

INDUSTRY OVERVIEW

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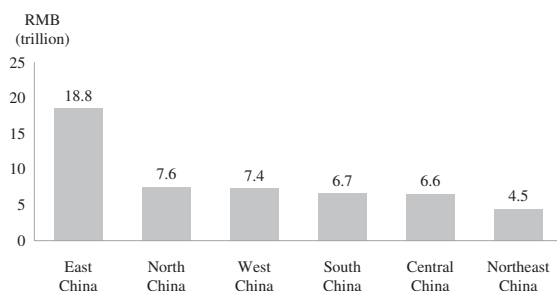
THE PRC ECONOMY

Rapid Growth of the PRC Economy

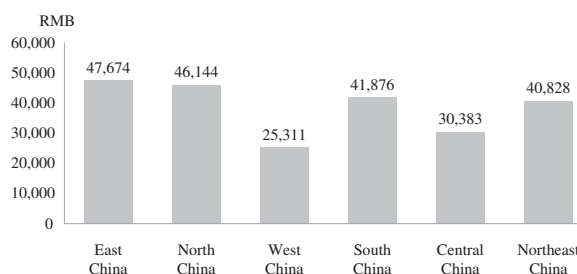
The PRC economy has grown significantly since the PRC Government introduced economic reforms and market liberalization policies in the late 1970s. China’s accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. Between 2006 and 2011, China’s GDP increased at a CAGR of 16.9% from RMB21,631 billion to RMB47,156 billion. In 2010, China also became the world’s second largest economy in terms of GDP.

The pace and level of economic development vary among different regions in China, with East China being the most economically developed area in China in terms of both GDP and GDP per capita in 2011. In 2011, the GDP of East China reached RMB18,819 billion, accounting for 39.9% of the country’s GDP, and the per capita GDP in East China reached RMB47,674, which was 36.2% higher than the per capita GDP of RMB34,999 in the country.

GDP by Region in China (2011)



Per Capita GDP in China (2011)



Source: National Bureau of Statistics of China, annual economic information released by provincial statistics bureaus and Roland Berger

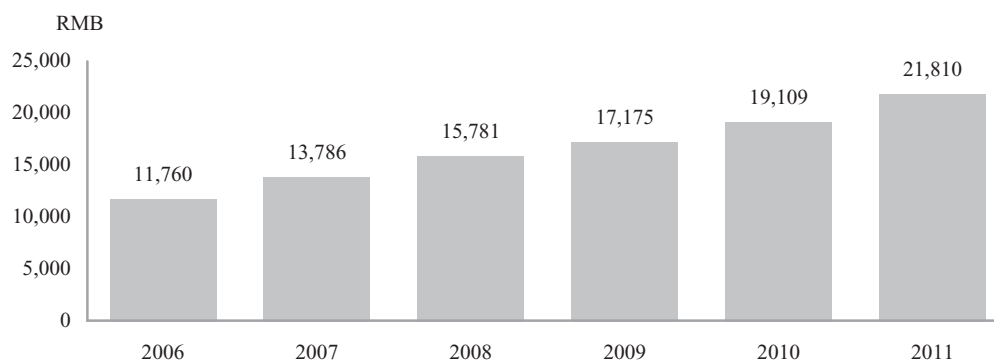
Note: The regions stated above refer to the following municipalities, provinces and autonomous regions: (i) East China: Shanghai, Zhejiang, Jiangsu, Anhui, Shandong, Jiangxi and Fujian; (ii) North China: Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia; (iii) West China: Chongqing, Sichuan, Xinjiang, Tibet, Ningxia, Gansu, Shaanxi, Qinghai, Guizhou and Yunnan; (iv) South China: Guangdong, Guangxi and Hainan; (v) Central China: Henan, Hubei and Hunan; and (vi) Northeast China: Heilongjiang, Jilin and Liaoning.

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Increasing Urbanization and Disposable Income of Urban Households

Population in urban areas has increased with the influx of people from rural and less developed areas in China. Between 2006 and 2011, the total urban population in China increased by 107.9 million and accounted for an increasing proportion of the total population, reaching 51.3% in 2011, according to the National Bureau of Statistics of China. In addition, per capita disposable income of urban households increased at a CAGR of 13.1% from RMB11,760 in 2006 to RMB21,810 in 2011. The increasing urbanization rate and disposable income level have led to higher living standards and are important growth drivers for the PRC passenger vehicle industry.

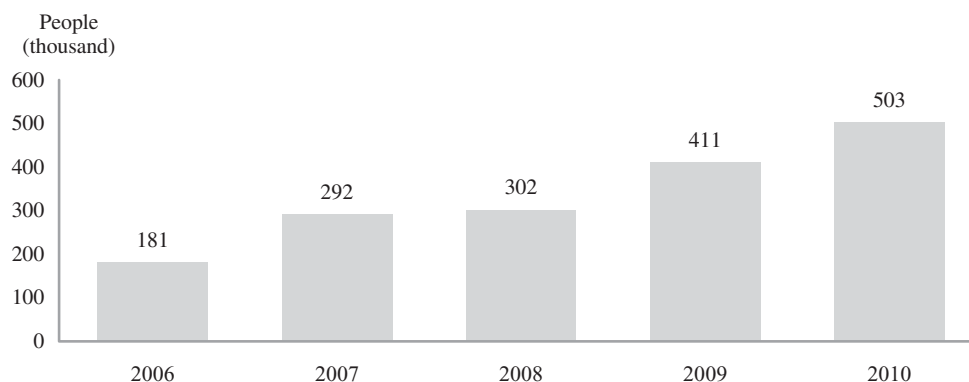
Per Capita Disposable Income of Urban Households in China (2006–2011)



Source: National Bureau of Statistics of China

Along with the rapid economic growth, the number of high net worth individuals in China, defined as individuals with at least RMB10 million in financial assets and investment properties, grew rapidly at a CAGR of 26.4% between 2006 and 2011 and reached almost 600,000 in 2011. The increasing number of wealthy individuals in China, coupled with the general increase in disposable income, has led to strong demand for luxury products, including luxury and ultra-luxury passenger vehicles, in China.

Number of High Net Worth Individuals in China (2006–2010)



Source: Roland Berger

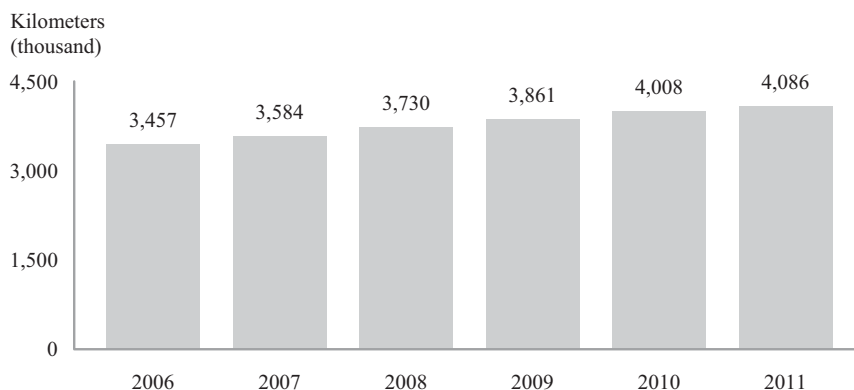
Improvement in Road Transportation Infrastructure

The total length of highway in China has increased steadily in the past decade, partly due to favorable government policies for infrastructure construction as well as the increasing urbanization

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in China. The length of China's highway network has reached over four million kilometers in 2011, the second longest in the world in terms of total mileage according to Roland Berger. The increasing length of highways also significantly facilitates inter-city travel by road transport. The highway network development in China has contributed to the continuous growth in demand for passenger vehicles in China.

Total Length of Highways in China (2006–2011)



Source: National Bureau of Statistics of China

THE PRC PASSENGER VEHICLE MARKET

Strong Growth of the New Passenger Vehicles Market

The World's Largest New Passenger Vehicle Market Fueled by Strong Growth

The PRC new passenger vehicle market has grown rapidly in the past five years. In 2009, China became the world's largest new passenger vehicle market for the first time. In 2010 and 2011, China continued to be the world's largest new passenger vehicle market, with its sales volume increased to 13.0 million in 2011, more than double the volume of new passenger vehicle sales in the United States.

Top Ten Markets for New Passenger Vehicle Sales (2006–2011)

Rank in 2011	Country	Sales Volume						CAGR (2006–2011)
		2006	2007	2008	2009	2010	2011	
(units in millions)								
1	China	4.4	5.3	5.8	8.7	11.8	13.0	24.2%
2	United States	8.1	7.9	7.0	5.5	5.7	6.0	-5.8%
3	Japan	4.6	4.3	4.2	3.9	4.2	3.5	-5.3%
4	Germany	3.5	3.1	3.1	3.8	2.9	3.2	-1.8%
5	Brazil	1.6	2.0	2.2	2.5	2.7	2.7	11.0%
6	Russia	1.7	2.4	2.7	1.4	1.8	2.5	8.0%
7	India	1.3	1.4	1.4	1.7	2.2	2.2	11.1%
8	France	2.0	2.1	2.1	2.3	2.3	2.2	1.9%
9	United Kingdom	2.3	2.4	2.1	2.0	2.0	1.9	-3.7%
10	Italy	2.4	2.5	2.2	2.2	2.0	1.8	-5.6%

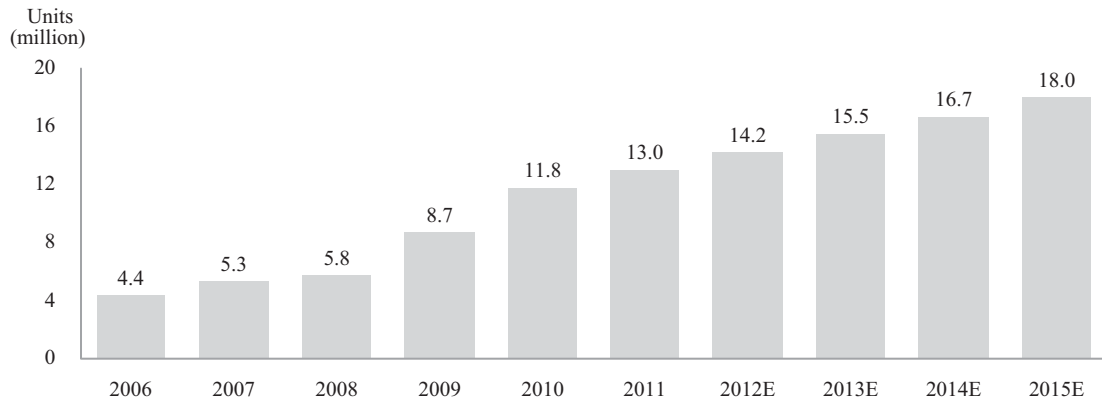
Source: Roland Berger

Between 2006 and 2011, China recorded a CAGR of 24.2% in the sales volume of new passenger vehicles. According to Roland Berger, the sales volume of new passenger vehicles is

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expected to reach approximately 18.0 million in 2015, representing a CAGR of 8.3% between 2011 and 2015.

Sales Volume of New Passenger Vehicles in China (2006–2015E)

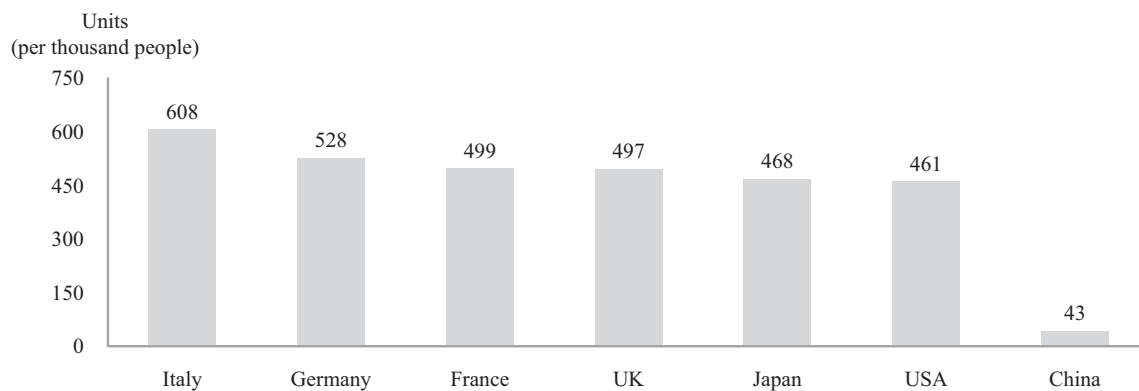


Source: Roland Berger

Long-Term Growth Potential for the PRC New Passenger Vehicle Market

According to Roland Berger, China has a relatively low passenger vehicle penetration rate, which is defined as the number of passenger vehicles per thousand people, compared to other major passenger vehicle markets. In 2011, the passenger vehicle penetration rate was 43 units per thousand people in China, which was significantly lower than that of the mature markets such as Italy, Germany, France, the United Kingdom, Japan and the United States, which had a passenger vehicle penetration rate ranging between 461 and 608 units per thousand people. This suggests that China has a significant long-term growth potential for its new passenger vehicle market, especially when auto-financing becomes increasingly popular in China.

Passenger Vehicle Penetration Rate in Major Markets (2011)



Source: Roland Berger

While the development of the PRC passenger vehicle market varies among different regions and locations, the passenger vehicle penetration rate in most municipalities and provinces is still at a very low level. According to Roland Berger, in 2011, the top five municipalities or provinces in terms of passenger vehicle penetration rate were Beijing, Tianjin, Zhejiang, Shanghai and Jiangsu, which had a passenger vehicle penetration rate of 210, 110, 91, 85 and 63 units per thousand people, respectively, compared to the national average of 43 units per thousand people and compared to the lowest rates of 16 units per thousand people or below for the five provinces with the lowest penetration rates.

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The PRC Passenger Vehicle Market Segments

According to Roland Berger, consistent with the classifications and related basis commonly adopted in the automobile industry, the PRC passenger vehicle market can be generally segmented into four categories by brands, based primarily on brand position and price range, as follows: (i) ultra-luxury segment; (ii) luxury segment; (iii) mid- to high-end segment; and (iv) low-end segment. The following table illustrates some examples of brands in each segment:

<u>Segment</u>	<u>Examples of Brands</u>	<u>Indicative Price Range</u>
Ultra-luxury	Porsche, Bentley, Rolls Royce, Maserati, Ferrari, Aston Martin, Lamborghini	Above RMB1,000,000
Luxury	Audi, BMW, Mercedes-Benz, Lexus, Volvo, Land Rover, Cadillac, MINI, Infiniti, Acura	RMB300,000–RMB1,000,000
Mid- to high-end	Volkswagen, Nissan, Hyundai, Toyota, Ford, Buick, Honda, Chevrolet, Skoda	RMB100,000–RMB300,000
Low-end	BYD, Chery, Geely	Below RMB120,000

Source: Roland Berger

According to Roland Berger, customers of luxury and ultra-luxury passenger vehicles generally have higher income and, therefore, are less price sensitive compared to customers of mid- to high-end passenger vehicles. By contrast, these customers generally focus more on brand recognition and the quality of product and after-sales services.

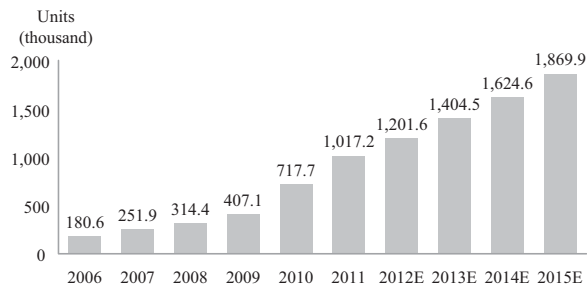
According to Roland Berger, customers of mid- to high-end passenger vehicles, compared to customers of low-end passenger vehicles, are generally less concerned about cost criteria, such as fuel efficiency, but focus more on the product design, internal decoration and internal space, among other criteria.

Rapid Growth of the Luxury and Ultra-luxury Segments

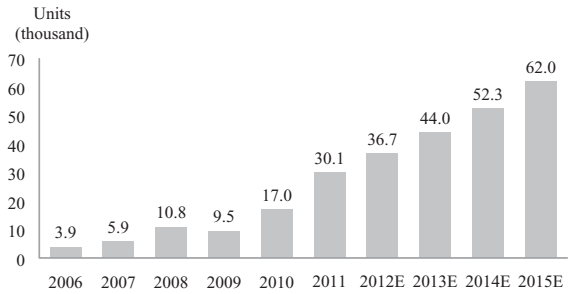
The luxury and ultra-luxury segments have demonstrated the strongest growth among all segments of new passenger vehicle sales in China, partly attributable to (i) the increase in number of individuals with high net worth; and (ii) the demand for the existing passenger vehicle owners to upgrade from mid- to high-end vehicles to luxury vehicles and further to ultra-luxury vehicles. Between 2006 and 2011, the sales volume of new luxury passenger vehicles grew rapidly at a CAGR of 41.3% from approximately 180,600 units to approximately 1,017,200 units and the sales volume of new ultra-luxury passenger vehicles grew rapidly at a CAGR of 50.6% from approximately 3,900 units to approximately 30,100 units. According to Roland Berger, the sales volume of new passenger vehicles in the luxury and ultra-luxury segments is expected to grow further at a CAGR of 16.4% and 19.8%, respectively, between 2011 and 2015.

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Sales Volume of New Luxury Passenger Vehicles in China (2006–2015E)



Sales Volume of New Ultra-luxury Passenger Vehicles in China (2006–2015E)

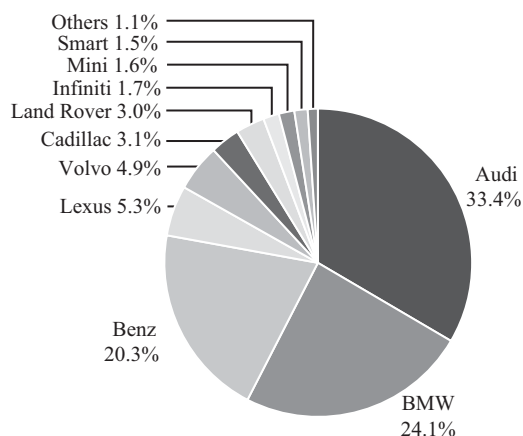


Source: Roland Berger

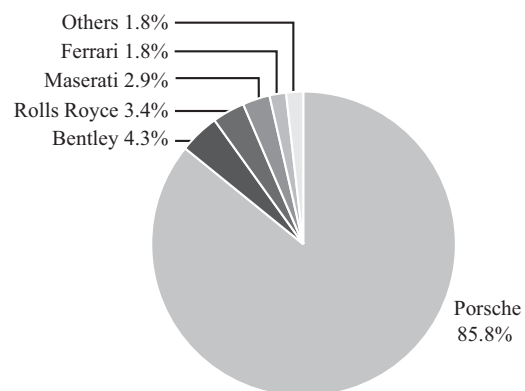
According to Roland Berger, the PRC luxury and ultra-luxury passenger vehicle markets are still at an early stage of development given their low penetration rates. For example, in 2011, the penetration rate of luxury and ultra-luxury passenger vehicles was only three units per thousand people in China, compared to 140 units per thousand people in Germany, 77 units per thousand people in the United Kingdom, and 64 units per thousand people in the United States, according to Roland Berger. This indicates significant further growth potential for the PRC luxury and ultra-luxury passenger vehicle markets.

According to Roland Berger, the PRC luxury and ultra-luxury passenger vehicle markets are highly concentrated. In 2011, the top three luxury brands, namely, Audi, BMW and Mercedes-Benz, together accounted for 77.8% of the total sales volume of luxury brands in China. The level of concentration is even higher in the ultra-luxury segment. In 2011, Porsche accounted for more than 85% of the sales volume of ultra-luxury passenger vehicles in China, while Bentley, Rolls Royce and Maserati have grown rapidly in sales volume in recent years to capture larger market shares.

Market Share of Luxury Passenger Vehicles in China by Sales Volume (2011)



Market Share of Ultra-Luxury Passenger Vehicles in China by Sales Volume (2011)



Source: Roland Berger

According to Roland Berger, from geographical perspective, East China is not only the largest passenger vehicle market which accounted for 36.9% of the total sales volume of passenger vehicles in China in 2011, but also the largest luxury and ultra-luxury passenger vehicle market in the country, accounting for 45.3% of the total sales volume of new ultra-luxury passenger vehicles in China and

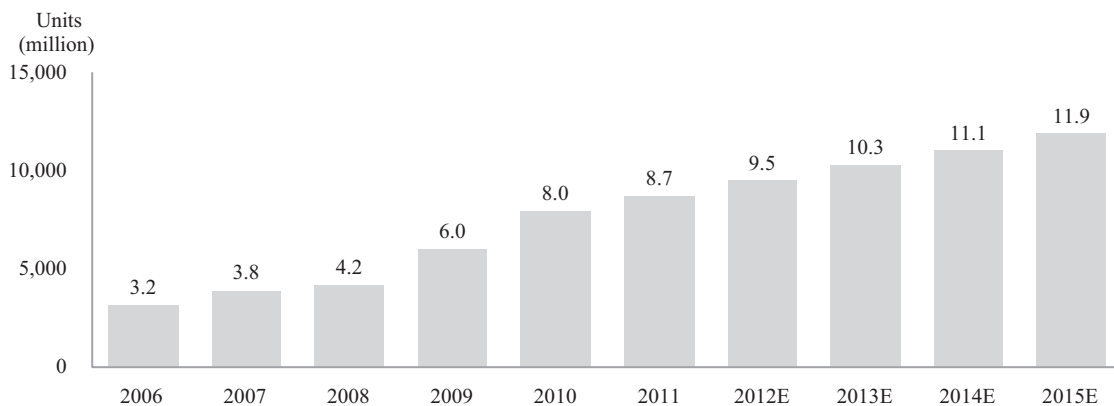
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approximately 44.5% of the total sales volume of new luxury passenger vehicles in China in 2011. In addition, according to Roland Berger, the sales volume of new passenger vehicles in the luxury and ultra-luxury segments in East China is expected to grow at a CAGR of 15.8% between 2011 and 2015, which are higher than the overall growth rate in China.

Steady Growth of the Mid- to High-End Segment

According to Roland Berger, the mid- to high-end segment is the largest segment of the PRC passenger vehicle market in terms of sales volume. The sales volume of mid- to high-end passenger vehicles grew rapidly at a CAGR of 22.4% between 2006 and 2011 and is expected to grow at a CAGR of 8.0% between 2011 and 2015.

Sales Volume of Mid- to High-End Passenger Vehicles in China (2006–2015E)



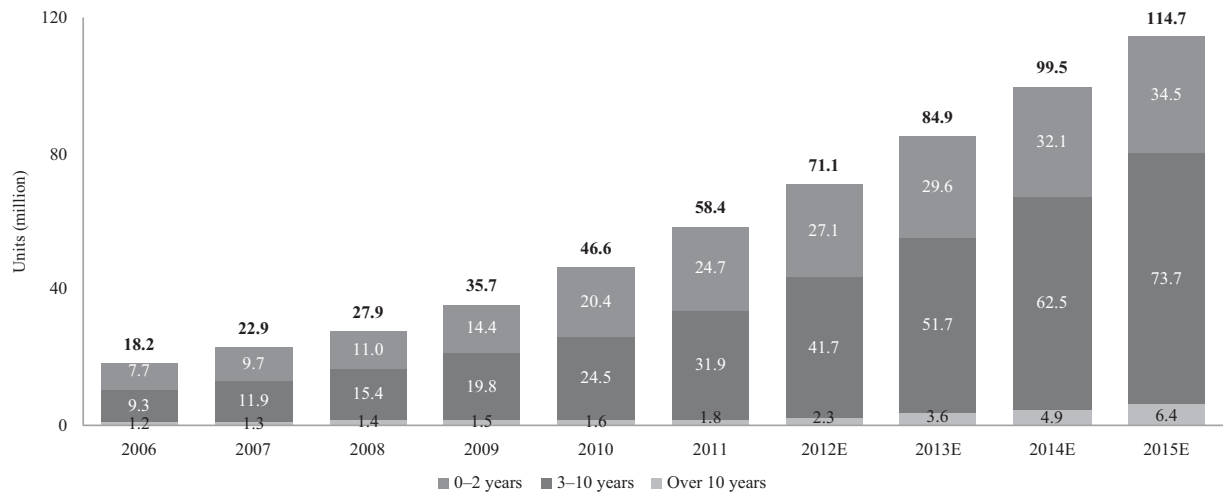
Source: Roland Berger

After-sales Services Market Driven by the Rapid Growth of Car Parc

The PRC after-sales services market, which principally includes maintenance and repair services as well as sales of spare parts and accessories, is driven by the rapid growth of car parc, defined as the number of registered automobiles on the road in a specific region or market. According to Roland Berger, the car parc in China grew at a CAGR of 26.3% from 18.2 million units as of the end of 2006 to 58.4 million units as of the end of 2011, and is expected to grow at a CAGR of 18.4% to reach 114.7 million units by the end of 2015. Among different market segments, the car parc of ultra-luxury segment is expected to grow from 78,100 units in 2011 to 265,200 units in 2015, at a CAGR of 35.7%; the car parc of luxury segment is expected to grow from 3.2 million in 2011 to 8.9 million in 2015, at a CAGR of 28.8%; and the car park of mid- to high-end segment is expected to grow from 40.7 million in 2011 to 77.8 million in 2015, at a CAGR of 17.6%. Moreover, the aging of passenger vehicles in China is expected to contribute further to the growth of the after-sales services market because the frequency and overall cost of repair and maintenance generally increases with vehicle age. According to Roland Berger, the number of luxury passenger vehicles aged between three to ten years on the road is expected to grow at a CAGR of 38% between 2011 and 2015, the fastest among luxury passenger vehicles of all ages, which demonstrates significant growth potential for after-sales services in the luxury segment.

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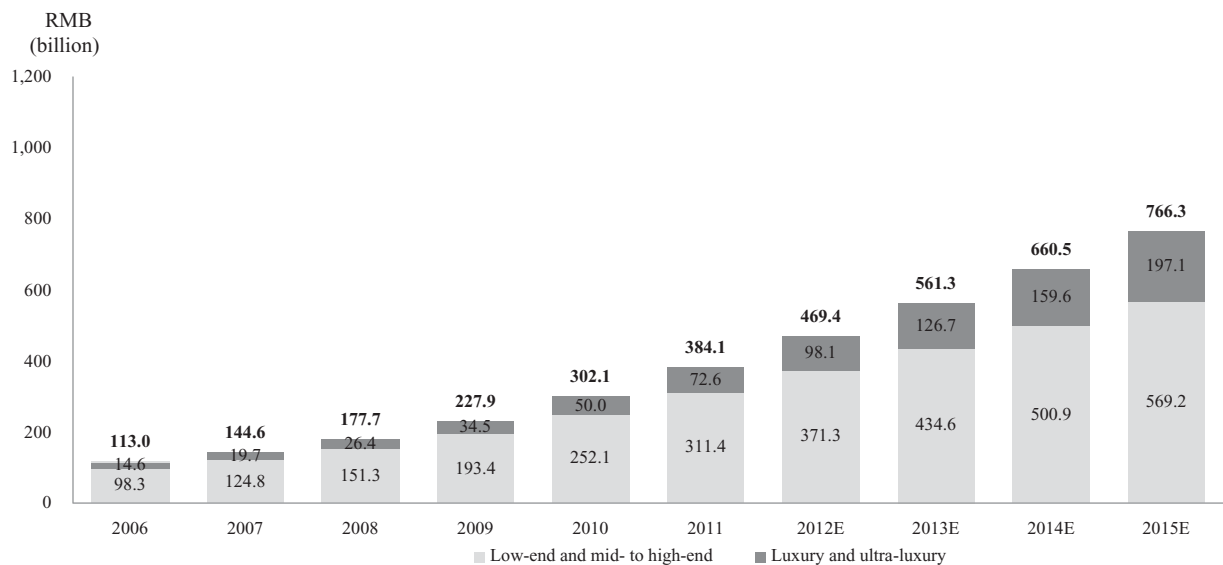
Car Parc by Vehicle Age in China (2006–2015E)



Source: Roland Berger

As a result of the increasing car parc and the aging of passenger vehicles, the PRC after-sales services market has grown significantly in recent years, especially for luxury and ultra-luxury passenger vehicles. The market size for after-sales services for luxury and ultra-luxury passenger vehicles in China grew rapidly at a CAGR of 37.8% from RMB14.6 billion in 2006 to RMB72.6 billion in 2011.

Size of After-sales Services Market by Vehicle Segment in China (2006–2015E)



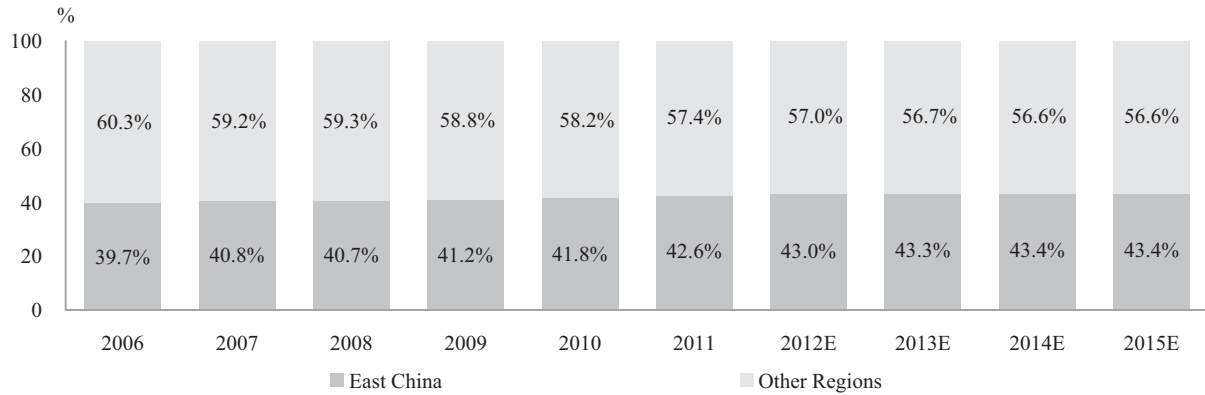
Source: Roland Berger

East China is the largest after-sales services market in China, accounting for 37.9% of the total market size in China in 2011, according to Roland Berger. The market size of after-sales services in East China grew at a CAGR of 28.4% between 2006 and 2011 and is expected to grow at a CAGR of 18.8% between 2011 and 2015, according to Roland Berger. In addition, East China is the largest after-sales services market for the luxury and ultra-luxury segments in China. East China accounted for

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42.6% of the car parc for luxury and ultra-luxury passenger vehicles in China in 2011 and, according to Roland Berger, is expected to continue to grow and account for approximately 43.4% of the total car parc for luxury and ultra-luxury passenger vehicles in China in 2015.

Car Parc for Luxury and Ultra-luxury Passenger Vehicles by Region in China (2006–2015E)

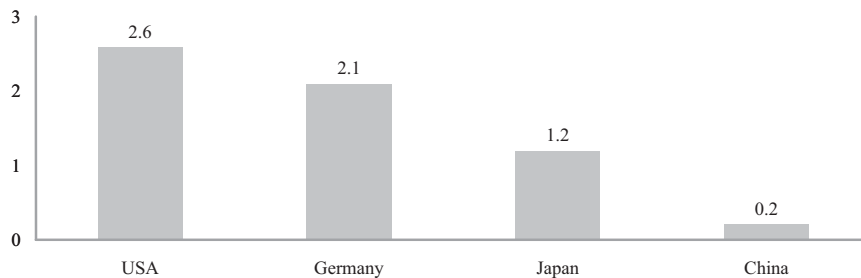


Source: Roland Berger

Strong Growth of Pre-owned Vehicle Market

In line with the new passenger vehicle market growth, the pre-owned vehicle market in China has also grown significantly. The transaction volume of pre-owned vehicles grew at a CAGR of 25.1% from approximately 854,000 units in 2006 to approximately 2,613,000 units in 2011. Similar to new passenger vehicle sales, East China is the largest market for pre-owned vehicle sales, accounting for approximately 35.4% of the total pre-owned vehicle transaction volume in 2011. In spite of the rapid growth in recent years, the pre-owned vehicle market in China is still at an early stage of development, compared to mature markets.

Ratio of Pre-owned Vehicle Sales to New Passenger Vehicle Sales by Country (2011)



Source: Roland Berger

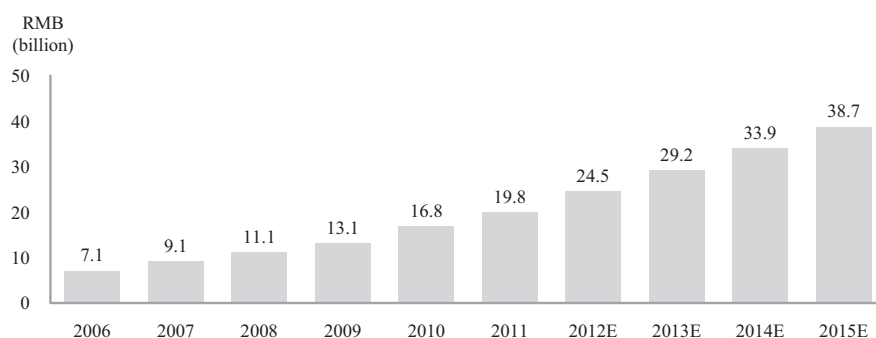
Driven by an increasing supply and demand of pre-owned vehicles and favorable government policies, the pre-owned vehicle market is expected to grow at a CAGR of 24.7% between 2011 and 2015 to reach 6,320,000 units in 2015, according to Roland Berger, and become a significant growth driver in the PRC passenger vehicle market.

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Emerging and Rapidly Growing Automobile Rental Market

According to Roland Berger, the PRC automobile rental market has grown rapidly at a CAGR of 22.6% from RMB7.1 billion in 2006 to RMB19.8 billion in 2011. According to Roland Berger, the automobile rental market is expected to continue to grow rapidly at a CAGR of 18.2% between 2011 and 2015, mainly attributable to the growing tourism industry and increasing business activities of small-to-medium enterprises resulting from China's economic development. The automobile rental market is concentrated in the four tier-one cities, namely, Beijing, Shanghai, Guangzhou and Shenzhen, which together accounted for approximately 58.0% of the total market size in 2011, according to Roland Berger.

Size of Automobile Rental Market in China (2006–2015E)



Source: Roland Berger

THE PRC 4S DEALERSHIP SECTOR

Development of 4S Dealership Model in China

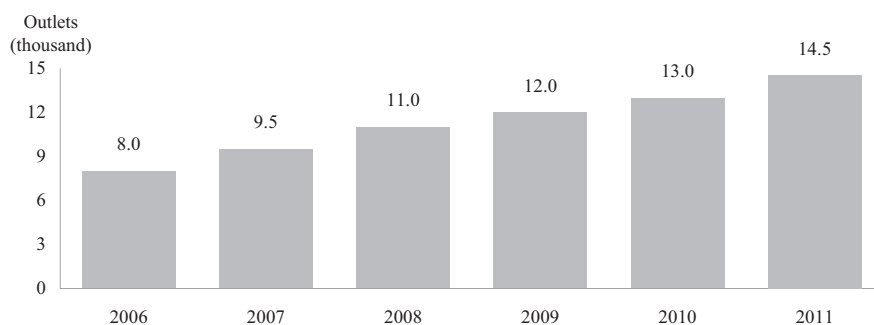
According to Roland Berger, a “4S dealership” is a specialized passenger vehicle dealership with sales, spare parts, services and survey capabilities and is typically established through one or more dealership agreements between an automobile manufacturer and a passenger vehicle dealer that authorize the dealer to conduct sales and marketing activities for the specified brands of passenger vehicles within a specified region. These dealership agreements generally set forth the requirements with regard to sales and publicity formats, service standards, sales processes and corporate identities. After the introduction of the 4S dealership model to the PRC passenger vehicle market in the late 1990s, 4S dealerships have become the primary channel for passenger vehicle sales in China in 2000s.

Following the promulgation of the Measures for the Implementation of the Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法) in 2005, the PRC Government has increased its regulation of the PRC passenger vehicle sales channels, and the more traditional sales channels such as the passenger vehicle sales market, which sells different brands of automobiles at the same location, further decreased in market share. As a result, 4S dealerships have become and remain the dominant sales channel for the PRC passenger vehicle market.

Along with the rapid growth of passenger vehicle sales, the number of 4S dealerships in China has increased significantly from approximately 1,900 as of the end of 2002 to approximately 8,000 as of the end of 2006, and further to approximately 14,500 as of the end of 2011, according to Roland Berger.

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Number of 4S Dealerships in China (2006–2011)



Source: Roland Berger

Luxury and Ultra-Luxury 4S Dealerships

According to Roland Berger, as of the end of 2011, there were 1,085 4S dealerships in the luxury and ultra-luxury segments in China, including 1,003 luxury 4S dealerships and 82 ultra-luxury 4S dealerships, compared to approximately 8,000 4S dealerships in the mid- to high-end segment in China. The growth in the number of 4S dealerships in the luxury and ultra-luxury segments has been faster than the overall market on average. According to Roland Berger, between 2006 and 2011, the number of luxury and ultra-luxury 4S dealerships increased at a CAGR of 29.2% from 302 to 1,085, compared to a CAGR of 12.6% on average across all segments from a total of approximately 8,000 4S dealerships in 2006 to approximately 14,500 in 2011.

Manufacturers of luxury and ultra-luxury brands tend to partner with large dealership groups in China more frequently than single-store dealerships. As a result, the luxury and ultra-luxury segments have a higher degree of market concentration. For example, as of the end of 2011, approximately 24% of the 4S dealerships in the luxury and ultra-luxury segments in China were operated by the 10 largest dealership groups, which increased from 17% as of the end of 2006, whereas only approximately 8% of the 4S dealerships across all segments in China were operated by the 10 largest dealership groups, according to Roland Berger.

In 2011, we were the largest multiple OEM brand dealership group in East China and the second largest multiple OEM brand dealership group in China, both in terms of sales volume of luxury and ultra-luxury passenger vehicles, according to Roland Berger. The following tables set forth the five largest multiple OEM brand dealership groups in the luxury and ultra-luxury segments in terms of sales volume of luxury passenger vehicles in 2011, in China and in East China:

Top Five Multiple OEM Brand Dealership Groups in the Luxury and Ultra-Luxury Segments by Sales Volume in China (2011)

Ranking by 2011 Sales Volume	Dealership Group	Approximate % of Sales Volume
1.	Dealership Group A	3%
2.	Our Group	3%
3.	Dealership Group B	2%
4.	Dealership Group C	2%
4.	Dealership Group D	2%

Source: Roland Berger

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Top Five Multiple OEM Brand Dealership Groups in the Luxury and Ultra-Luxury Segments by Sales Volume in East China (2011)

Ranking by 2011 Sales Volume	Dealership Group	Approximate % of Sales Volume
1.	Our Group	5%
2.	Dealership Group E	4%
3.	Dealership Group F	3%
4.	Dealership Group G	3%
5.	Dealership Group H	3%

Among the major luxury brands, BMW has a relatively high degree of market concentration. According to Roland Berger, there were 220 4S dealerships for BMW in China as of the end of 2011, of which approximately 48% were operated by the 10 largest dealership groups for BMW. The following table sets forth the five largest dealership groups for BMW in terms of sales volume in 2011, in China:

Top Five BMW Dealership Groups by Sales Volume in China (2011)

Ranking by 2011 Sales Volume	Dealership Group	Approximate % of Sales Volume
1.	Our Group	8%
2.	Dealership Group E	7%
3.	Dealership Group C	7%
4.	Dealership Group G	6%
5.	Dealership Group I	6%

Source: Roland Berger

Consolidation of 4S Dealership Groups in China

The PRC passenger vehicle market has recorded an increasing degree of market concentration in the luxury and ultra-luxury segment. According to Roland Berger, the percentage of luxury and ultra-luxury 4S dealerships operated by the 10 largest dealership groups in China increased from 17% in 2006 to 24% in 2011.

By leveraging their economies of scale, strong relationships with automobile manufacturers, diversified financing channels, management expertise and talent quality, large dealership groups are better positioned to out-compete single-store dealerships, as well as small dealership groups, and to capture opportunities for both geographic and brand portfolio expansion. Manufacturers of luxury and ultra-luxury passenger vehicles are generally more willing to work with large dealership groups with more adequate resources to operate 4S dealerships.

THE ROLAND BERGER COMMISSIONED REPORT

In connection with the Global Offering, we have commissioned Roland Berger, an international market intelligence provider and an Independent Third Party, to conduct an analysis of the PRC passenger vehicle market and industry. The industry report dated April 30, 2012 prepared by Roland Berger's analysts was based on their specific knowledge of the PRC passenger vehicle industry and the forecasts were based on Roland Berger's analysis of historical data and trends. This information was obtained by Roland Berger from a variety of industry sources, including relevant PRC government

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departments and established PRC industry organizations such as the National Bureau of Statistics, the China Automobile Dealers Association and China Association of Automobile Manufacturers. Roland Berger has conducted interviews with market participants and industry experts in order to support, verify and cross-check its estimates.

We have agreed to pay a fee of RMB1,200,000 to Roland Berger in connection with its preparation of the industry report for this prospectus. Our payment of such fee is not contingent upon the results of its analysis.