typically set specific retail prices. We retain some flexibility in determining the retail prices of our new automobiles, which are influenced by a number of factors, including brand and model, market demand, inventory supply and presence of competing dealerships. During the Track Record Period, we complied with the retail pricing guidelines set by our automobile manufacturer partners.

As a complimentary service to our customers and to promote sales of new automobiles, our dealership stores assist customers who wish to trade-in their used automobiles by referring them to third parties who offer such trade-in services. We do not purchase or otherwise offer any credit to our customers for their used automobiles.

AFTER-SALES SERVICES

Our after-sales business includes the provision of maintenance, repair and vehicle customization services, related sales of auto parts, and sales of accessories and other automobile related products. All of our 4S dealership stores have well-equipped vehicle repair and maintenance facilities and comfortable waiting lounges that offer complimentary refreshments and free Internet access. We offer a broad range of maintenance and repair services from routine oil changes to post-collision body restoration.

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We believe our capability of delivering high quality repair and maintenance services to our customers in a quick and convenient manner contributes to our success in retaining customers and attracting new customers. Technical expertise and high service quality in the provision of after-sales services are critical for attracting new customers and building long term customer relationships. We place significant emphasis on recruiting, training and retaining skilled technical personnel with specialized knowledge and experience for our after-sales service business. To enhance their customer service skills and sales techniques, our after-sales technical personnel undergo regular training programs designed based on our customer service-oriented and sales-focused philosophy as well as training programs offered by the automobile manufacturers.

Our maintenance and repair services are generally charged based on the prices of the spare parts (if any) used and the hourly rates of our technicians, which are all determined by reference to automobile manufacturers' pricing guidelines. The number and composition of personnel assigned to each job, and their expertise and experience, differ according to the nature and complexity of the particular job. To maintain the quality of our services, experienced technicians inspect each service job upon completion and our store managers regularly conduct random inspections by calling our customers to gauge their degree of satisfaction with our services. Each of our 4S dealership stores uses a proprietary software system provided by the relevant automobile manufacturer to record, track and analyze the manpower and spare parts used in the after-sales service jobs undertaken by them. Our after-sales services capabilities are further enhanced through the use of our information technology systems that collect and analyze detailed customer information and provide other support to our sales personnel. In 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best dealership stores nationwide for after-sales business. One of our Buick stores in Shanghai was accredited by Shanghai GM as a five-star authorized service center for sales in 2008, 2009 and 2010 and for after-sales services in 2006, 2009 and 2010, an award that is awarded only to the top 10% of its dealerships in terms of overall performance for sales and after-sales, respectively.

To make our services more convenient for customers, we are working to shorten turnaround times for different maintenance and repair jobs. To accommodate the busy schedules of our customers, we offer prescheduled maintenance appointments, priority appointments for VIP customers, guaranteed turnaround times, and same-day express repair services across our network. We also offer 24-hour towing services and assist customers who wish to rent temporary replacement automobiles. To further expand our after-sales service capacity and meet increasing customer demand, we opened a BMW authorized repair center in Shanghai in 2010.

Maintenance Services

Automobiles require periodic maintenance, and recurring automobile maintenance is an ongoing revenue stream for us. Automobile manufacturers vary in their recommendation of how frequently owners should schedule maintenance, generally once every three to six months or 5,000 to 10,000 kilometres. A typical maintenance service check generally includes routine vehicle inspection and oil change, and may include replacements of air filter, spark plugs, brake pads, and other parts as well as tire rotation and other adjustments. We send periodic reminders to owners to schedule subsequent maintenance checks.

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Repair Services

Our 4S dealership stores provide a full range of vehicle repair services, including major repairs to drive-train mechanisms and post-collision body restoration. Automobile manufacturers generally offer new automobile customers warranty coverage for certain types of repairs. The terms of such warranties vary among different automobile manufacturers but are generally limited to repairs caused by defects in spare parts or workmanship that occur during the first 24 to 36 months of vehicle ownership within the first 20,000 to 30,000 kilometers driven. Automobile manufacturers generally do not conduct warranty repair services themselves.

We are not required to provide any warranty with respect to the automobiles and other products that we sell. We are paid by automobile manufacturers for the in-warranty repair services that we perform and the automobile manufacturers bear the costs of the related spare parts. Our costs relating to in-warranty repair services that we perform are generally reimbursed by automobile manufacturers within two to three months, and we have been reimbursed by the relevant automobile manufacturers for all such costs during the Track Record Period. Customers must pay for out-of-warranty repairs, which are charged according to the spare parts and manpower required for the repairs. Our engineers and technicians are required to familiarize themselves with the scope of the relevant automobile manufacturer's warranty coverage. When an automobile is brought to one of our 4S dealership stores for repairs, our qualified personnel prepares a form describing the job request, which is countersigned by the customer. Upon completion of the repair job, the customer signs another form confirming the work undertaken and any spare parts used. The relevant information is recorded in our system using a proprietary software provided by the relevant automobile manufacturer, which records, tracks and analyzes the manpower and spare parts used to perform the job. Our reimbursement claims for in-warranty repair jobs are recorded and submitted to the relevant automobile manufacturers through this software system. We are usually reimbursed for such claims within two to three months of the submission for payment and our accounting department at our stores and at our headquarters monitor the status of submitted claims to ensure that they are settled on a timely basis. The total amount of reimbursement received by us from automobile manufacturers in relation to in-warranty repair services and product recalls was RMB37.7 million, RMB46.1 million, RMB53.9 million and RMB29.0 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Such amounts included reimbursement for the in-warranty repair jobs, services rendered in connection with any automobile recalls and other services.

Under applicable PRC laws, we are required to provide a service warranty for the repair services that we perform. Under the relevant PRC laws and regulations, automobile repairs are divided into several categories and the mandatory warranty period for each repair varies from the shorter of 10 days and 2,000 kilometres (in the case of basic repairs) to the shorter of 100 days or 20,000 kilometres (in the case of major repairs). The warranty period commences from the date the automobile leaves the store. The after-sales departments of our stores monitor the status of the claims made by our after-sales service customers against us to ensure that provisions (if any) are made therefor as necessary. Over the Track Record Period, such warranty claims made by our after-sales service customers were of immaterial amounts and, accordingly, no provision has been made with respect to such warranty claims.

Sale of Automobile Accessories and Related Products

Our dealership stores offer spare parts as part of our repair and maintenance services. All of our spare parts are procured from the original automobile manufacturers. We also retail automobile accessories and other automobile-related products, such as motor oil, additives, GPS navigation devices and original brand merchandise, such as travel cases, toy car models and clothing.

OUR BUSINESS

Automobile Recalls

Our dealership stores also assist automobile manufacturers in handling automobile recalls by distributing information to vehicle owners and making remedial repairs. Recall procedures vary with automobile manufacturer. Prior to issuing a public recall, the automobile manufacturers will generally notify their authorized dealers and provide instructions on how to remedy the problem and respond to inquiries from vehicle owners. Upon the notice, we typically contact our customers who may be affected and ask them to bring their vehicles into our dealership stores for remedies in accordance with the automobile manufacturers' instructions. The automobile manufacturers generally do not impose a time limit within which the affected customers must bring their vehicles to dealership stores for repairs. In addition to servicing recalled vehicles we sell, we service recalled vehicles sold by other dealers. We also make remedial repairs to recalled vehicles still in our inventory, if any, prior to their sale. During the Track Record Period, we were compensated by the automobile manufacturers for the repair services which we performed in conjunction with their vehicle recalls. All the automobiles sales and after-sales services (including those related to automobile recalls) provided by us are conducted in accordance with the dealership authorization agreements with our automobile manufacturer partners. We have not participated in any automobile recalls by an automobile manufacturer that we have not entered into any dealership agreements with. Our costs relating to product recalls are generally reimbursed by automobile manufacturers within two to three months, and we have been reimbursed by the relevant automobile manufacturers for all such costs during the Track Record Period. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that we are not liable under PRC laws and regulations for the cost associated with vehicle recalls. None of the automobile recalls which we have been involved in to date have involved any personal injury claims against us by the affected customers. During the Track Record Period, we had received in ordinary course customer complaints in connection with certain automobile recalls. None of these complaints had a material adverse effect on our business and operations, and we were not subject to any legal, regulatory or administrative proceedings related to any automobile recalls. See “Risk Factors—Risks Relating to Our Business—Any automobile recall could have a negative impact on our results of operations, financial condition and growth prospects” and “Regulatory Overview—Automobile Recalls”.

A number of our dealership authorization agreements provide that the relevant automobile manufacturer bears responsibility for any defects in the design or production of their automobiles, while our dealership stores bear responsibility for any defects caused by them while the automobile was in their possession. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that the product liability for automobiles sold in China is governed by mandatory provisions of PRC laws and regulations. Under the Product Quality Law (產品質量法), 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 “Regulatory Overview—Product Quality” for additional information.

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The following table sets forth certain recalls that affected vehicles we sold from the beginning of the Track Record Period to the Latest Practicable Date.

Brand	Model	Affected Component	Recall Date
Luxury and Ultra-luxury Brand			
BMW	selected models of 2009–2010 5-Series GT, 2008–2010 7-Series, 2008–2010 X5, 2008–2010 X6	electronic pump	November 2011
BMW	2007–2008 X5	gasoline pump	November 2010
BMW	selected models of 2004–2010 5-Series, 2004–2010 6-Series, 2002–2008 7-Series	brake boost vacuum tube	October 2010
BMW	2010 5-Series GT	fuel level sending unit	August 2010
BMW	2009 520Li/530Li	brake master cylinder	November 2009
BMW	selected models of 2008 1-, 2008 3-Series	airbag wiring loom	July 2009
BMW	selected models of 2009 7-Series	oil tank	June 2009
Jaguar	2010 XK, 2010 XF	steering oil pipe	June 2011
Jaguar	2010/2011 XJ	fixing of wiper arm	November 2010
Audi	2009 TT	transmission software update	October 2009
Audi	2001–2006 A4, A6/A6L	ignition coil	May 2008
Audi	2002–2005 A6	oil tank	May 2008
Mid-to-Upper Market Brand			
Buick	New Regal, new LaCrosse	oil inlet pipe	February 2011
Buick	2009–2010 Enclave	seat lining panel	August 2010
Buick	New Excelle	skylight glass	April 2009
Chevrolet	selected models of 2010 Aveo	Rear wheel axle	June 2011
Chevrolet	selected models of 2008 Captiva	steering system	March 2010
Chevrolet	selected models of 2008 Aveo	gasoline pump	May 2009
Toyota (GAC)	Camry, Yaris	power window switch	August 2009
Toyota (GAC)	Camry	brake vacuum booster	April 2009
Toyota (GAC)	2008 Yaris	torsion of hand-operated gearshift control shaft and screw nut on gearshift lever	November 2008
Toyota (FAW)	Corolla Ex	engine control unit	August 2011
Toyota (FAW)	Crown, Reiz	brake fluid pumps	November 2010
Toyota (FAW)	Crown, Reiz	rear brake caliper	October 2010
Toyota (FAW)	2009 RAV4	accelerator pedal	February 2010
Toyota (FAW)	Vios, Corolla	power window switch	August 2009
Toyota (FAW)	Land Cruiser	front supplemental restraint system airbag	June 2009
Toyota (FAW)	Crown, Reiz	EPS electric power steering	December 2008
Toyota (FAW)	Corolla Ex, Vios, Corolla	torsion of hand-operated gearshift control shaft and screw nut on gearshift lever	November 2008
Honda (GAC)	2005–2008 Fit 2006–2007 City	power window switch	September 2011
Honda (GAC)	2005–2010 Accord 2.0/2.4L, 2005–2009 Odyssey	software for electronic control unit	August 2011
Honda (GAC)	selected models of 2009–2010 Fit/City	lost motion spring	February 2011
Honda (GAC)	selected models of 2009–2010 Odyssey	power steering fluid hose	June 2010
Honda (GAC)	selected models of 2009 Accord	passenger side front airbag	September 2009
Honda (GAC)	selected models of 2005/2007/2008 City	rear wheel brake	October 2008
Volkswagen (FAW)	2009 Magotan	program of transmission control unit	October 2009
Volkswagen (FAW)	2009 New Bora	engine bonnet lock	April 2009
Hyundai	Selected models of Moinca	water temperature sensor	June 2011
Hyundai	Avante, Elantra, Tucson, Moinca and Verna sold in January 2008	kumho tire	April 2011
Hyundai	Ix35	power window unit	April 2010
Hyundai	Sonata	carbon tank filter	February 2008

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Brand	Model	Affected Component	Recall Date
Nissan	selected models of 2004–2006 TIIDA, 2006 Sylphy	engine ignition	November 2010
Nissan	selected models of 2006–2008 Qashqai, Sylphy	CVT	May 2010
Nissan	selected models of 2008 Qashqai, 2009 X-trail	steering machine	October 2009
Nissan	selected models of 2010 Teana	screw nut	August 2010
Nissan	selected models of 2004–2008 Teana	engine air pipes	June 2009
Nissan	selected models of 2006 Sunny	cantilever	March 2009
Nissan	selected models of 2007 Teana	muffler	March 2008

OTHER SERVICES

Automobile Agency Services

In connection with automobile sales, our 4S dealership stores also provide automobile agency services that help buyers obtain insurance and vehicle title registration for their new purchases. We have agency arrangements with insurance companies to offer their insurance products to our customers. All of these insurance companies are Independent Third Parties. We receive a commission for the insurance policies sold through our dealership stores. In 2008, 2009, 2010 and the six months ended June 30, 2011, we recorded commission income of RMB7.1 million, RMB16.8 million, RMB21.5 million and RMB24.5 million, respectively. We also provide assistance to our customers with services in relation to completion and submission of new automobile registrations and payment of related taxes or charges in exchange for a service fee.

Surveys

We use customer surveys both to collect feedback to improve our own customer service and to provide market information to the automobile manufacturers. Our large base of end user customers allows us to provide valuable customer feedback and market information to our automobile manufacturer partners. Some manufacturers provide their own form questionnaires for the surveys. Customer feedback is reviewed and, where appropriate, forwarded to supervisors of the relevant department for action. Surveys prescribed by the automobile manufacturers are stored in databases to which they have access. Some of our 4S dealership stores also file periodic market condition reports to the automobile manufacturers with information about trends in sales, market conditions and customer preferences.

SALES AND MARKETING

Our marketing, sales, after-sales and customer relationship management teams collaborate to develop customer profiles for our different brands and models of automobiles, study trends in customer preferences and direct marketing efforts to reach our targeted customer demographic.

We maintain databases on potential customers, which we utilize to identify sales prospects. We also rely on referrals from our customers. Our sales and marketing campaigns include personalized telephone, email and mail communications and invitations to promotional events at our dealership stores.

We advertise through various media channels including radio, magazines, newspaper, Internet, billboard, and elevator advertisement. We also participate in the automobile manufacturers' marketing campaigns including new model launches, sponsorships, automobile fan club activities and other promotional events. Our sales initiatives include gifts, discounts and complementary service packages.

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In 2008, 2009, 2010 and the six months ended June 30, 2011, we recorded advertisement and business promotion expenses of RMB13.0 million, RMB22.9 million, RMB37.5 million and RMB32.2 million, respectively.

CUSTOMERS

We attach great importance to cultivating long-term customer relationships and delivering high quality services. Our sales and marketing initiatives primarily target high net worth or high income customers. Based on our experience, we believe that these customers tend to require premium products and services, are less price sensitive and show greater brand loyalty. We maintain records of our customers' profiles including their maintenance and repair history, which we use to schedule calls, conduct surveys and send service reminders.

Our customers are required to pay a deposit, typically 2% to 10% of the retail price, when they place their orders, and the balance due must be settled in cash or secured by an approved automobile financing loan before the automobile is collected by or delivered to the customer. It usually takes a customer two to three weeks after all the required documents have been provided to the financing provider to its satisfaction to obtain the automobile financing loan. We do not offer any credit to our customers for automobile purchases. We, however, generally provide a credit term of two to three months to automobile manufacturers for the reimbursement of our costs relating to the in-warranty repair services that we perform. Customers must pay for out-of-warranty repairs, which are charged based on the spare parts and manpower required for the repairs. In the event that out-of-warranty repair costs are expected to be covered by a valid insurance policy held by a customer, we generally do not require payment from such customer and will instead seek reimbursement directly from the relevant insurance company and such reimbursement claims are usually settled within two to three months. We do not provide any credit term for out-of-warranty repairs that are not covered by insurance. The time required before we can deliver the automobile to the customer typically ranges from one to three weeks to, in extreme cases, four months depending on a number of factors, including primarily the current inventory level of the relevant dealership store and the availability of the specific model. We are fully compensated by the relevant automobile manufacturers for product returns. During the Track Record Period, we did not experience any significant product returns from our customers. Our top five customers accounted for less than 1% of our total revenue during the Track Record Period. All of our top five customers are Independent Third Parties. None of our Directors, their associates or any current shareholders with over 5% of share capital has any interest in any of our top five customers which is required to be disclosed under the Listing Rules.

SUPPLIERS AND PROCUREMENT

We buy new automobiles and spare parts directly from automobile manufacturers. The automobile manufacturers set annual non-binding sales targets and service standards, measured in terms of customer satisfaction rates, for each of their authorized dealership stores. Achievement of these targets will be taken into account of when the relevant automobile manufacturer subsequently assesses the dealership store's performance and decides the allocation of new automobiles for future sales. All of our 4S dealership stores met their sales and service targets set by our automobile manufacturer partners during the Track Record Period. We are required to prepay for the automobiles and spare parts that we order in cash or cash equivalents and to take ownership of new automobile and parts upon shipment or delivery. In 2008, 2009, 2010 and the six months ended June 30, 2011, our new automobiles procurement costs were approximately RMB3,275.2 million, RMB4,542.8 million, RMB7,048.7 million and RMB5,303.0 million, respectively. During the Track Record Period, all the payments for our purchases of new

OUR BUSINESS

automobiles and spare parts from automobile manufacturers were made in Renminbi, and our business and financial performance had not been materially adversely affected by the fluctuations in the exchange rates of Renminbi. In 2008, 2009, 2010 and the six months ended June 30, 2011, we purchased from automobile manufacturers new automobiles totaling 13,950 units, 17,160 units, 22,993 units and 14,575 units respectively.

All of the new automobiles that we sell are purchased in the PRC, regardless of whether they are imported or manufactured locally. Accordingly, we are not required to pay any import or custom duties or tariffs for our automobiles. The lead time required for delivery of the new automobiles we sell ranges from two to three weeks to, in extreme cases, four months, depending on whether the automobiles are manufactured in China or overseas.

Our top five suppliers are all automobile manufacturers that supply new automobiles and spare parts. In 2008, 2009, 2010 and the six months ended June 30, 2011, purchases from our top five suppliers accounted for approximately 82.9%, 88.2%, 91.4% and 93.6% of our total purchases, respectively, and purchases from our top supplier accounted for approximately 23.0%, 35.5%, 46.9% and 47.7%, respectively, of our total purchases.

All of our top five suppliers are Independent Third Parties. None of our Directors, their associates or any current Shareholders with over 5% of share capital has any interest in any of our top five suppliers which is required to be disclosed under the Listing Rules.

INVENTORY MANAGEMENT

We monitor our inventories of new automobiles and spare parts at each of our 4S dealership stores to ensure cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels of new automobiles and spare parts to meet customer demand while managing our working capital requirements to finance our inventory. Our 4S dealership stores generally order their inventory on a monthly basis and plan their inventory purchases for each month based on an annual non-binding sales target set by the relevant automobile manufacturer at the start of each year. The monthly purchases made by each store is adjusted by taking into account its existing inventory levels, expected customer demand, projected sales trends and expected delivery times for different automobile models.

To manage our inventory levels, the general manager and the sales manager of each 4S dealership store review the sales and inventory levels of their store on a daily basis to ensure that sales of different automobile models are meeting our expectations. Our centralized inventory management system provides up-to-date information to our headquarters in Shanghai regarding the sales and inventory levels of different automobile models at different 4S dealership stores on a daily basis and enables our management team to supervise and work with individual stores to manage their sales and inventory levels. To accelerate sales of slower moving inventory, individual 4S dealership stores may launch targeted promotional activities for particular automobile models from time to time. Our sales and marketing teams may also coordinate with our dealership stores to develop advertising and sales campaigns for these particular automobile models. Our sales initiatives include offering gifts, complimentary maintenance service packages and vehicle customization services. We also have the flexibility, subject to certain restrictions by the automobile manufacturers, to adjust inventories across our dealership network, such as the transfer of automobiles from one dealership store to another in response to market demand.

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We purchase inventory of new automobiles using a combination of cash and bank acceptance notes, which are recorded as bills payable in our combined financial statements. These bank acceptance notes are generally secured by bank deposits and inventories and are repaid with cash received from customers for their purchases of new automobiles from us. As of June 30, 2011, we had bills payables of RMB1,199.5 million, pledged bank deposits of RMB496.8 million and inventories of RMB1,515.2 million. Upon the repayment of such bank acceptance notes, the pledged deposits are released and can be used to secure new bank acceptance notes. If we are unable to generate sufficient sales from our existing inventory of new automobiles to repay our bank acceptance notes within the applicable credit term, which is typically two to three months, we will be required to repay the notes from other cash resources. This could adversely affect our working capital and our ability to acquire new inventory. We may incur additional financing costs as a result of the new borrowings. Our average inventory turnover days was 35.6 days, 30.1 days and 30.1 days in 2008, 2009 and 2010, respectively. Our average inventory turnover days was 43.7 days in the six months ended June 30, 2011. During the Track Record Period, our inventory turnover days were generally shorter than the credit term of our bank acceptance notes and we did not experience any difficulty in repaying our bank acceptance notes with payments from customers for sales of new automobiles.

We aim to maintain a reasonable level of inventory of automobiles, spare parts and automobile accessories at our dealership stores to timely respond to customer demand. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs. If we understock inventory, we may not be able to satisfy demand of our customers, which may cause us to forgo revenue and adversely affect our reputation. See “Risk Factors—Risks Related to Our Business—Our business and financial performance depend on our ability to manage our inventory effectively”. See “Financial Information—Inventory” and “Financial Information—Trade and Bills Payables”.

INFORMATION TECHNOLOGY

We are in the process of implementing an ERP system that is designed to provide us with real-time access to key performance indicators and monitor our cash flows and accounts as well as human resources and other management functions. Our new ERP system is designed to collect and analyze data about potential and existing customers and their vehicles. We intend to further develop our centralized IT system to assume other business functions including customer data processing and online employee training. In addition, we periodically upgrade other hardware and software components of our IT system to improve the productivity of our personnel and our performance.

We maintain interactive websites that provide information about our products, services, stores and new developments. Customers can provide feedback and schedule maintenance for their vehicles.

COMPETITION

The automobile dealership industry in China is competitive and highly fragmented. We compete against other dealership groups, including those selling the same brands of automobiles as our dealership stores, for dealership authorization rights, for prime store locations capital to finance expansion and inventory, customers of automobiles and after-sales service and skilled employees. We also compete with independent repair shops and auto parts retail centers in after-sales services and spare part sales. Our dealership business is also affected by competition among the automobile manufacturers and their brands in terms of quality, design and price.

OUR BUSINESS

As a leading luxury automobile dealership group in China with a proven track record of establishing new stores and quickly ramp-up the sales of the new stores, we believe we are well positioned to take advantage of opportunities derived from the growing China luxury and ultra-luxury passenger vehicle market and strengthen our leading position.

PROPERTIES

As of the Latest Practicable Date, we owned six properties and leased 42 properties in the PRC. For further details about our owned and leased properties for our operations, please refer to the property valuation report prepared by Savills Valuation and Professional Services Limited as set out in Appendix IV in this prospectus.

Properties We Own

As of the Latest Practicable Date, we owned six properties in the PRC with an aggregate site area of approximately 49,215.7 square meters. We have obtained all the relevant Title Certificates for these properties. These six properties are located in Suzhou, Changshu, Ningbo, Yangzhou, Hangzhou and Taizhou, respectively. See “Valuation Certificate—Group I—Property interest held by the Group for owner occupation in the PRC”, “Valuation Certificate—Group II—Property interests held by the Group under development in the PRC”, and “Valuation Certificate—Group III—Property interests held by the Group for future development in the PRC” of Appendix IV to this prospectus for additional information.

Property to be Acquired

As of the Latest Practicable Date, we are in the process of acquiring a property with an aggregate site area of approximately 7,232 square meters in Fuyang, Zhejiang province for RMB36.8 million for the purpose of operating a 4S dealership store in the future. We have signed a land use rights transfer agreement with the local land authorities and have paid a deposit of RMB12.7 million in respect of such property. The balance will be paid using our internal resources and will not be paid using the net proceeds of the Global Offering. Jingtian & Gongcheng, our PRC legal advisors, are of the view that we will have no legal impediment in obtaining the relevant Title Certificate for this property upon full settlement of the consideration for land grant. As of the Latest Practicable Date, we did not operate any 4S dealership store on that property.

Properties We Lease

As of the Latest Practicable Date, we leased 42 properties with an aggregate GFA of approximately 82,240.2 square meters for the building portion and an aggregate site area of approximately 166,254.3 square meters for the land portion, among which:

- For three properties with an aggregate GFA of approximately 11,299.0 square meters, accounting for 13.7% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 800.0 square meters, accounting for 0.5% of the aggregate site area of our leased land, on which we operated three 4S dealership stores as of the Latest Practicable Date, the landlords have not obtained the relevant Title Certificates. These properties are located in Wuxi, Jiangsu province, Dandong, Liaoning province and Shanghai respectively.

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- For three properties with an aggregate GFA of approximately 412.0 square meters, accounting for 0.5% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 23,550.0 square meters, accounting for 14.2% of the aggregate site area of our leased land, we operated four 4S dealership stores and one repair center on such land as of the Latest Practicable Date, which was not in compliance with its designated usage. Two of these properties are located in Shanghai and the other property is located in Qingdao, Shandong province. According to PRC laws, rules and regulations, the State implements a land usage management system, and designated land usages shall be strictly complied with by relevant entities and individuals. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that the lease agreement in connection with the land may be invalidated if it is challenged for the usage non-compliance. As such, our business and operations on the land may be adversely affected.
- Four properties with an aggregate GFA of approximately 10,643.0 square meters, accounting for 12.9% of the aggregate GFA of our leased buildings, and an aggregate site area of approximately 30,761.0 square meters, accounting for 18.5% of the aggregate site area of our leased land, are collectively-owned land and are not permitted to be leased to others for non-agricultural or commercial purposes under applicable PRC laws, rules and regulations. We operated four 4S dealership stores on these properties as of the Latest Practicable Date. Three of these properties are located in the Minhang District of Shanghai, and one property is located in the Xiaoshan District of Hangzhou, Zhejiang province. Hangzhou Urban Planning Bureau Xiaoshan Branch (杭州市規劃局蕭山規劃分局) and Shanghai Minhang District Planning and Land Administration (上海市閔行區規劃和土地管理局) have confirmed that we can operate our stores on these properties. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that both authorities are competent authorities to make such confirmations, and our ability to use these four properties will not be adversely affected.

Revenues derived during the three years ended December 31, 2010 and the six months ended June 30, 2011 from the 11 4S dealership stores and one repair center located on our leased properties with defective title are set out as follows:

	For the Year Ended December 31,			Six Months Ended June 30,
	2008	2009	2010	2011
Revenue (RMB'000)	1,533,475	2,159,525	3,330,729	2,011,954
Percentage of total revenue (%)	41.4%	41.8%	43.2%	38.4%

Revenues derived during the three years ended December 31, 2010 and the six months ended June 30, 2011 from the four 4S dealership stores located on the four properties for which we have obtained confirmation from the relevant government authorities to operate dealership stores thereon are set out as follows:

	For the Year Ended December 31,			Six months Ended June 30,
	2008	2009	2010	2011
Revenue (RMB'000)	983,360	1,536,528	2,295,519	1,366,631
Percentage of total revenue (%)	26.6%	29.8%	29.7%	26.1%

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The aforementioned properties with defects in title (whether owned or leased) comprise primarily 4S dealership stores, warehouses and ancillary structures. Our Directors are of the view that such properties are not crucial to our operations since: (i) we have the Title Certificates for or the right to use the majority of both our owned and leased properties; (ii) for the operation of 4S dealership stores in the automobile dealership business, such factors as brand portfolio, relationships with automobile manufacturers, design and layouts of stores, types of services offered, quality of services provided, management, etc., are of greater importance in attracting customers and generating revenue for the Group than the premises on which our 4S dealership stores are located; (iii) we can readily find comparable properties to relocate our business if necessary; (iv) for the one property on collectively-owned land located in Hangzhou, Zhejiang province with GFA of 5,000.0 square meters and site area of 16,008.0 square meters, we have already obtained the land use rights for another property in Hangzhou with site area of 5,176.0 square meters and will be able to relocate our 4S dealership store to the new site; and (v) the long-term lease arrangements in respect of the properties that we lease would give us the exclusive use of the premises during the terms of the relevant leases.

Based on information currently available to us, we estimate that the total cost and expenses for relocating our businesses which are located on properties with defective titles should not exceed RMB10 million, and the relocation of a 4S dealership store will generally require two to three weeks. We do not expect any such relocation process and the related costs to have a material adverse effect on our business or operations.

Each of our Controlling Shareholders has agreed to indemnify us against any costs, expenses and losses to our operations or business (including but without limitation to penalties and fines imposed by the relevant PRC authorities) arising from the relocation of business or assets from any property with defects in title. For more details of the deed of indemnity, please see the paragraph entitled “Statutory and General Information—Further Information About our Business—Summary of Material Contracts” in Appendix VI to this prospectus. Please also see “Appendix IV—Property Valuation” to this prospectus for details of our properties and the paragraph entitled “Risk Factors—Risks Relating to Our Business—We have not yet obtained valid titles or rights to use certain properties or the required permits for construction and development on certain properties occupied by us” in this prospectus for details of the risks associated with properties affected by defects in title.

When selecting a new store venue, we takes into account a broad range of factors, including convenience and ease of access, traffic flow and parking availability. Some of our preferred venues may have defects in their titles. To protect our interests in future properties, we will systemically review the store venue as part of our new store opening plan and make our best efforts to comply with relevant rules and regulations. We also plan to seek professional legal advice when to determine 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.

INSURANCE

We carry insurance covering risks including loss and theft of and damage to property such as our fixed assets and inventories in our dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes. We do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business. Neither do we maintain any insurance coverage for business interruption due to the limited coverage of any business interruption insurance in China. We consider our insurance coverage to be adequate and in line with industry practices in China. However, significant uninsured damage to any of our properties, inventory or other

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assets, whether as a result of fire or other causes, could have a material and adverse effect on our results of operations. See the section headed “Risk Factors—Risks Relating to Our Business—Our insurance coverage may be inadequate to protect us from certain types of losses” in this prospectus.

EMPLOYEES

We view our employees as critical to our success. We dedicate significant resources to personnel recruiting, training and promotion. Over the Track Record Period, our staff has doubled to meet the requirements of our growing 4S dealership store network and business operations.

As of September 30, 2011, we employed a total of 2,407 full-time staff.

<u>Job Function</u>	<u>Number of Employees</u>	<u>Percentage of Total</u> (%)
Management	81	3.4
Administrative	228	9.5
Sales and marketing	704	29.2
After-sales service	1,239	51.5
Finance and accounting	<u>155</u>	<u>6.4</u>
Total	<u><u>2,407</u></u>	<u><u>100.0</u></u>

We place significant emphasis on internal promotion as a means of offering long-term career paths and performance incentive for our employees. To incentivize them, we offer our sales, marketing and after-sales personnel performance bonuses based on their sales or revenue contribution and take into account of their technical skills and other aspects of their performance based on their nature of work. These performance bonuses are calculated on a monthly basis. Our employees are subject to regular job reviews which determine their promotion prospects and compensation.

Our external recruiting channels include the Internet, media advertisement, job fairs, on-campus outreach at colleges and vocational schools and recruiting firms.

Our employees regularly attend training courses to improve their skill set and professional knowledge and stay current on new developments. In addition to the training courses offered by our automobile manufacturer partners, we also develop and innovate our own employee training programs. We employ dedicated trainers who participate in the training programs provided by our manufacturer partners and operate regular training programs at our stores. To leverage the accumulated operational expertise and know-how in our network, we frequently apprentice new recruits to our best performing dealership stores for training before rotating them to stores in other locations. In addition, as we have a diversified portfolio of automobile brands, we are able to offer our employees opportunities to work both with different automobile brands as well as in different areas in China, which we believe contributes to our employee retention rates.

We plan to open a dedicated training institute in Changshu, Jiangsu province by December 31, 2011. This training institute will be located adjacent to our 4S dealership store in Changshu and be equipped with its own campus, after-sales service facilities, classrooms and boarding facilities and will

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over time provide training courses for all levels of our employees in different fields, including technical skills and product knowledge, customer services, sales and communications skills and management skills.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

There are no current litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period, our legal proceedings and third party disputes mostly comprised disputes with our customers relating to their non-payment or disagreements regarding the features of the automobiles ordered by them and disputes with or involving our employees or ex-employees regarding a variety of matters, including the circumstances of their dismissal and personal injury claims. During the Track Record Period, the aggregate amount involved in disputes with our customers relating to non-payment did not exceed RMB200,000 per annum. Substantially all of these proceedings and disputes have been settled and, in the view of our Directors, none of these proceedings and disputes had or could have a material adverse effect on our financial condition or results of operations. In March 2010, a claim was brought against us by one of our customers alleging that we were negligent in delivering automobiles to an unauthorized individual in reliance upon forged documents. The amount of the claim against us is RMB1.51 million. In July 2011, the relevant PRC appeal court found that we had exercised due care under the circumstances and issued a final judgment that we should not be liable for the loss suffered by the plaintiff. The plaintiff has lodged an application for a retrial of this case with a higher court. As of the Latest Practicable Date, the higher court had not made any decision as to whether to allow the retrial to proceed nor had any date been set for a retrial. Based on our assessment of the facts and circumstances, we are of the view that the probability of our being liable for the loss suffered by the plaintiff is remote and therefore no provision for this claim is necessary. We do not expect this claim to have a material adverse effect on our financial condition or results of operations.

In the opinion of our PRC legal advisors, during the Track Record Period and to the Latest Practicable Date, we have complied with relevant PRC laws, rules and regulations in all material respects including without limitation the Loans Measures and environmental and work safety laws and regulations, saved as disclosed in this section and the section entitled “Risk Factors”. We and all of our subsidiaries have obtained all the licenses, approvals and permits from appropriate regulatory authorities that are material for our business operations in the PRC.