

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Our Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we will receive from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$9.65 per Offer Share, being the mid-point of the indicative Offer Price range and no exercise of any Over-allotment Option) will be approximately HK\$2,973 million.

We currently intend to use the net proceeds of the Global Offering in the following manner:

- approximately RMB550 million as the consideration to purchase an aggregate equity interest of 3% in Shanghai Baoxin, being a key operating subsidiary of the Company, held by Huakong Industry and Huakong Innovation. We plan to consummate this purchase within two weeks of the Listing Date. The consideration of RMB550 million is currently expected to be kept in an escrow account to be released pending compliance with SAFE and other regulatory procedures. For details of the transfer please refer to “Our History and Reorganization—Reorganization—Onshore Acquisition”;

Out of the remaining net proceeds, being approximately HK\$2,299 million (based on the mid-point of the Offer Price range):

- approximately 80% (or approximately HK\$1,839 million based on the mid-point of the Offer Price range) for the expansion of our 4S dealership store network through organic growth and, if suitable opportunities arise, through selective acquisitions, alliances, joint ventures and other strategic investments. Certain details of our expansion plan of 4S dealership store network are set out below in “—Expansion Plan”;
- approximately 5% (or approximately HK\$115 million based on the mid-point of the Offer Price range) for the establishment of additional authorized repair centers and to upgrade and expand our after-sales service capabilities and capacity including expanding the after-sales service areas of our existing 4S dealership stores, purchasing related equipment and hiring additional after sales services technicians and other after-sales personnel. Certain details of our expansion plan of additional authorized repair centers are set out below in “—Expansion Plan”;
- approximately 5% (or approximately HK\$115 million based on the mid-point of the Offer Price range) for the general upgrading, maintenance and refurbishment of our existing 4S dealership stores; and
- approximately 10% (or approximately HK\$230 million, based on the mid-point of the Offer Price range) for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$264 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$9.65).

If the Offer Price is fixed at HK\$10.80, being the highest price within the stated Offer Price range, our net proceeds will increase by (i) approximately HK\$363 million, assuming the Over-allotment Option is not exercised; and (ii) approximately HK\$394 million, assuming the Over-allotment Option is exercised in full. If the Offer Price is fixed at HK\$8.50, being the lowest price within the stated Offer Price range, our net proceeds will decrease by (i) approximately HK\$363 million, assuming the Over-allotment Option is not exercised; and (ii) approximately HK\$394 million, assuming the Over-allotment Option is exercised in full.

Our Directors currently intend to adjust the allocation of our actual net proceeds from the Global Offering, after deducting the amount payable for the acquisition of the 3% interest in Shanghai Baoxin, to the different uses stated above proportionately as indicated to the extent there is any difference in our actual net proceeds compared to the estimated amounts of the net proceeds calculated based on the mid-point of the stated Offer Price range presented above. We will make an appropriate announcement if there is any material change to the uses of proceeds as stated above.

We estimate that the net proceeds to be received by the Selling Shareholder from the Global Offering will range from approximately HK\$413 million (assuming an Offer Price of HK\$8.50 per Share, being the low end of the proposed Offer Price range) to HK\$524 million (assuming an Offer Price of HK\$10.80 per Share, being the high end of the proposed Offer Price range), after deducting any fees and/or expenses which may be payable by the Selling Shareholder to the Joint Bookrunners in relation to the Global Offering and assuming the Over-allotment Option is not exercised. The additional net proceeds that the Selling Shareholder will receive if the Over-allotment Option is exercised in full will be approximately HK\$264 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$9.65). We will not receive any of the net proceeds from the sale of the 50,580,000 Shares by the Selling Shareholder in the Global Offering or the offer of the additional 28,449,000 Shares by the Selling Shareholder pursuant to the exercise of the Over-allotment Option.

Expansion Plan

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 automobiles

FUTURE PLANS AND USE OF PROCEEDS

but do not offer after-sales services. 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. 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	BMW	Showroom	November 2011
Qingdao, Shandong Province.	BMW	Showroom	November 2011
Tianjin	BMW	Showroom	November 2011
Zibo, Shandong Province	Land Rover & Jaguar	4S store	November 2011
Dandong, Liaoning Province.	BMW	4S store	December 2011
Tianjin	Land Rover & Jaguar	4S store	1st quarter of 2012
Dongguan, Guangdong Province	BMW	4S store	2nd quarter of 2012
Wuxi, Jiangsu Province	BMW	4S store	2nd quarter of 2012
Yantai, Shandong Province.	BMW	4S store	2nd quarter of 2012
Fuyang, Zhejiang Province	BMW	4S store	2nd quarter of 2012
Shanghai.	Audi	4S store	2nd quarter of 2012
Shenyang, Liaoning Province	BMW	Repair center	2nd quarter of 2012
Beijing	BMW	4S store	2nd quarter of 2012
Shanghai.	BMW	4S store	4th quarter of 2012

Approximately 80% and 5% of the remaining net proceeds from the Global Offering, after deducting approximately RMB550 million as consideration for purchasing the 3% equity interest in Shanghai Baoxin, will be used for (i) the expansion of our 4S dealership store network and (ii) establishing additional authorized repair centers and to upgrade and expand our after-sales service capabilities, respectively, including to establish and launch the stores described above. Apart from the remaining net proceeds (if any) from the Global Offering, we expect to fund our capital expenditure for establishing additional 4S dealership stores, showrooms and repair centers 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.

As at the Latest Practicable Date, we do not have any understanding, commitment or agreement, and we are not engaged in any related negotiations and have not entered into any letter of intent (legally binding or otherwise), with respect to any acquisitions, alliances, joint ventures or strategic investments.

To the extent that any net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit such amounts into short-term demand deposit accounts with authorized financial institutions. Our PRC legal advisors, Jingtian & Gongcheng, have confirmed that no provision for PRC enterprise income tax should be required for any interest income arising from the proceeds of the Global Offering as our Group does not intend to deposit the proceeds of the Global Offering in PRC banks or financial institutions. When we receive the net proceeds from the Global Offering, we will apply for the relevant approvals from the PRC Government authorities to remit such proceeds to our subsidiaries in the PRC, businesses and operations. There is no assurance regarding whether or when such approvals can be obtained.