

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after the completion of the Global Offering, Baoxin Investment and Auspicious Splendid will together be interested in approximately 71.95% of our outstanding Shares if the Over-Allotment Option is not exercised and 70.03% of our outstanding Shares if the Over-Allotment Option is exercised in full. Baoxin Investment and Auspicious Splendid are legally owned by Sunny Sky Limited and Ms. Yang as trustees for the benefit of the Family Trust Beneficiaries and Yang Trust Beneficiaries, respectively. Pursuant to the trust deeds in respect of the Family Trust and the Yang Trust, Mr. Yang Aihua, as the protector of both trusts, has the power to exercise all voting rights attached to the shares of Baoxin Investment and Auspicious Splendid. As a result, Baoxin Investment, Auspicious Splendid and Mr. Yang Aihua are considered as our controlling shareholders immediately after the Global Offering.

Our Controlling Shareholders and Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, would otherwise require disclosure under Rule 8.10 of the Listing Rules.

OPERATIONAL INDEPENDENCE

We do not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities. We have our own headcount of employees for our operations and management for human resources. Our Group owns all licences, trademarks, patents and other intellectual property rights which are required for our Group to carry on its business.

MANAGEMENT INDEPENDENCE

None of our Directors holds any position in any of the companies owned by our Controlling Shareholders other than those within the Group. The executive management team of our Group is led by Mr. Yang Aihua, our executive Director and Chairman, and other executive Directors, who are supported by a team of senior management and the same group of senior management has been managing the business of our Group throughout the Track Record Period. Each of our senior management possesses relevant management and/or industry-related experience to act as such. See “Directors and Senior Management” for details of their management experience.

FINANCIAL INDEPENDENCE

Our Group has its own financial management system and ability to operate independently of the Controlling Shareholders from a financial perspective.

SELLING SHAREHOLDER

Pursuant to the International Underwriting Agreement, Baoxin Investment will sell 50,580,000 Shares, representing approximately 2.00% of the total issued share capital of our Company immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, the Selling Shareholder and we expect to grant the Over-allotment Option to the International Underwriters, pursuant to which, the Selling Shareholder may be required to sell up to an additional 28,449,000 Shares, representing 7.5% of the Offer Shares initially available under the Global Offering at the Offer Price.

The number of Shares held by Baoxin Investment immediately prior to and following the sale of the 50,580,000 Shares and the exercise of the Over-allotment Option are set out in the table below.

Number of Shares held by the Selling Shareholder before the sale of the Sale Shares	Number of Sale Shares	After the Global Offering and the sale of the Sale Shares but before the exercise of the Over-allotment Option		After the Global Offering and the exercise of the Over-allotment Option	
(shares)	(shares)	(shares)	(%)	(shares)	(%)
1,603,360,000	50,580,000	1,552,780,000	61.41%	1,524,331,000	59.61%

NON-COMPETITION UNDERTAKING

In order to ensure that direct competition does not develop between us and the Controlling Shareholders' other activities, each of the Controlling Shareholders has agreed to provide a non-competition undertaking in our favor, which is described below.

Each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company, pursuant to which each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) that it would not and would use its best endeavours to procure that its associates (except any members of our Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The above undertaking does not apply where:

- (a) the holding by our Controlling Shareholders of interests in the shares of a company where:
 - (i) the total number of shares held by our Controlling Shareholders does not exceed 5% of the issued shares of the company which is or whose holding company is listed on a recognised stock exchange; or
 - (ii) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts;

provided that there must be another shareholder of that company whose shareholdings in that company should be larger than the aggregate shareholding held by our Controlling Shareholders and their respective associates and the total number of our Controlling Shareholders' representative(s) in that company must not be significantly disproportionate in relation to our Controlling Shareholders' shareholding in that company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by our Controlling Shareholders and/or their respective associates to us, and after decision by our Board of Directors or a board committee, who do not have a material interest in the business opportunity, has declined in writing such opportunity to invest, participate, be engaged in or operate the Restricted Business.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect upon the earlier of: (1) the Shares of our Company cease to be listed on the Hong Kong Stock Exchange; and (2) our Controlling Shareholders cease to hold directly or indirectly in aggregate 30 per cent or more of the entire issued share capital of our Company, or otherwise ceases to be a Controlling Shareholder. In addition, we will make such relevant disclosure on how the Non-Competition Undertaking was complied with in our annual report in accordance with the principle of making voluntary disclosures set out in Appendix 23, Corporate Governance Report, of the Listing Rules.

LEASE ARRANGEMENTS WITH A CONNECTED PERSON

Shanghai Zhongchuang and Minhang Automobiles currently operate a Hyundai 4S store and a Nissan 4S store, respectively, on a piece of land owned by Shanghai Kailong Qixiao. Shanghai Kailong Qixiao is a connected person of the Company under Rule 14A.11(4) of the Listing Rules as it is a company controlled by Mr. Yang Aihua, an executive Director and one of our Controlling Shareholders, and therefore is considered an associate of Mr. Yang Aihua under Rule 1.01 of the Listing Rules.

Each of Shanghai Zhongchuang and Minhang Automobiles, as tenant, has entered into a lease agreement with Shanghai Kailong Qixiao as landlord pursuant to which each of Shanghai Zhongchuang and Minhang Automobiles leases from Shanghai Kailong Qixiao the premise currently used by these two 4S stores.

Each of the lease agreements is valid for a term of three years ending in 2014. Each of Shanghai Zhongchuang and Minhang Automobiles is entitled to terminate the lease agreement upon 30 days of written notice. The annual rent under each lease agreement is RMB0.8 million.

As the above lease agreements were entered into on normal commercial terms and the applicable percentage ratio in respect of the aggregate annual rental payable under the above two lease agreements is less than 0.1%, they are exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.