You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or growth prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on automobile manufacturers for the rights to open and operate all of our outlets

Our rights to open and operate 4S dealerships and all other outlets and the supply of passenger vehicles and spare parts are governed by our agreements with automobile manufacturers, including dealership agreements and other authorization agreements for non-4S dealership outlets. These agreements are non-exclusive and typically have a term of one to three years, which may be renewed periodically. Automobile manufacturers have the right to revoke their authorizations or refuse to enter into dealership agreements with us if we fail to complete the construction and build-out of newly authorized outlets within the agreed-upon time, or to terminate dealership agreements by written notice for a variety of reasons. For example, if we are found to have, and fail to rectify, any deficiencies and unauthorized changes in our ownership or management structure that impair our ability to meet our contractual obligations under the agreement with an automobile manufacturer, the manufacturer will be entitled to terminate the agreement and end its relationship with us. Moreover, automobile manufacturers may elect not to renew their agreements with us for various reasons, including changes in their business strategies. There can be no assurance that we will be able to renew our dealership or other authorization agreements with automobile manufacturers on a timely basis, on commercially acceptable terms or at all. Automobile manufacturers may also decide to limit or reduce the number of outlets that we are authorized to operate. If any automobile manufacturers decide not to renew their agreements with us, or otherwise reduce or terminate their business dealings with us, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

We derive a significant portion of our revenue from the sale of passenger vehicles for a few major brands

We derive a significant portion of our revenue from sales of passenger vehicles for a few major brands, such as BMW, MINI, Buick and Audi. For example, sales of BMW/MINI passenger vehicles accounted for 47.0%, 52.3% and 54.0% of our revenue from passenger vehicle sales in 2009, 2010 and 2011, respectively. While our relationship with BMW Brilliance has lasted for more than eight years, beginning in 2003 with the signing of the letter of intent to establish our first BMW 4S dealership, there can be no assurance that we can continue to maintain this relationship in the future. If the manufacturers of any of our major brands terminate or decide not to renew their dealership or other agreements with us on favorable terms, or at all, or if these brands become less attractive to consumers due to vehicle recalls or any other problems out of our control, our business, financial condition, results of operations and growth prospects may be materially and adversely affected. Adverse changes in the financial position of automobile manufacturers or their ability to design, manufacture or market new passenger vehicles or spare parts may also negatively affect our business, financial condition, results of operations and growth prospects.

We conduct the vast majority of our operations in East China and derive most of our revenue from our outlets located in this region

During the Track Record Period, most of our outlets were located in East China, particularly in Shanghai. As of the Latest Practicable Date, 59 out of our 66 existing outlets were located in East China. In terms of revenue contribution by geographic region, approximately 95.7%, 90.6% and 86.5% of our total revenue were derived from East China in 2009, 2010 and 2011, respectively. We expect a substantial portion of our revenue to continue to be generated from East China in the near future. As a result of the concentration of our operations in East China, adverse events in this region, such as the general slowdown of regional economic growth, natural disasters, legal restrictions or other factors, may negatively affect the overall passenger vehicle distribution business in this region, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our business and operations are subject to restrictions imposed by, and significant influence from, automobile manufacturers and we depend on their support and cooperation in many different aspects of our operations

Automobile manufacturers may, under their existing dealership or other authorization agreements with us, require us to operate our outlets subject to various restrictions such as geographical limitations on our location selection and restrictions on operating dealerships or selling passenger vehicles of competing brands. The restrictions imposed by, and the significant influence from, automobile manufacturers on our business could impair our ability to respond to changes in the market or our business, which could in turn materially and adversely affect our results of operations, financial condition and growth prospects. In addition, we depend on the support from and cooperation of our automobile manufacturer partners in different aspects of our operations. If our relationship with any automobile manufacturer were to deteriorate, our business, results of operations and growth prospects could be materially and negatively affected.

Incentive rebates. Automobile manufacturers provide us from time to time with incentive rebates, which are generally determined with reference to our purchase volume, sales volume, customer satisfaction and other performance indicators set by automobile manufacturers, depending on their policies. There can be no assurance that automobile manufacturers will continue to provide us with incentive rebates, or that we will be able to satisfy the conditions set by the automobile manufacturers to receive any of the incentive rebates under the existing arrangements. Should some or all of the automobile manufacturers cease to offer incentive rebates, or alter the conditions by which incentive rebates are granted, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Advertising, marketing and promotion. Passenger vehicle sales at our outlets are influenced by the sales and marketing efforts of automobile manufacturers designed to increase consumer demand for their passenger vehicles, including sales and marketing events jointly organized by automobile manufacturers and us, offerings of discounts, complimentary products or services or extended product warranties to customers through us and providing us with assistance in advertising, marketing and promotional activities. Any reduction of these advertising, marketing and promotional efforts by automobile manufacturers may adversely affect passenger vehicles sales and after-sales services at our outlets and adversely affect our business, financial condition, results of operations and growth prospects.

After-sales services. As a principal constituent of our after-sales services business, in-warranty repair services are charged to the automobile manufacturers instead of customers. As a result, a reduction in the term or coverage of such warranties may reduce the demand for our after-sales services from customers. We also rely on automobile manufacturers to provide our outlet managers, customer service and sales personnel and technicians with training to familiarize them with the features of, and repair and maintenance procedures for, their vehicle models. We cannot assure you that we will be able to maintain the continued support from automobile manufacturers for our after-sales services, or that any such failure will not have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Product defects and vehicle recalls could materially and adversely affect our business

Automobile manufacturers conduct recalls from time to time to remedy product defects or other problems with one or more vehicle models. For more information, see "Business—Vehicle Recall." We have been advised by our PRC legal advisor, Commerce & Finance Law Offices, that, under PRC laws and regulations, we generally are not liable for any of the costs of recalls and are typically compensated by automobile manufacturers for our assistance in conducting recalls. However, our customers' confidence in the quality and safety of passenger vehicles may be impaired due to recalls, and any product defects or vehicle recalls may negatively affect the reputation of the automobile manufacturers and us. Recalls may lead to the cancellation of orders placed by our customers and a decline in demand for passenger vehicles that we sell, which in turn may reduce our sales and result in a high level of inventories of the relevant vehicle models subject to recall, vehicles of the same brand or their spare parts. We may have to incur costs associated with holding excess inventories or reduce our selling prices, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. We cannot assure you that there will be no future vehicle recalls affecting the vehicle models we sell, or that any of these recalls will not materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our business and financial condition depends on our ability to effectively manage our inventories

Our business and financial condition depends on our ability to maintain a reasonable level of inventories of new passenger vehicles, spare parts and accessories in our outlets. In 2009, 2010 and 2011, our average inventory turnover days were 32.9 days, 25.6 days and 31.3 days, respectively. Some of the automobile manufacturers set a minimum inventory level of new passenger vehicles, spare parts or accessories that we must maintain to respond to customer demand in a timely manner. If we overstock inventory for any reason, such as an increase in the minimum inventory requirements imposed by these manufacturers, we may be required to increase our working capital and incur additional financing costs, and may need to adopt more promotional activities to dispose of these inventories, which may have an adverse impact on our results of operations. If we understock inventory, we may not be able to satisfy the demand of our customers on a timely basis, which may cause us to forgo revenue and adversely affect our reputation.

We depend on our management team and our business may be severely disrupted if we lose their services

We believe that our success depends significantly on the continued service of the members of our senior management team, who are critical to the development and implementation of our corporate strategy and our continued growth. In particular, our Chairman, Cheung Tak On, and our Vice Chairman, Cai Yingjie, both with over 20 years' experience in the PRC passenger vehicle dealership sector, are crucial to our success.

Our continued success depends on our ability to attract and retain a qualified and competent management team in order to manage our existing operations and support our expansion plans. We do not maintain key person insurance for members of our management team. Although we have entered into employment agreements and non-competition agreements with certain members of our management team, the loss of the services of any member of our management team or the failure to recruit suitable or comparable replacements on a timely basis could have a significant impact on our ability to manage our business effectively and may decrease our competitiveness, which may in turn materially and adversely affect our business, financial condition, results of operations and growth prospects. We cannot assure you that we will be able to retain our management team or find suitable or comparable replacements on a timely basis or at all.

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

Our ability to maintain high quality customer and after-sales services depends on the continuing service of, and our ability to attract, train, motivate and retain, our outlet managers, customer service and sales personnel and technicians. Due to the strong growth of the PRC economy and the PRC passenger vehicle dealership sector, competition for experienced personnel is increasingly intense. There can be no assurance that we will be able to attract, train, motivate and retain the necessary personnel to grow and develop our business, to continue to deliver high-quality sales and customer services, or to open new outlets. Our business, financial condition, results of operations and growth prospects may be materially and adversely affected if we fail to attract and retain the experienced personnel we need.

Implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate

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

In addition, various factors beyond our control may significantly influence the results of our growth strategy, including general economic conditions and changes to PRC laws and regulations, particularly in the passenger vehicle market and the passenger vehicle dealership sector and the specific geographic areas in which we operate, the market demand for new passenger vehicles, especially in the luxury and ultra-luxury segments which, according to certain recent news reports, may slow down due to a potential slowdown in the economic growth of the PRC, and business or operational strategies and policies adopted by automobile manufacturers, other suppliers as well as our competitors.

During the Track Record Period, we experienced significant growth, with our revenue increasing at a CAGR of 49.3% from RMB9,104.2 million in 2009 to RMB20,304.1 million in 2011. There can be no assurance that we will be able to sustain our growth rate or profit margins at historical levels or that we will be able to manage our growth successfully. You should not rely on our operating results for any prior annual period as an indication of our future operating performance. Should any or all of the risks in relation to our growth strategy materialize, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressure and our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

We may not be successful in identifying or acquiring suitable acquisition targets or integrating newly acquired businesses into our network

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

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

Furthermore, integration of the newly acquired businesses may not succeed for a number of reasons such as differences in strategic focus, geographic coverage and corporate culture between us and the acquired businesses and difficulties in retaining the key employees of acquired businesses. Any delays or difficulties encountered in connection with the integration of management or operations could result in the diversion of management's attention from our existing operations and the delay or deferral by our management of important strategic decisions, which could negatively affect our business, prospects, cash flows, financial condition and results of operations. In addition, we cannot assure you that we will fully realize any of the anticipated benefits, or any anticipated benefit at all, from our strategic acquisitions.

We may not be able to grow our automobile rental services

Our automobile rental services could be negatively impacted by uncertainties in the PRC automobile rental industry, which is relatively new and may experience unexpected downturns for many reasons. The growth of the automobile rental market, as well as demand for our automobile rental services, depends on various factors, some of which are beyond our control, including the general economic conditions in China, popularity and perceptions of automobile rental among our customers, growth of the PRC travel industry and demand for transportation services, and the developments and changes in PRC laws and regulations governing the transportation sector.

We may not be able to grow our pre-owned vehicle business

The growth of our pre-owned vehicle business depends on various factors such as our ability to attract CPO buyers to our outlets and sellers and buyers of pre-owned vehicles to our pre-owned vehicle market, the degree of acceptance of pre-owned vehicles by our potential customers, and the relevant PRC laws and regulations governing the pre-owned vehicle business. Many of these factors are beyond our control and, therefore, we may not be able to maintain or grow our pre-owned vehicle business. In addition, although under PRC laws we are not responsible for any defects of the pre-owned vehicles sold in our outlets or our pre-owned vehicle market, any sales of defective pre-owned vehicles may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Our gross profit margin and profitability may be affected by the mix of products sold and services delivered

Our principal businesses consist of passenger vehicle sales, after-sales services and automobile rental services. During the Track Record Period, we recorded higher gross profit margins for after-sales services and automobile rental services than for passenger vehicle sales. In 2009, 2010 and 2011, our gross profit margins for after-sales services were 37.1%, 37.4% and 38.2%, respectively, and our gross profit margins for automobile rental services were 13.0%, 23.7% and 36.4%, respectively, as compared to our gross profit margins for passenger vehicle sales of 4.8%, 5.4% and 5.1%, respectively, in the same period. We may not be able to grow our after-sales services and automobile rental services at the rate equal to, or higher than, our passenger vehicle sales business. Therefore, our gross profit margin and profitability may vary significantly from period to period as a result of changes in the mix of products sold and services rendered during the relevant period.

Our business depends on the market recognition of our brand and any failure to effectively maintain or enhance our brand recognition or to protect our brand may materially and adversely affect our business and results of operations

We believe that establishing strong brand recognition is important to our success. We have successfully established our "永达 (Yongda)" brand, which has been designated as one of the "Famous Trademarks of China" by the Trademark Office of the SAIC. If we fail to maintain brand recognition among our target customers due to a deterioration in service quality, dealership management or otherwise, or if any premium in value attributed to our business compared to that of our competitors declines, market perception and consumer acceptance of our brands may erode. In such event, we may not be able to effectively compete for customers and new authorizations from automobile manufacturers to open outlets and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

In addition, any unauthorized use of our brand, trademarks and other related intellectual property rights by others in their corporate names or product brands could harm our brand image and competitive advantages and businesses. The measures we take to identify potential infringement of our intellectual property rights and to protect our brand and trademarks may not be adequate. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain adequate financing on acceptable terms

We incur significant capital expenditures to establish and acquire new outlets as well as revamp and upgrade existing outlets. Our capital expenditures in 2009, 2010 and 2011 were RMB201.3 million, RMB337.1 million and RMB590.0 million, respectively. Our business also requires adequate financial resources to fund our inventories of passenger vehicles, spare parts and accessories. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans. We have generally relied on cash generated from our operations and bank loans and other external financing to fund our operations and expansion. Our ability to obtain adequate external financing will depend on a number of factors, such as our financial performance and our results of operations, as well as other factors beyond our control, such as global and PRC economic conditions, prevailing interest rates, and applicable laws and regulations governing the PRC passenger vehicle dealership sector and the geographic regions in which we operate. In particular, the Measures for the Management of Automobile Loans (汽車貸款管理辦法), jointly promulgated by the PBOC and the China Banking Regulatory Commission (the "CBRC") on August 16, 2004, and which became effective on October 1, 2004, provide that in order to obtain financing from banks and financial institutions, an automobile dealer's balance sheet ratio, or the asset liability ratio, which equals to its indebtedness divided by total assets, must not exceed 80%. For more information, see "Regulatory Overview—Regulations Relating to the PRC Passenger Vehicle Industry—Automobile Loans." As of December 31, 2009, 2010 and 2011, our Group's asset liability ratio calculated by dividing its total liabilities by total assets was 75.0%, 72.3% and 78.7%, respectively. If we are unable to obtain financing when required, at a reasonable cost or on reasonable terms, or at all, the implementation of our expansion plans may be delayed and our competitive position and growth prospects may be adversely affected.

In addition, we may sell additional equity or debt securities in the future to meet our capital requirements. Any sale of additional equity securities or securities convertible into our equity securities will dilute our Shareholders' interests. Any additional debt will also result in increased debt servicing obligations and may also result in covenants limiting our shareholding structure, business or operations.

Our business depends on dynamic information technology systems

Our information technology systems are critical for our business. These include our ERP system which comprises the various systems for customer relationship management, passenger vehicle sales and after-sales services management, human resources management, finance and business development formulation. We rely on our ERP system to collect and analyze indicators of key aspects of our business.

We upgrade our ERP system from time to time to meet the changing requirements of our business. However, there can be no assurance that any upgrades or adaptations will be implemented without disruption to our business, or that our ERP system will continue to meet the changing requirements of our business. Moreover, while we have established backup systems and procedures and have not experienced any failure that has materially affected our business, any failure of the hardware or software that supports our information systems may materially disrupt our business or adversely affect our customers and damage our reputation.

Most of our outlets are required to use the designated information technology systems developed and provided by various automobile manufacturers, which apply to all outlets authorized by the same manufacturer. The reliability and security of the manufacturers' information technology systems are beyond our control. We may encounter hardware and software failure in the manufacturers' information technology systems that disrupt our operations or adversely affect our customers and damage our reputation.

We may not be able to use certain properties leased by us because of defects affecting our leasehold interests

We have leased certain properties in China to operate our outlets. As of the Latest Practicable Date, we leased a total of 55 properties with an aggregate gross floor area ("GFA") of 226,704.05 square meters, which accounted for 89.8% of the aggregate GFA of all properties occupied by us. Our leasehold interests in 30 of these leased properties with an aggregate GFA of 134,613.68 square meters, which accounted for 59.4% of the aggregate GFA of our leased properties or 53.3% of the aggregate GFA of all properties occupied by us, were subject to certain defects. These included (i) 9 properties built on collectively owned land or state-owned allocated land with an aggregate GFA of 42,946 square meters, which accounted for 19% of the aggregate GFA of our leased properties; and (ii) 21 properties leased from lessors who had not obtained the building ownership certificates for these properties with an aggregate GFA of 91,667.65 square meters, which accounted for 40.4% of the aggregate GFA of our leased properties; and In 2009, 2010 and 2011, revenue generated from our operations on these 30 leased properties with defects was RMB4,534.1 million, RMB8,317.4 million and RMB10,949.9 million, respectively, which accounted for 49.8%, 55.4% and 53.9% of our total revenue, respectively. For more information, see "Business—Properties."

Any dispute or claim in relation to the rights to lease and use the properties occupied by us, including any litigation involving allegations of illegal or unauthorized use of these properties, may require us to relocate our business operations. If any of our leases were terminated as a result of any challenge by third parties or any failure of our lessors to renew the leases or obtain their legal title or the requisite government approval or consent to lease the relevant properties, we may need to seek alternative premises and incur additional costs for relocation. Based on currently available information, the estimated total costs and expenses for relocating our businesses located on properties with defective titles are not expected to exceed RMB30 million. Any such relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, there can be no assurance that the PRC Government will not amend or revise existing property laws or regulations to require additional approvals, licenses or permits, or impose stricter requirements to obtain or maintain the title certificates required for the properties occupied by us.

Our insurance coverage may be inadequate to protect us from all potential losses

We carry insurance covering loss, theft and damage of our properties, including our fixed assets and inventories in most of our outlets, and also losses due to fire, flood and a broad range of other natural disasters excluding earthquakes and tsunami. We also carry public liability insurance covering potential liabilities for damages that customers may suffer in some of our outlets. However, we do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, nor do we maintain any insurance coverage for business interruption due to the limited availability of business interruption insurance in China. Significant uninsured damage to any of our properties, inventories or other assets, whether as a result of earthquakes or other causes, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We may not be able to continue to receive government grants from local governments

We received government grants in each year during the Track Record Period from the local governments in Shanghai in recognition of our contribution to the economic development in the region. For each of the years ended December 31, 2009 and 2010 and 2011, we received government grants of RMB1.1 million, RMB1.4 million and RMB12.3 million, respectively. The amount of these government grants was determined by the local governments at their discretion with reference to the amount of our tax payments in the preceding year. We cannot assure you that we will be able to continue to receive any such government grants from the local governments at the level as we used to receive, or at all. Any decision of the local governments to terminate or reduce the amount of our government grants may adversely affect our results of operations and financial condition.

Labor disputes involving automobile manufacturers and suppliers could reduce our revenue and harm our profitability

Labor disputes involving automobile manufacturers and suppliers could result in an interruption in the delivery of new passenger vehicles to our outlets. For example, in May and June 2010, a series of labor disputes affected factories in South China, including strikes and work stoppages at several factories that supplied components and parts to Honda and Toyota passenger vehicles, which, in some cases, were resolved only after significant increases in wages were offered to the workforces of these factories. Similar labor disputes affecting automobile manufacturers may occur in the future and may materially and adversely affect our business indirectly. For example, labor disputes affecting automobile manufacturers could result in a shortage of new passenger vehicles. Moreover, significant increases in labor costs as a result of negotiations to resolve labor disputes could also result in downward pressure on our margins, as automobile manufacturers seek to pass on some of their increased costs to us, which could reduce our revenue and profitability.

We face risks associated with our joint ventures

Some of our existing outlets are carried out through joint ventures. In addition, during our business expansions, we may form additional joint ventures in the future. Such existing or future joint venture arrangements involve a number of risks, including:

- disputes with joint venture partners in connection with the performance of each party's obligations under the joint venture agreements;
- disputes as to the scope of each party's responsibilities under these agreements;
- financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements with us; and
- conflicts between the policies or objectives adopted by the joint venture partners and those adopted by us.

Any of these risks and other factors may lead to disputes with our joint venture partners and cause disruptions in the operations of the joint ventures and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our performance and growth prospects may be negatively affected by the increasingly competitive nature of the PRC passenger vehicle dealership sector

Our business operations are located in China, where automobile manufacturers typically grant non-exclusive dealership rights in the same geographic area. As a result, our results of operations may be affected not only by competition among automobile manufacturers in terms of quality, delivery time and price, but also by competition from other dealerships or dealership groups in the same region selling the same brands and vehicle models as we do. We expect that the competition we face will increase as the number of dealerships increases. In addition, while among all of the automobile manufacturers of luxury and ultra-luxury brands for which we currently operate 4S dealerships, only Porsche owns its directly-invested 4S dealerships, according to Roland Berger, more automobile manufacturers may engage in the distribution sector in the future and build up their own 4S outlet network. An increased number of competitors in the PRC passenger vehicle dealership sector could have a negative impact on our market share and result in a decrease in revenue and profit. As a consequence, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Strict fuel economy and emission standards and high fuel prices could restrict the supply of and reduce the demand for passenger vehicles in China

The implementation and enforcement of strict fuel economy and emission standards for passenger vehicles are likely to increase the cost of manufacturing and research and development for automobile manufacturers and may have a negative impact on the supply of passenger vehicles. Automobile manufacturers may also raise the suggested retail prices for their passenger vehicles, and demand for our passenger vehicles may decline as a result.

The PRC Government currently subsidizes the retail price of petrol and diesel and may adjust the domestic fuel price as a result of, among other factors, changes in global crude oil prices. Fluctuations in fuel prices have led to changes in the level of fuel demand in China. Disparities in the cost and availability of fuel among different regions in China have made fuel cost in China even less predictable. If demand for fuel increases in China, fuel shortage or price increases may occur. Because of increased or unpredictable costs or shortages of fuel, consumers may shift to use alternative means of transport, such as bicycles, buses and subways, or purchase more fuel-efficient passenger vehicles.

There can be no assurance that the PRC Government will not implement stricter fuel economy standards, emission standards or further increase fuel prices. Our passenger vehicle sales may decline as a result and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Government policies on passenger vehicle purchases and ownership may materially affect our results of operations

Government policies on passenger vehicle purchases and ownership may materially affect our business because of their influence on consumer behavior. The PRC Government adjusted the automobile consumption tax rate on April 1, 2006. The increase in applicable tax rates on passenger vehicles with large cylinder capacities took effect on September 1, 2008, pursuant to the Notice on Adjusting the Policy of Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) released by the PRC Ministry of Finance and the State Administration of Taxation. Certain passenger vehicles we sell have large cylinder capacities and are subject to relatively higher automobile consumption tax rates. If the PRC Government increases automobile consumption tax rates or imposes additional restrictions or taxes, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

Passenger vehicle sales may be affected by quotas or other measures imposed by local governments to control the number of passenger vehicles in the cities where our networks are located. Changes in local economic conditions, the competitive environment and governmental policies could materially and adversely affect our business, financial condition, results of operations and growth prospects. For example, with a goal to curb traffic jams and pollution, Shanghai has been restricting the issuance of new license plates since 1994. Individuals and companies have to bid in an auction, which is generally held by the municipal government once a month, for a license plate in order to register a new vehicle and the total number of licence plates to be issued is notified to public each month immediately before the auction. Approximately 8,500 license plates were issued by auction per month in 2011. Similarly, effective on December 23, 2010, the Beijing municipal government issued a number of measures to limit the number of new license plates it issues each year, with a view to curbing traffic congestion in Beijing. The quota was 240,000 per year or 20,000 per month in 2011 and is currently expected to remain the same in 2012. As a result, overall new passenger vehicle sales in the Beijing market have since decreased significantly. These and any future government policies to control the number of passenger vehicles in the markets where we operate may restrict the ability of potential customers to purchase passenger vehicles and hence reduce customer demand for passenger vehicles. Any similar or other adverse events in areas in which we operate our business could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our business is subject to seasonal fluctuation

We experience seasonal fluctuations in our business and results of operations. Sales of passenger vehicles are generally slower in the first half of each year due to store closures during major holidays in China, including the Spring Festival holidays and the Labor Day holidays in May. As a result, comparisons of our sales and results of operations between different semi-annual periods within a single fiscal year or in different fiscal years are not necessarily meaningful and should not be relied as indicators of our performance for any future period.

A prolonged global economic downturn could adversely affect the PRC economy and our business, financial conditions and results of operations

Recent global market and economic conditions, including the ongoing credit crisis in Europe, the rating downgrade of the United States and heightened market volatility in major stock markets, have been challenging. Persistent concerns regarding a potentially long-term and widespread recession, geopolitical issues, the availability and cost of credit and the decline in consumer spending in major economies have resulted in diminished expectations for economic growth around the world. The PRC economy relies significantly on its exports and any significant economic downturn, in particular a prolonged recession in Europe, the United States or other major economies, could have a material adverse effect on the PRC economy. For example, Chinese Premier Wen Jiabao announced a reduction of China's annual GDP growth target to 7.5% for the year of 2012, compared to the China's growth of 9.2% in 2011. We derive all of our revenue in China. Any slowdown in the PRC economy may adversely affect demand for our passenger vehicles and after-sales services and could result in:

- a significant reduction in customer demand for our passenger vehicle and after-sales services, which would reduce our revenue and profit margins;
- a significant reduction in the availability of automobile financing, which would also reduce customer demand for passenger vehicles;
- increased price competition for passenger vehicles and after-sales services, particularly the price competition of luxury and ultra-luxury branded passenger vehicles such as the recent promotional activities initiated by Mercedes Benz S-series in early 2012;
- risk of excess and obsolete inventory;
- difficulty in accurately forecasting the demand for passenger vehicles and after-sales services;
- insolvency or credit difficulties of our customers or their insurance carriers, which could limit their ability to pay for our after-sales services; and
- insolvency or credit difficulties of our automobile manufacturers and suppliers, which could disrupt the supply of passenger vehicles or spare parts.

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

Any of the foregoing developments could materially and adversely affect on our business, financial conditions, results or operations and growth prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Our business operations and future growth rely on GDP and consumption growth in the PRC market and may be negatively affected by changes in economic, political and social conditions globally and in China

All of our revenue during the Track Record Period was derived from our operations in China. We anticipate that China will remain our primary market in the foreseeable future. Should there be any adverse change in GDP or consumer spending growth in China, our results of operations, financial condition and growth prospects may be materially and adversely affected.

In the past twenty years, China has been one of the world's fastest growing economies in terms of GDP. However, historically, the PRC Government has taken measures to attempt to constrain economic growth to a manageable level, especially with respect to the rate of growth in industrial production, bank credit, fixed asset investment and monetary supply. Furthermore, a slowdown in the economies of the United States, the European Union and certain Asian countries may negatively affect economic growth in China.

We cannot predict the extent to which changing global economic conditions will affect GDP and consumer spending in China. In addition, consumer spending can be affected by factors such as changes in economic and financial conditions, social and political stability in China and other factors which are beyond our control. Changes in any of these conditions or any changes in PRC laws regulations or other policies in reaction to the changing economic conditions could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Political and economic policies of the PRC Government may affect our business and results of operations and may result in our inability to sustain our growth

The PRC economy differs from the economies of most developed countries in a number of respects, including the degree of government involvement, control of capital investment, and the overall level of economic development. Before the adoption of its reform and open door policies in 1978, China was primarily a planned economy. In recent years the PRC Government has been reforming the PRC economic system and government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in the PRC political, economic and social conditions or laws, regulations and policies will have any adverse impact on our current or future business, financial condition, results of operations and growth prospects.

Government control of currency conversion and future movements in foreign exchange rates may negatively affect our financial condition, results of operations and our ability to remit dividends

The Renminbi cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy other foreign exchange requirements. If we are unable to obtain the relevant approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be adversely affected. Moreover, changes in PRC foreign exchange regulations may materially and adversely affect our ability to transfer funds to, and receive dividends from, our PRC subsidiaries.

The exchange rates of Renminbi against foreign currencies are affected by, among other things, changes in the PRC's political and economic conditions. Any appreciation in the U.S. dollar, Euro, Japanese Yen or other foreign currencies against Renminbi may cause automobile manufacturers to raise their prices, which would increase our purchase costs for passenger vehicles and spare parts, which could in turn increase our passenger vehicle retail prices and adversely affect our sales and profits. To the extent that we need to convert Hong Kong dollars we will receive from our initial public offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

Under the EIT Law, we and our non-PRC subsidiaries may be classified as "resident enterprises" of China and such classification could result in unfavorable tax consequences to us and our non-PRC shareholders

Under the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, then such an enterprise would be regarded as a "resident enterprise." Because substantially all members of our management are located in the PRC and are expected to continue to be located in the PRC, we and our non-PRC subsidiaries may be treated as "resident enterprises" and a number of unfavorable PRC tax consequences could follow. For instance, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that any income from non-PRC sources, such as interest on offering proceeds, would be subject to PRC enterprise income tax at a rate of 25%. Although the EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, it is not clear whether dividends we receive from our subsidiaries, including our Hong Kong and BVI subsidiaries, would be eligible for such exemption if we were considered to be a PRC resident enterprise. In addition, if we are treated as a PRC "resident enterprise" under PRC law, dividends we pay on our Shares to non-PRC shareholders, and capital gains realized by such shareholders on the sale of our Shares, may be treated as PRC-source income. Accordingly, we may be required to withhold PRC income tax from dividends paid to non-PRC resident shareholders, and transfers of Shares by such shareholders may be subject to PRC income tax. Such tax on the income of non-resident enterprise shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-resident individual shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially and adversely affected.

Dividends paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC

Under the EIT Law, the profits of a foreign-invested enterprise that are distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, this rate is lowered to 5% if a Hong Kong resident enterprise owns more than 25% of the PRC company distributing the dividends. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises Regarding Favorable Treatment Under Taxation Treaties (國家税務總局關於印發«非居民享受税收協定待遇管理辦法(試行)»的通知), which was issued by the State Administration of Taxation and became effective on October 1, 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on the Issues

Concerning the Application of the Dividend Clauses of Tax Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知) issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our subsidiaries in Hong Kong.

We face uncertainty from the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers (關於加强非居民企業股權轉讓所得企業所得税管理的通知) ("SAT Circular No. 698") issued by the PRC State Administration of Taxation, effective as of January 1, 2008

Pursuant to SAT Circular No. 698, except for the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (an "Indirect Transfer"), and the overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" approach, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such as Indirect Transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular No. 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction to request information from a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular No. 698 may be determined by the tax authorities to be applicable to our restructuring, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may become at risk of being taxed under SAT Circular No. 698 and may be required to expend valuable resources to comply with SAT Circular No. 698 or to establish that we should not be taxed under SAT Circular No. 698, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds we receive from this offering to make loans or additional capital contributions to our PRC subsidiaries

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

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

Our business and operations in China are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

As our Shareholder, you hold an indirect interest in our operations in China. Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

Our ability to pay dividends and utilize cash resources in our subsidiaries depends on our subsidiaries' earnings and distributions

We are a holding company. Our revenue is generated from our business operations conducted through our subsidiaries. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. In addition, our future declaration of dividends will be at the absolute discretion of our Board.

Furthermore, applicable PRC laws and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant PRC laws and regulations as well as provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us either in the form of dividends, loans or advances. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

Distributions by our PRC subsidiaries to us in forms other than dividends may be subject to government approval and taxes. Any transfer of funds from us to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval from the relevant PRC government authorities. In addition, our PRC subsidiaries are not permitted to lend funds directly to each other under PRC law. These limitations on the flow of funds between and amongst us and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident Shareholders to liability under PRC law

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular") promulgated by SAFE on October 21, 2005 which became effective on November 1, 2005 requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update SAFE's records in the event of any major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions.

The SAFE Circular applies to each of Cheung Tak On, Cai Yingjie, Gu Mingchang, Wan Zhanggen, Wang Zhigao and Qiao Suixiang, who is a PRC resident and is an indirect shareholder of Yongda International through offshore holding companies. Each of them has already registered with the SAFE Shanghai Branch as required under the SAFE Circular as to their offshore investments. Our

PRC legal advisors, Commerce & Finance Law Offices, has advised that there is no material legal impediment for the aforementioned shareholders to update the registration reflecting: (1) the share transfer from Asset Link to Palace Wonder and Yongda Employee Incentive Company Limited pursuant to the Family Trust and Yongda Employee Trust respectively; and (2) shareholding change in connection with the Global Offering.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it remains unclear how the SAFE Circular and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC government authorities. Any failure by our PRC Shareholders to register with SAFE or update SAFE's records may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations of our PRC subsidiaries and may affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

All employee participants in our share incentive plans who are PRC citizens might be required to register with the SAFE, and we might also face regulatory uncertainties that could restrict our ability to adopt option plans for our directors and employees under PRC law

The Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯投資管理辦法實施細則) promulgated by SAFE on January 5, 2007 which became effective on February 1, 2007, requires PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company, to register with SAFE or a local SAFE department. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知(匯發[2012]7號)), or the Share Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Ownership Plans or Share Option Plans of Overseas Publicly-Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程(匯綜發[2007]78號)) issued by SAFE in March 2007. Under these rules, PRC residents who participate in share incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures as required by the authorities. Participants of a share incentive plan who are PRC residents shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan, change in the PRC agent or the overseas entrusted institution or any other material changes.

We and our PRC resident employees participating in our Employee Pre-IPO Incentive Scheme, although not a share option plan in nature, might be subject to the Share Option Rules after the Global Offering. Failure to comply with the Share Option Rules and other relevant rules might subject us or our PRC resident employees participating in our Employee Pre-IPO Incentive Scheme to fines and other legal or administrative sanctions and impose restrictions on our execution of Employee Pre-IPO Incentive Scheme, which could negatively affect our business operations.

It may be difficult to effect service of process upon, or to enforce against, us or our Directors or members of our senior management who reside in the PRC in connection with judgments obtained in non-PRC courts

Almost all of our assets and our subsidiaries are located in China. In addition, most of our Directors and senior management reside within China, and the assets of our Directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of our Directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions is uncertain.

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

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

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

In March 2011, an earthquake measuring 9.0 on the Richter Scale hit Tohoku in northern Honshu, Japan, which triggered a tsunami along the Pacific coast of Japan, causing tens of thousands of casualties and severe damage to roads, buildings and infrastructure. Moreover, certain nuclear reactors in the Fukushima nuclear power plant in northeastern Japan were severely damaged, resulting radiation leaks. Certain vehicle manufacturers and a number of our parts suppliers were adversely affected. Japanese automobile manufacturers, including Toyota, Nissan and Honda, which represented

7.7% of our passenger vehicle sales volume in 2011, have estimated that the shortage of a few parts that are critical to vehicle production will limit supply of new vehicles in the near term. In response, these specific manufacturers have announced action to adjust production schedules and we anticipate that other manufacturers will respond similarly in the near to intermediate term. However, we cannot assure you that we will not suffer from the long-term impact of the earthquake and the tsunami. Any of the above events or developments may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The political relationships between China and other countries may affect the performance of our operations

We sell passenger vehicles, spare parts and accessories supplied by a number of automobile manufacturers and suppliers. A significant number of the automobile manufacturers and suppliers are foreign entities with headquarters in Germany, the United States, the United Kingdom or Japan, or are joint ventures incorporated in the PRC by such foreign entities. Accordingly, China's political relationships with other countries, particularly those related to or associated with automobile manufacturers or suppliers, may affect both supply and demand for the relevant automobile manufacturer's or supplier's products. There can be no assurance that PRC consumers will not alter their brand perception or preferences as a result of adverse changes to the state of political relationships between China and other relevant countries. Any political disputes and resulting adverse changes to PRC consumer sentiments may cause a decline in our sales and revenue and materially and adversely affect our business, financial condition, results of operations and growth prospects.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop; or, if it does develop, that it will be sustained following completion of the Global Offering; or that the market price of our Shares will not decline below the Offer Price.

The trading price of our Shares may be volatile, which could result in substantial losses to you

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and current shareholders, could adversely affect the market price of our Shares

Future sales of a substantial number of our Shares by our existing shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of our Controlling Shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

Our Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders

Immediately upon Capitalization Issue and completion of the Global Offering and assuming the Over-allotment Option is not exercised, our Controlling Shareholders will own approximately 46.4% of our issued Shares. Our Controlling Shareholders will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any shareholders' ordinary resolutions, irrespective of how other shareholders vote. The interests of our Controlling Shareholders may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

Certain facts and statistics in this prospectus relating to the PRC, the PRC economy, the PRC passenger vehicle market and the PRC passenger vehicle dealership sector may not be reliable

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

You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands; the law of the Cayman Islands are different from the law of Hong Kong and other jurisdictions and may not provide the same protections to minority shareholders

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law.

As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or major Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Hong Kong Companies Ordinance, which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs.

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

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. Prior to the date of this prospectus, there has been press and media coverage regarding us and the Global Offering, which included certain financial information, financial projections, valuations, capital expenditure and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.