



潤東汽車

# CHINA RUNDONG AUTO GROUP LIMITED 中國潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1365



## GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers  
(In alphabetical order)

**BofA Merrill Lynch**      **Morgan Stanley**

Joint Bookrunners and Joint Lead Managers  
(In alphabetical order)



# IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.*



潤東汽車

## China Rundong Auto Group Limited

中國潤東汽車集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	268,619,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	26,862,000 Shares (subject to adjustment)
Number of International Offer Shares	:	241,757,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$3.98 per Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.0000005 per Share
Stock code	:	1365

*Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers  
(in alphabetical order)*

**BofA Merrill Lynch**

**Morgan Stanley**

*Joint Bookrunners and Joint Lead Managers  
(in alphabetical order)*



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or around August 5, 2014 and, in any event, not later than August 8, 2014. The Offer Price will be not more than HK\$3.98 per Share and is currently expected to be not less than HK\$3.58 per Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$3.98 per Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$3.98 per Share.

If, for any reason, the Offer Price is not agreed by August 8, 2014 between the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$3.58 to HK\$3.98) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our company at [www.rundong.com.cn](http://www.rundong.com.cn). Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Sponsors and/or the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold and delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

July 31, 2014

## EXPECTED TIMETABLE

- Latest time for completing electronic applications under  
**White Form eIPO** service through  
the designated website [www.eipo.com.hk](http://www.eipo.com.hk) . . . . . 11:30 a.m. on Tuesday, August 5, 2014
- Application lists open . . . . . 11:45 a.m. on Tuesday, August 5, 2014
- Latest time for lodging **WHITE** and **YELLOW**  
Application Forms . . . . . 12:00 noon on Tuesday, August 5, 2014
- Latest time for completing payment of  
**White Form eIPO** applications by effecting  
internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, August 5, 2014
- Latest time for giving **electronic application instructions**  
to HKSCC . . . . . 12:00 noon on Tuesday, August 5, 2014
- Application lists close . . . . . 12:00 noon on Tuesday, August 5, 2014
- Expected Price Determination Date . . . . . Tuesday, August 5, 2014
- (1) Announcement of the Offer Price, the level of  
indications of interest in the International Offering,  
the level of applications in the Hong Kong Public Offering  
and basis of allocation of the Hong Kong Offer Shares  
under the Hong Kong Public Offering to be published in  
the South China Morning Post (in English) and  
the Hong Kong Economic Times (in Chinese) on . . . . . Monday, August 11, 2014
- (2) Results of allocations in the Hong Kong Public Offering  
(with successful applicants' identification document numbers,  
where appropriate) to be available through a variety of  
channels as described in "How to Apply for Hong Kong  
Offer Shares—11. Publication of Results" . . . . . Monday, August 11, 2014
- (3) A full announcement of the Hong Kong Public Offering  
containing (1) and (2) above to be published on the  
website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and  
our Company's website at [www.rundong.com.cn](http://www.rundong.com.cn) from . . . . . Monday, August 11, 2014
- Results of allocations in the Hong Kong Public Offering  
will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) with  
a "search by ID" function from . . . . . Monday, August 11, 2014
- Dispatch of Share certificates in respect of wholly or  
partially successful applications pursuant to  
the Hong Kong Public Offering on or before . . . . . Monday, August 11, 2014

## EXPECTED TIMETABLE

Dispatch of refund cheques and White Form e-Refund  
payment instructions in respect of wholly or  
partially successful applications (if applicable)  
or wholly or partially unsuccessful applications  
pursuant to the Hong Kong Public Offering on or before . . . . . Monday, August 11, 2014

Dealings in the Shares on the Stock Exchange  
expected to commence on . . . . . Tuesday, August 12, 2014

*Notes:*

- (1) All dates and times refer to Hong Kong local dates and time unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in the above expected timetable of the Hong Kong Public Offering, an announcement in Hong Kong will be published in South China Morning Post (in English) and in Hong Kong Economic Times (in Chinese).
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, August 5, 2014, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open on Tuesday, August 5, 2014, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (4) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website, [www.eipo.com.hk](http://www.eipo.com.hk), after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) We expect to determine the Offer Price by agreement with the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, August 5, 2014 and, in any event, will be no later than Friday, August 8, 2014. If, for any reason, the Offer Price is not agreed between the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.
- (6) Share certificates will only become valid certificates of title provided that (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, August 12, 2014. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

**You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.**

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by China Rundong Auto Group Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" starting on page 41 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OUR BUSINESS

#### Overview

We are one of the largest luxury automobile dealership groups in the regions where we operate in China in terms of number of luxury automobile dealership stores and showrooms in operation as of December 31, 2013, according to ACMR. Our operations focus on the affluent coastal regions of Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province, which collectively have China's largest luxury and ultra-luxury passenger vehicle market. We have a well-balanced portfolio of luxury and ultra-luxury brands as well as mid- to high-end brands. Our brand portfolio as of the Latest Practicable Date included the seven luxury brands of BMW, MINI, Land Rover and Jaguar, Audi, Lexus and Cadillac; the two ultra-luxury brands of Maserati and Ferrari; and the 13 mid- to high-end brands of Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan and Zhengzhou Nissan.

As a result of our strong operating capabilities and selected regional focus strategy, we have established strong brand reputation and leading market position in our focused regions in China. According to ACMR, as of December 31, 2013, we are:

- the largest BMW dealership group in Jiangsu and Shandong provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation
- the fifth largest BMW dealership group in China in terms of number of automobile dealership stores in operation
- the largest luxury and ultra-luxury automobile dealership group headquartered in Jiangsu province in terms of number of luxury and ultra-luxury automobile dealership stores and showrooms in operation
- one of the largest Land Rover and Jaguar dealership groups in Jiangsu and Shandong provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation
- the largest Audi dealership group in Shandong province in terms of the number of automobile dealership stores in operation

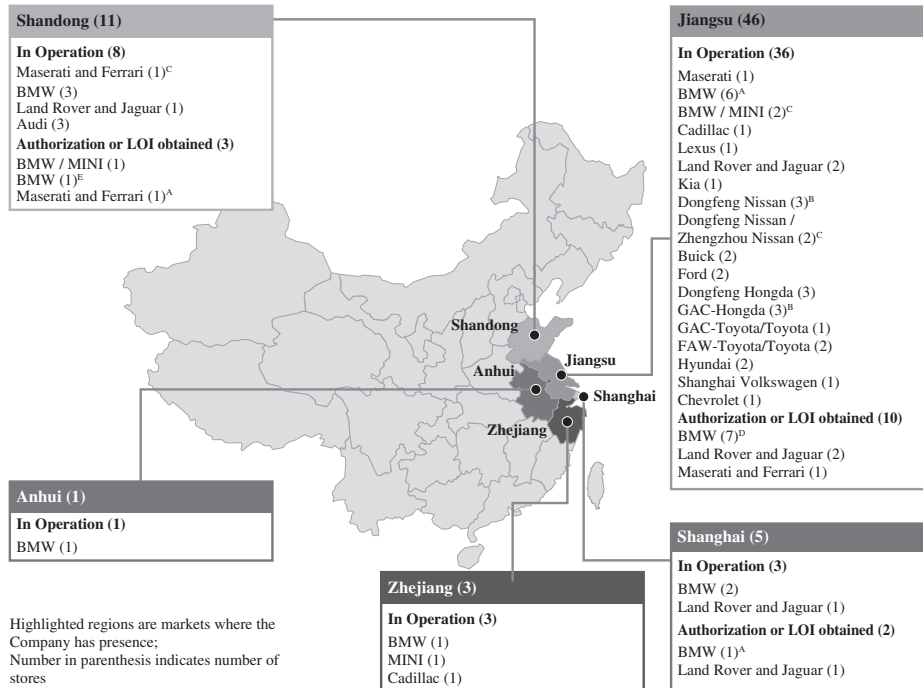
#### Our Network

We opened our first automobile dealership store in Xuzhou, Jiangsu province in September 2001. We focus on the Second-, Third- and Fourth-tier Cities in China, in particular the affluent coastal regions of Eastern China. As of the Latest Practicable Date, we operated 51 stores, with 36 stores in Jiangsu province, eight in Shandong province, three in Shanghai, three in Zhejiang province and one in Anhui province. We strategically focus on luxury and ultra-luxury brands and grew from four luxury stores as of January 1, 2011 to 28 luxury and ultra-luxury stores as of the Latest Practicable Date. As of the Latest Practicable Date, 28 out of 51, or 54.9%, of our stores were dedicated to luxury and ultra-

## SUMMARY

luxury brands. As of the same date, we had obtained authorizations or non-binding LOIs from automobile manufacturers to open another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao. All of these new stores will be dedicated to luxury and ultra-luxury brands, including BMW, MINI, Land Rover and Jaguar, Maserati and Ferrari.

The map below sets forth the geographic footprint of (i) our stores that were in operation as of the Latest Practicable Date and (ii) the new stores that we had obtained authorizations or non-binding LOIs from automobile manufacturers as of the Latest Practicable Date:



### Notes

- A. This includes a repair center
- B. This includes two showrooms
- C. This includes a showroom
- D. This includes a showroom and a fast-lane repair center
- E. This includes a pre-owned automobile trading center

Our network expansion to date has been achieved through organic growth and, to a lesser extent, selected acquisitions, and we adjusted our network during the Track Record Period in an effort to optimize our brand portfolio. In 2011, we undertook a strategic assessment of our automobile dealership network and decided to focus on selected luxury and ultra-luxury brands. As a result, during the Track Record Period we disposed of 14 stores that were in operation at the time of disposal. See “History and Reorganization—Disposals to Jiangsu Qirun” starting on page 152 of this prospectus for more information. In October 2013, we acquired three Audi dealership stores from an Independent Third Party in Linyi and Zaozhuang, Shandong province. The table below sets forth details of changes to the number of our stores during the Track Record Period. Between the end of the Track Record Period and the Latest Practicable Date, we opened two new stores: a 4S dealership store for Land Rover and Jaguar and a showroom for Maserati and Ferrari.



## SUMMARY

	As of January 1,			Year Ended December 31,						Three-month Period Ended March 31,		
	2011			2012			2013			2014		
	Newly added	Disposed	Year-end	Newly added	Disposed	Year-end	Newly added	Disposed	Year-end	Newly added	Disposed	Period-end
<b>Number of Stores<sup>(1)</sup></b>												
Luxury and ultra-luxury brands												
Maserati . . . . .	—	—	—	—	—	—	1	—	1	—	—	1
BMW . . . . .	2	3	—	5	3	—	8	5	—	13	—	13
BMW/MINI . . . . .	2	—	—	2	—	—	2	—	—	2	—	2
MINI . . . . .	—	—	—	—	1	—	1	—	—	1	—	1
Land Rover and Jaguar . . . . .	—	1	—	1	2	—	3	—	—	3	—	3
Audi . . . . .	—	—	—	—	—	—	—	3	—	3	—	3
Lexus . . . . .	—	1	—	1	—	—	1	—	—	1	—	1
Cadillac . . . . .	—	—	—	—	1	—	1	1	—	2	—	2
Imported Volkswagen . . . . .	—	—	—	—	1	—	1	—	1	—	—	—
Infiniti . . . . .	—	1	1	—	—	—	—	—	—	—	—	—
Acura . . . . .	—	1	1	—	—	—	—	—	—	—	—	—
<b>Subtotal . . . . .</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>8</b>	<b>—</b>	<b>17</b>	<b>10</b>	<b>1</b>	<b>26</b>	<b>—</b>	<b>26</b>
Mid- to high-end brands . . . . .	26	4	9	21	3	1	23	2	2	23	—	23
<b>Total . . . . .</b>	<b>30</b>	<b>11</b>	<b>11</b>	<b>30</b>	<b>11</b>	<b>1</b>	<b>40</b>	<b>12</b>	<b>3</b>	<b>49</b>	<b>—</b>	<b>49</b>

*Note:*

- (1) The number of stores in this table refers to stores that commenced operation before the end of the relevant year or period for newly added stores, or before disposal or closure in the relevant year or period. In addition to the stores as disclosed in the table, we disposed of an automobile dealership store for Mercedes-Benz multi-purpose vehicles on December 31, 2011, which was before we completed its construction and entered into a dealership authorization agreement with the automobile manufacturer. Moreover, we disposed of seven stores for mid- to high-end brands on December 31, 2011, which was before we completed their construction or entered into dealership authorization agreements with the relevant automobile manufacturers. We closed a Dongfeng Nissan showroom in December 2013 at the request of Dongfeng Nissan. Except as described above, we did not dispose of or close any other stores during the Track Record Period and up to the Latest Practicable Date. See “History and Reorganization—Disposals to Jiangsu Qirun” starting on page 152 of this prospectus for more information.

As of the Latest Practicable Date, we had incurred capital expenditures of approximately RMB544.9 million and expected to incur an additional RMB540.2 million in relation to the 15 new stores for which we had obtained authorizations or non-binding LOIs from automobile manufacturers, as well as a Land Rover and Jaguar 4S dealership store of Huai’an Baotielong and a Maserati and Ferrari showroom of Jinan Runzhiyi, both of which commenced operation in June 2014. We intend to use 40%, or HK\$368.0 million (being the Hong Kong dollar equivalent of RMB294.4 million and based on the mid-point of the stated Offering Price range), of the net proceeds from the Global Offering and the proceeds to be received from the Selling Shareholder for settlement of the Scheme Share Price for 73,750,000 Scheme Shares (before the Share Consolidation) or 29,500,000 Scheme Shares (after the Share Consolidation) to finance the remaining capital expenditures required for opening these new stores, and expect to be able to fund any shortfall needed for our network expansion with cash generated from operating activities and proceeds from bank loans and other borrowings. For details of the Scheme Shares, please see the section headed “History and Reorganization—Establishment of the Employee Pre-IPO Trust—Exercise of the Rundong Holding Options” in this prospectus.

### Our Sales and Services

We engage in automobile sales and provide a comprehensive range of after-sales services, such as repair and maintenance services, sales of spare parts, accessories and other automobile-related products, and automobile recalls. We also offer automobile-related value-added services, such as consulting services for automobile purchase financing, automobile insurance agency services, facilitating the trading of pre-owned automobiles and automobile financial lease and related consulting services.

Our revenue increased by 55.9% from RMB6,017.4 million in 2011 to RMB9,383.8 million in 2012, by 23.5% from 2012 to RMB11,587.8 million in 2013, and by 62.5% from RMB2,395.0 million in the three months ended March 31, 2013 to RMB3,891.3 million in the same period of 2014. Our net profit increased by 0.9% from RMB90.4 million in 2011 to RMB91.2 million in 2012, by 172.3% from 2012 to RMB248.4 million in 2013, and by 243.7% from RMB29.2 million in the three months ended March 31, 2013 to RMB100.2 million in the same period of 2014.

## SUMMARY

The following table sets forth a breakdown of our revenue from automobile sales and the respective percentage contribution of each automobile category that we sold, as well as our revenue from after-sales and other services for the periods indicated:

	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
(unaudited)										
<b>Revenue</b>										
Automobile sales										
Luxury and ultra-luxury brands . . .	1,603,249	26.7	5,874,492	62.6	7,324,212	63.2	1,487,087	62.1	2,578,198	66.3
Mid- to high-end brands . . . . .	3,865,431	64.2	2,792,523	29.8	3,146,056	27.2	691,372	28.9	920,037	23.6
Subtotal . . . . .	5,468,680	90.9	8,667,015	92.4	10,470,268	90.4	2,178,459	91.0	3,498,235	89.9
After-sales and other services . . . . .	548,728	9.1	716,794	7.6	1,117,570	9.6	216,536	9.0	393,019	10.1
<b>Total . . . . .</b>	<b>6,017,408</b>	<b>100.0</b>	<b>9,383,809</b>	<b>100.0</b>	<b>11,587,838</b>	<b>100.0</b>	<b>2,394,995</b>	<b>100.0</b>	<b>3,891,254</b>	<b>100.0</b>

The following table sets out a breakdown of our gross profit, the respective percentage of gross profit contribution and gross profit margins from our automobile sales and after-sales and other services for the periods indicated:

	Year Ended December 31,									Three-month Period Ended March 31,					
	2011			2012			2013			2013			2014		
	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
(unaudited)															
<b>Gross profit</b>															
Automobile sales															
Luxury and ultra-luxury brands . . . . .	75,366	16.5	4.7	323,444	50.8	5.5	436,691	43.6	6.0	89,019	49.7	6.0	170,462	45.5	6.6
Mid- to high-end brands . . . . .	184,472	40.4	4.8	78,676	12.4	2.8	107,809	10.7	3.4	17,708	9.9	2.6	30,865	8.2	3.4
Subtotal . . . . .	259,838	56.9	4.8	402,120	63.2	4.6	544,500	54.3	5.2	106,727	59.6	4.9	201,327	53.7	5.8
After-sales and other services . . . . .	196,998	43.1	35.9	233,781	36.8	32.6	457,804	45.7	41.0	72,373	40.4	33.4	173,402	46.3	44.1
<b>Total . . . . .</b>	<b>456,836</b>	<b>100.0</b>	<b>7.6</b>	<b>635,901</b>	<b>100.0</b>	<b>6.8</b>	<b>1,002,304</b>	<b>100.0</b>	<b>8.6</b>	<b>179,100</b>	<b>100.0</b>	<b>7.5</b>	<b>374,729</b>	<b>100.0</b>	<b>9.6</b>

Our revenue from after-sales and other services increased by 30.6% from RMB548.7 million in 2011 to RMB716.8 million in 2012, by 55.9% from 2012 to RMB1,117.6 million in 2013, and by 81.5% from RMB216.5 million in the three months ended March 31, 2013 to RMB393.0 million in the same period of 2014. Our gross profit from after-sales and other services increased by 18.7% from RMB197.0 million in 2011 to RMB233.8 million in 2012, by 95.8% from 2012 to RMB457.8 million in 2013, and by 139.6% from RMB72.4 million in the three months ended March 31, 2013 to RMB173.4 million in the same period of 2014. The gross profit margin of our after-sales and other services was 35.9%, 32.6% and 41.0% in 2011, 2012 and 2013, respectively, and 33.4% and 44.1% in the three months ended March 31, 2013 and 2014, respectively. The significant increases in the gross profit margin of our after-sales and other services from 2012 to 2013 and from the three months ended March 31, 2013 to the same period in 2014 were primarily due to (i) increases in the utilization rate of our labor for after-sales and other services, as our newly established stores continued to ramp up their after-sales and other services business, and (ii) our increased focus on after-sales and other services for luxury and ultra-luxury automobiles, which have a relatively higher margin than those services for mid- to high-end automobiles. The increase in the gross profit margin of our after-sales and other services from 2012 to 2013 was also attributable to our automobile detailing services that we began providing in 2013, which is generally a higher margin business. The performance of our after-sales and other services business is

## SUMMARY

typically affected by factors such as the number of automobiles that we sold previously, the number and relative maturity of our newly-established stores and the level of customer satisfaction. For more information, see “Financial Information—Significant Factors Affecting Our Results of Operations—Product and Service Mix—After-sales and other services business” on page 224 of this prospectus.

Our commission income from consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles increased by 134.6% from RMB49.1 million in 2011 to RMB115.2 million in 2012, by 33.6% from 2012 to RMB153.9 million in 2013, and by 34.3% from RMB36.3 million in the three months ended March 31, 2013 to RMB48.7 million in the same period of 2014. This commission income accounted for 54.3%, 126.3%, 62.0% and 48.6% of our profit in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. For more information, see “Financial Information—Description of Selected Income Statement Line Items—Other Income and Gains” on page 233 of this prospectus.

The following table sets forth the sales volume and the average selling price of automobiles that we sold for the periods indicated:

	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	units	RMB'000	units	RMB'000	units	RMB'000	units	RMB'000	units	RMB'000
	(unaudited)									
Luxury and ultra-luxury brands . . . . .	3,234	496	12,661	464	16,263	450	3,308	450	5,945	434
Mid- to high-end brands	32,728	118	24,107	116	27,118	116	6,058	114	7,781	118
<b>Total</b> . . . . .	<b>35,962</b>	<b>152</b>	<b>36,768</b>	<b>236</b>	<b>43,381</b>	<b>241</b>	<b>9,366</b>	<b>233</b>	<b>13,726</b>	<b>255</b>

The PRC government recently promulgated the Anti-Corruption Regulations to regulate government purchases of automobiles and the 3R Provisions to enhance warranties available to automobile purchasers. We do not expect our operations or financial position to be materially and adversely affected by these regulations. For more information, see “Risk Factors—Risks Relating to Our Business—Product defects and automobile recalls could have a negative impact on our business” on page 50 and “Business—Our Services” starting on page 188 of this prospectus.

### Our Customers and Customer Relationship Management

Our customers are mainly affluent individuals. Our top five customers in aggregate accounted for less than 1% of our total revenue during the Track Record Period. Operated under a customer-oriented philosophy, we have implemented an advanced CRM system and established a dedicated CRM sales team. Our CRM system helps us to enhance the efficiency of sales and marketing providing an automated sales and marketing process and a multi-channel sales and marketing network. See “Business—Customers and Customer Services” starting on page 197 of this prospectus and “Business—Sales and Marketing” on pages 198 and 199 of this prospectus for more information.

### Suppliers and Dealership Arrangements

We purchase all of our new automobiles, spare parts and accessories from automobile manufacturers and their authorized suppliers, and purchase other automobile-related products from both automobile manufacturers and third party suppliers. In 2011, 2012, 2013 and the three months ended March 31, 2014, purchases from our top five suppliers accounted for 64.7%, 84.0%, 80.8% and 75.3% of our total purchases, respectively, and purchases from our largest supplier accounted for 23.9%, 32.9%, 31.7% and 25.5% of our total purchases, respectively.

## SUMMARY

The operations of our automobile dealership stores are governed by the dealership authorization agreements that we have entered into with automobile manufacturers. Our existing dealership authorization agreements typically prohibit our relevant automobile dealership stores from selling automobiles of other brands, regulate the level of inventory storage, limit automobile sales of each of our automobile dealership stores at the designated geographic area, and require our automobile dealership stores to follow annual sales targets set by or pre-negotiated with the automobile manufacturers. Our dealership authorization agreements are non-exclusive and generally have an initial term of one to three years. Under these agreements, the automobile manufacturers generally provide non-binding pricing guidelines and sometimes price ceiling restriction for the sale of new automobiles and after-sales services. Some automobile manufacturers set minimum purchase requirements for our relevant automobile dealership stores. The automobile manufacturers can terminate these agreements for a variety of reasons, such as our unapproved business relationships with other automobile manufacturers and unapproved changes to the ownership or management structure of our Group. Under a typical dealership authorization agreement, we are generally required to obtain the relevant automobile manufacturer's consent for any change to the direct or indirect shareholder(s) of, or change in control of, our subsidiaries authorized to operate the relevant automobile dealership store. For example, in the case of an exercise of the valuation adjustment rights by KKR Auto under the Supplemental Shareholders' Agreement as set out in the section headed "History and Reorganization—Pre-IPO Investment" starting on page 122 of this prospectus, subject to certain conditions, Rundong Fortune and Rundong Smart could be required to transfer a significant number of Shares to KKR Auto and the shareholding structure of our Group could change. As a result of such a transfer, our Group would be required to seek the approval of the relevant automobile manufacturers for such change in accordance with the terms of the relevant dealership authorization agreements, and failure to obtain the approval of the relevant manufacturer could constitute a breach of such agreements and trigger the relevant automobile manufacturers' rights to terminate the agreements, unless waivers are granted by the relevant automobile manufacturers. See "Business—Suppliers and Procurement" starting on page 200 of this prospectus and "Business—Dealership Arrangements" starting on page 199 of this prospectus for more information.

### **Incentive Rebates from Automobile Manufacturers**

In 2011, 2012, 2013 and the three months ended March 31, 2014, we recorded incentive rebates provided by automobile manufacturers of approximately RMB344.4 million, RMB780.6 million, RMB936.5 million and RMB289.5 million, respectively, accounting for 75.4%, 122.8%, 93.4% and 77.3%, respectively, of our gross profit for the same periods. The amount of these rebates are generally determined with reference to the number of new automobiles that we sell within a year, adjusted based on our performance relative to certain targets set by the automobile manufacturers, including customer satisfaction, service quality and other performance indicators. From time to time, the automobile manufacturers offer special incentive rebates to us for particular automobile models. See "Business—Our Services—Automobile Sales" on page 188 and "Financial Information—Significant Factors Affecting Our Results of Operations—Cost of Sales and Incentive Rebates from Automobile Manufacturers" on pages 225 and 226 of this prospectus for more information.

### **Our Properties**

We own and/or occupy certain properties in the PRC for our business operations. Except for land which we leased to third parties, we use the properties that we occupy, and plan to use the buildings under construction, for non-property activities as defined under Rule 5.01(2) of the Listing Rules, and they primarily include the premises of our stores, warehouses and offices.

We operate our stores on properties that we either own or lease from third parties; there are title defects with certain portion of these properties. For our owned properties, the problems include the use of the properties for purposes other than the land's designated use and the lack of proper title or building certificates. For our leased properties, the problems include one property on collectively owned land, one property to which the landlord did not have the land use right, properties that are not used for

## SUMMARY

the property's designated use and one property for which the landlord failed to provide relevant title certificates. As of the Latest Practicable Date, the aggregate GFA of our owned buildings with title defects was approximately 72,895.9 square meters, accounting for 38.4% of the aggregate GFA of the owned properties that we were using, and the aggregate GFA of our leased buildings with title defects was approximately 35,757.9 square meters, accounting for 46.4% of the aggregate GFA of all the leased properties that we were using. In 2011, 2012, 2013 and the three months ended March 31, 2014, the revenue generated from our operations on these owned and leased properties that were subject to title defects accounted for 30.2%, 52.7%, 49.6% and 48.4% of our total revenue, respectively. In the same periods, the revenue generated from our operations on the owned properties subject to title defects, for which we have obtained Confirmation Letters from governmental authorities at or above the county level, accounted for 27.1%, 30.5%, 27.8% and 24.7% of our total revenue, respectively. See "Risk Factors—Risks Relating to Our Business—We have not yet obtained valid titles or rights to use certain properties occupied by us" starting on page 47 in this prospectus and "Business—Properties" starting on page 203 of this prospectus for more information.

### OUR COMPETITIVE STRENGTHS

- A market leader in the affluent coastal regions of Eastern China, which have China's largest luxury and ultra-luxury passenger vehicle market
- Solid operating capabilities and a young automobile dealership network that enable us to achieve strong same-store sales growth and market-leading operating performance
- Well-balanced brand portfolio with a strategic focus on luxury and ultra-luxury brands
- Customer-oriented business philosophy supported by our customer relationship management infrastructure, providing us with effective target marketing and multiple innovative sales channels
- Strong revenue growth from after-sales services and automobile-related value-added services supported by our efficient customer management
- Seasoned management team with extensive industry experience supported by a prominent institutional investor

### OUR STRATEGIES

- Continue to expand our automobile dealership network and brand portfolio, with a focus on luxury and ultra-luxury, through organic growth and selective acquisitions
- Continue to strengthen our operating capabilities to enhance our same-store sales growth
- Continue to strengthen and optimize our customer relationship management to enlarge our customer base and develop innovative sales channels
- Continue to enhance our after-sales services and automobile-related value-added services and explore new revenue sources to achieve fast business growth
- Continue to attract, train and retain talent to support our future growth and expansion

## SUMMARY

### SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014. We have derived the summary from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. The following summary should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in "Financial Information" in this prospectus. Our financial information was prepared in accordance with HKFRSs.

#### Summary Consolidated Statements of Profit or Loss

The following table sets forth, for the periods indicated, our consolidated results of operations.

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Revenue</b> . . . . .	6,017,408	9,383,809	11,587,838	2,394,995	3,891,254
Cost of sales . . . . .	<u>(5,560,572)</u>	<u>(8,747,908)</u>	<u>(10,585,534)</u>	<u>(2,215,895)</u>	<u>(3,516,525)</u>
<b>Gross Profit</b> . . . . .	456,836	635,901	1,002,304	179,100	374,729
Other income and gains, net . . . . .	75,005	174,182	244,532	55,898	65,085
Selling and distribution expenses . . . . .	(132,286)	(219,992)	(265,920)	(53,152)	(86,040)
Administrative expenses . . . . .	(168,591)	(228,223)	(284,221)	(57,887)	(114,538)
Other expenses . . . . .	(4,655)	(16,985)	(17,884)	(4,079)	(1,687)
Finance costs . . . . .	<u>(86,257)</u>	<u>(201,059)</u>	<u>(291,147)</u>	<u>(74,304)</u>	<u>(86,623)</u>
Profit before tax . . . . .	140,052	143,824	387,664	45,576	150,926
Income tax expense . . . . .	<u>(49,649)</u>	<u>(52,611)</u>	<u>(139,271)</u>	<u>(16,414)</u>	<u>(50,698)</u>
<b>Profit for the year/period</b> . . . . .	<u>90,403</u>	<u>91,213</u>	<u>248,393</u>	<u>29,162</u>	<u>100,228</u>

#### Summary Consolidated Statements of Financial Position

	Year Ended December 31,			As of
	March 31,			2014
	2011	2012	2013	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Total current assets</b> . . . . .	3,045,998	5,630,730	5,439,054	5,838,324
<b>Total current liabilities</b> . . . . .	2,775,660	5,634,568	6,277,900	6,893,153
<b>Net current assets/(liabilities)</b> . . . . .	270,338	(3,838)	(838,846)	(1,054,829)
<b>Total assets less current liabilities</b> . . . . .	1,134,861	1,553,435	1,973,797	2,078,684
<b>Net assets</b> . . . . .	596,361	692,165	944,437	1,068,400
<b>Equity attributable to owners of the parent</b> . . . . .	547,636	644,433	887,271	1,007,359
<b>Non-controlling interests</b> . . . . .	48,725	47,732	57,166	61,041
<b>Total equity and liabilities</b> . . . . .	3,910,521	7,188,003	8,251,697	8,971,837

## SUMMARY

### Key Financial Ratios

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
				(unaudited)	
<b>Profitability ratios</b>					
Gross profit margin <sup>(1)</sup> . . . . .	7.6%	6.8%	8.6%	7.5%	9.6%
Net profit margin <sup>(2)</sup> . . . . .	1.5%	1.0%	2.1%	1.2%	2.6%
Return on equity <sup>(3)</sup> . . . . .	21.6%	14.2%	30.4%	—	40.4% <sup>(12)</sup>
Trade receivables turnover days <sup>(4)</sup> . . .	5.9	3.2	4.6	—	4.1
Trade and bills payables turnover days <sup>(5)</sup> . . . . .	54.7	75.1	87.9	—	72.7
Inventory turnover days <sup>(6)</sup> . . . . .	30.9	36.8	46.7	—	40.4
<b>Capital adequacy ratio</b>					
Interest coverage ratio (times) <sup>(7)</sup> . . . .	2.3x	1.6x	2.3x	1.6x	2.6x
	As of December 31,			As of March 31,	
	2011	2012	2013	2014	
<b>Liquidity ratios</b>					
Current ratio (times) <sup>(8)</sup> . . . . .	1.1x	1.0x	0.9x	0.8x	
Quick Ratio (times) <sup>(9)</sup> . . . . .	0.8x	0.8x	0.6x	0.6x	
<b>Capital adequacy ratios</b>					
Gearing ratio <sup>(10)</sup> . . . . .	240.4%	457.0%	343.6%	340.5%	
Net debt-to-equity ratio <sup>(11)</sup> . . . . .	158.6%	404.3%	299.4%	289.4%	

*Notes:*

- (1) Equals gross profit divided by revenue and multiplied by 100%.
- (2) Equals profit for the period divided by revenue and multiplied by 100%.
- (3) Equals profit for the period divided by average of total equity at the beginning of and end of the year or period and multiplied by 100%.
- (4) Trade receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade receivables for such year divided by revenue of the year and multiplied by 365 days, and the trade receivables turnover days for a three-month period equals the average of the beginning and ending balances of trade receivables for such period divided by revenue of the period and multiplied by 90 days.
- (5) Trade and bills payables turnover days for each one-year period equals the average of the beginning and ending balances of trade and bills payables for such year divided by cost of sales for the year and multiplied by 365 days, and the trade and bills payables turnover days for a three-month period equals the average of the beginning and ending balances of trade and bills payables for such period divided by cost of sales for the period and multiplied by 90 days.
- (6) Inventory turnover days for each one-year period equals the average of the beginning and ending balances of inventory for such year divided by cost of sales for the year and multiplied by 365 days, and the inventory turnover days for a three-month period equals the average of the beginning and ending balances of inventory for such period divided by cost of sales for the period and multiplied by 90 days.
- (7) Equals profit before finance costs and tax expenses for the period divided by finance costs (with capitalised interest added back).
- (8) Equals current assets divided by current liabilities as of the respective period end date.
- (9) Equals current assets less inventories and divided by current liabilities as of the respective period end date.
- (10) Equals total interest-bearing bank and other borrowings divided by total equity as of the respective period end date and multiplied by 100%.
- (11) Equals total interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.
- (12) This is an annualised number based on the profit of the three months ended March 31, 2014, and hence may not comparable to the return on equity ratio numbers based on the full-year profit for 2011, 2012 or 2013, primarily because of seasonality.

## SUMMARY

### OUR SHAREHOLDING STRUCTURE

Immediately after the completion of the Global Offering (assuming the Pre-IPO Scheme Options are not exercised), Rundong Fortune will beneficially own approximately 45.0% of our outstanding issued share capital, if the Over-allotment Option is not exercised, or 43.4% of our outstanding issued share capital, if the Over-allotment Option is exercised in full. Rundong Fortune is the wholly-owned subsidiary of Cheerful Autumn. Cheerful Autumn is directly held by Rue Feng, which in turn is legally owned by Family Trust Trustee for the benefit of the Family Trust Beneficiaries. Mr. Yang Peng, being the protector of the Family Trust, has the power to appoint and remove, and to amend the rights of, the Family Trust Trustee. In addition, as of the date of this prospectus, KKR Auto, an indirect subsidiary of KKR China Growth Fund L.P., indirectly holds 33.8% of our outstanding issued share capital. As a result, Rundong Fortune, Cheerful Autumn, Rue Feng, Mr. Yang Peng and KKR Auto are considered as our Controlling Shareholders. See “Relationship with Our Controlling Shareholders” starting on page 274 of this prospectus for further details of our Controlling Shareholders.

Our Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. As of the date of this prospectus, an aggregate of 23,250,000 Shares subject to the Pre-IPO Scheme Options (or 9,300,000 Shares immediately after the Share Consolidation, representing approximately 0.87% of the issued share capital of our Company immediately after the Global Offering and assuming the Over-allotment Option is not exercised), have been granted to a total of 95 grantees. None of the Grantees of the Pre-IPO Scheme Options are Directors or members of senior management or connected persons of the Company. The exercise price for the Pre-IPO Scheme Options is US\$0.1429 per Share (before the Share Consolidation). Exercise of the Pre-IPO Scheme Options will have a dilutive effect on the earnings/loss per Share for the relevant financial year of our Group. Assuming full exercise of the Pre-IPO Scheme Options and after the Share Consolidation, the earnings per Share on a fully diluted basis will be diluted by approximately 0%, 3.56%, 3.88% and 4.57% for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively.

See “Appendix IV—Statutory and General Information—D. Share Option Schemes” starting on page IV-17 of this prospectus for more information.

### DIVIDEND POLICY

Subject to the limitations described in the section headed “Financial Information—Dividend Policy” starting on page 270 of this prospectus, we currently intend to pay dividends of no more than 30% of our profits available for distribution generated from each accounting year beginning from the year ending December 31, 2015. Except for the special dividend described in the paragraph below, we do not intend to declare or pay any additional dividend in 2014. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. Future dividend payments will also depend on the availability of dividends received from our subsidiaries. Certain payments from our PRC subsidiaries are subject to PRC taxes, statutory reserve requirements and other legal restrictions, and restrictive covenants in bank loan facility agreements.

In 2011, 2012, 2013 and the three months ended March 31, 2014, we declared dividends to non-controlling shareholders in subsidiaries of RMB3.7 million, zero, zero and zero, respectively. All dividends declared during the Track Record Period have been fully paid out through utilizing our internal cash resources.

On July 23, 2014, our Directors declared a special dividend of RMB330.0 million out of historical profits of the Company, conditional upon the Underwriting Agreements becoming unconditional and effective. Please see “Recent Developments” below for details. Our Board has absolute discretion to determine whether to declare dividends and the amount of the dividends. The amounts of distributions that we have declared and made in the past do not indicate the dividends that we may pay in the future.



## SUMMARY

### RECENT DEVELOPMENTS

In the five months ended May 31, 2014, we recorded revenue of RMB6,525.4 million and gross profit of RMB614.2 million, representing a gross profit margin of 9.4%. In the same period, we sold 23,722 automobiles, including 9,921 luxury and ultra-luxury automobiles. The average selling prices of the luxury and ultra-luxury automobiles and the mid- to high-end automobiles that we sold during the same period remained relatively stable at approximately RMB429,000 and approximately RMB117,000, respectively, as compared to the full year of 2013. Our directors are responsible for the preparation of the unaudited consolidated management accounts of our group for the five months ended May 31, 2014 in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated management accounts of our Group for the five months ended May 31, 2014 are unaudited but have been reviewed by our Company’s reporting accountants, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

On July 23, 2014, our Directors declared a special dividend of RMB330.0 million out of historical profits of the Company, conditional upon the Underwriting Agreements becoming unconditional and effective, to its then shareholders Rundong Fortune, Rundong Smart and KKR Auto, except for Runda which has agreed to forfeit its entitlement to this special dividend. Each of Rundong Fortune, Rundong Smart and KKR Auto is entitled to RMB199.7 million, RMB14.8 million and RMB115.5 million, respectively. The Company, Mr. Yang and Rundong Fortune separately agreed that the special dividend payable to Rundong Fortune would be assigned by Rundong Fortune to Mr. Yang and shall then be utilised to settle part of our advances to Mr. Yang Peng when the declaration of dividend becomes unconditional. The applicants for the Hong Kong Public Offering and the investors under the International Offering are not entitled to the special dividend. The special dividend payable to Rundong Smart and KKR Auto will be paid out of our cash generated from operating activities, and the Company will not make payment of this special dividend to Rundong Smart and KKR Auto until our Directors determine that the Company has sufficient cash or cash alternatives to the extent that the payment of the special dividend will have no adverse impact on our financial and cash position. We will not use the proceeds from the Global Offering to pay this special dividend.

As of the date of this prospectus, there has been no material adverse change in our financial or trading position since March 31, 2014 and no event had occurred since March 31, 2014 that would materially and adversely affect the information in the Accountants’ Report set out in Appendix I to this prospectus.

### LISTING EXPENSES

We incurred approximately RMB18.6 million of listing expenses during the Track Record Period, among which RMB4.5 million was recorded as prepayments and RMB14.1 million was recorded as expenses. We expect to incur approximately an additional RMB51.5 million of listing expenses after the Track Record Period, of which approximately RMB24.1 million will be recognized as expenses in the consolidated statements of profit or loss for the year ending December 31, 2014 and the remaining will be capitalized after the Listing.

### RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business, (ii) risks relating to the industry, (iii) risks relating to conducting operations in the PRC, and (iv) risks relating to the Global Offering. Among these risks we believe could be relatively material include: our reliance on automobile manufacturers for the rights to open and operate all of our stores, our reliance on automobile manufacturers’ cooperation in various aspects of our operations subject to restrictions imposed by them, a significant portion of our revenue being generated from sales of automobiles of a few major luxury brands, our high gearing ratio and our defective titles or rights to use certain properties occupied by us. A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” starting on page 41 of this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

## SUMMARY

### GLOBAL OFFERING STATISTICS<sup>(1)</sup>

	<b>Based on an Offer Price of HK\$3.58 per Share</b>	<b>Based on an Offer Price of HK\$3.98 per Share</b>
Market capitalization of our Shares . . . . .	HK\$3,846.6 million	HK\$4,276.4 million
Unaudited pro forma adjusted consolidated net tangible assets value per Share . . . . .	HK\$1.41	HK\$1.50

*Note:*

(1) 244,974,000 Shares will be issued under the Global Offering. See Appendix II to this prospectus for bases and assumptions.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$3.78 per Offer Share (being the mid-point of the Offering Price range stated in this prospectus) and no exercise of the Over-allotment Option, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK\$926.0 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK\$838.3 million. We will also receive HK\$81.7 million from the Selling Shareholder upon completion of the International Offering. As such, we will receive an aggregate of HK\$920.0 million in connection with the Global Offering. If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$147.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering and the proceeds to be received from the Selling Shareholder for settlement of the Scheme Share Price for 73,750,000 Scheme Shares (before the Share Consolidation) or 29,500,000 Scheme Shares (after the Share Consolidation), assuming the Over-allotment Option is not exercised, for the following purposes. See “Future Plans and Use of Proceeds” starting on page 296 of this prospectus for more information. For details of the Scheme Shares, please see the section headed “History and Reorganization—Establishment of the Employee Pre-IPO Trust—Exercise of the Rundong Holding Options” in this prospectus.

<b>% of total estimated net proceeds</b>	<b>Intended use</b>
19.3	Establishing eight stores for BMW and MINI in Jiangsu and Shandong provinces and Shanghai
14.3	Establishing four stores for Land Rover and Jaguar in Shanghai and Jiangsu province
6.4	Establishing two stores for Maserati and Ferrari in Jiangsu and Shandong provinces
30.0	Repayment of existing bank loans
20.0	Potential future business acquisitions
10.0	Working capital and other general corporate purposes

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offering Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. See “Future Plans and Use of Proceeds” starting on page 296 of this prospectus for more information.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“3S dealership”	an automobile dealership authorized by an automobile manufacturer that integrates the three business elements initiated by “S,” namely, sales, spare parts and services
“4S dealership”	an automobile dealership authorized by an automobile manufacturer that integrates the four business elements initiated by “S,” namely, sales, spare parts, services and survey
“5S dealership”	a 4S dealership with an additional element of “sustainability,” meaning that the dealership store is equipped with certain recycling capacities and operates according to eco-friendly procedures set by the relevant automobile manufacturer
“ACMR”	All China Marketing Research Co. Ltd. (北京華通人商用信息有限公司), an independent specialist Chinese market research company
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Allegro Auto”	Allegro Auto International Ltd., a company incorporated under the laws of the BVI with limited liability on September 14, 2010, and a wholly-owned subsidiary of our Company
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> applications form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of the Company which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

## DEFINITIONS

“BVI”	the British Virgin Islands
“BVI Investment Holding Companies”	Allegro Auto, Fresca International, Presto Auto, Vivace Auto and Schnell International, collectively
“CADA”	China Automobile Dealers Association (中國汽車流通協會)
“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board
“Cheerful Autumn”	Cheerful Autumn Holdings Limited, a company incorporated under the laws of BVI with limited liability on February 17, 2011, and a wholly-owned subsidiary of Rue Feng and a Controlling Shareholder
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	China Rundong Auto Group Limited (中國潤東汽車集團有限公司), an exempted company incorporated in the Cayman Islands on January 15, 2014

## DEFINITIONS

“Comparable Stores”	our automobile dealership stores that have been in operation for at least one year as of January 1, 2013, but excluding Linyi Jinhua, Linyi Aofeng and Zaozhuang Aowei, which we acquired from a third party in October 2013
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, refers to Rundong Fortune, Cheerful Autumn, Rue Feng, Mr. Yang Peng and KKR Auto
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Release”	a deed of release dated December 20, 2013 by KKR Auto, as secured party in favor of East Rain, as pledgor, in respect of the Share Charge
“Director(s)”	director(s) of our Company
“Disposals”	the Disposals 2011, the Disposal 2012 and the Disposals 2013
“Disposals 2011”	the disposals of 24 companies in the PRC by our Group to Jiangsu Qirun during the Track Record Period, the details of which are set out in the section headed “History and Reorganization—Disposals to Jiangsu Qirun—The Disposals 2011” in this prospectus
“Disposal 2012”	the disposal of one company in the PRC by our Group to Jiangsu Qirun during the Track Record Period, the details of which are set out in the section headed “History and Reorganization—Disposals to Jiangsu Qirun—The Disposal 2012” in this prospectus
“Disposals 2013”	the disposal of six companies in the PRC by our Group to Jiangsu Qirun during the Track Record Period, the details of which are set out in the section headed “History and Reorganization—Disposals to Jiangsu Qirun—The Disposals 2013” in this prospectus
“Disposed Companies”	the companies in the PRC disposed by the Group under the Disposals during the Track Record Period, the details of which are set out in the section headed “History and Reorganization—Disposals to Jiangsu Qirun” in this prospectus, and each a “Disposed Company”
“Eastern China”	Shandong, Jiangsu, Anhui, Shanghai, Zhejiang, Jiangxi and Fujian

## DEFINITIONS

“East Rain”	East Rain Holding Ltd., a company incorporated under the laws of the BVI with limited liability on September 17, 2010, a wholly-owned subsidiary of Cheerful Autumn and a shareholder of Rundong Holding prior to the Reorganization. East Rain was dissolved on May 14, 2014
“EIT Law”	the PRC Enterprise Income Tax Law promulgated on March 16, 2007 and became effective as of January 1, 2008
“Employee Pre-IPO Trust”	China Auto Retail Holding Group Ltd Option Trust, a discretionary trust set up by Rundong Holding of which Runda acts as the trustee pursuant to a trust deed dated September 27, 2011, the details of which are further described in the section headed “History and Reorganization—Establishment of the Employee Pre-IPO Trust” in this prospectus
“Family Trust”	the Run Feng Family trust established by Ms. Cao Weijing as the settlor pursuant to a trust deed dated September 30, 2011 in respect to the Shares in the Company
“Family Trust Beneficiaries”	beneficiaries to the Family Trust, namely Ms. Cao Weijing and Mr. Yang Zhiqing
“Family Trust Trustee”	trustee to the Family Trust, and currently HSBC International Trustee Limited
“First Round Investment”	the transactions under the First Round Subscription Agreements
“First Round Investment Agreements”	the Rundong Subscription Agreement, the Xuzhou Rundong Jiaoguang Subscription Agreement, the Xuzhou Rundong Subscription Agreement and the Xuzhou Yuemei Transfer Agreement, collectively
“First-tier Cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“Fourth Round Investment”	the transactions under the Fourth Round Subscription Agreement
“Fourth Round Subscription Agreement”	a subscription agreement dated October 26, 2011 entered into between the Company, East Rain, KKR Auto, Cheerful Autumn, Rue Feng, Mr. Yang Peng and Ms. Cao Weijing, pursuant to which, among other things, (i) KKR Auto subscribed for 111,111,111 Shares at the aggregate subscription price of US\$25 million; and (ii) East Rain transferred 22,222,222 Shares to KKR Auto at a consideration of US\$5 million
“Fourth-tier Cities”	all cities in China at or above the prefecture-level other than First-, Second- and Third-tier Cities

## DEFINITIONS

“Fresca International”	Fresca International Ltd., a company incorporated under the laws of the BVI with limited liability on September 14, 2010, and a wholly-owned subsidiary of our Company
“GDP”	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real, as opposed to nominal, rates of GDP growth)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Gen-kun”	Hong Kong Gen-kun Investment Co., Limited, a company incorporated in Hong Kong on July 25, 2011, and an indirect wholly-owned subsidiary of our Company
“Hong Kong Offer Shares”	the 26,862,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offering by the Company of initially 26,862,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited

## DEFINITIONS

“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated July 30, 2014 relating to the Hong Kong Public Offering and entered into by, among others, our Company, Rue Feng, Cheerful Autumn, Rundong Fortune, Mr. Yang Peng, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting—Underwriting Arrangements and Expenses” in this prospectus
“HSBC Trustee”	HSBC International Trustee Limited, a company incorporated under the laws of BVI on November 19, 1985, being the Family Trust Trustee
“Huai’an Baojing”	Huai’an Baojing Automobile Sales and Services Company Limited* (淮安寶景汽車銷售服務有限公司), a company incorporated in the PRC on January 20, 2010 and an indirect wholly-owned subsidiary of our Company
“Huai’an Baotielong”	Huai’an Baotielong Automobile Sales and Services Company Limited* (淮安寶鐵龍汽車銷售有限公司), a company incorporated in the PRC on February 25, 2011 and an indirect wholly-owned subsidiary of our Company
“Huai’an Kaifa”	Huai’an Development Holding Company Limited* (淮安開發控股有限公司), a company incorporated in the PRC on April 22, 2005 and an Independent Third Party
“Huai’an Runbaohang”	Huai’an Runbaohang Automobile Services Company Limited* (淮安潤寶行汽車服務有限公司), a company incorporated in the PRC on July 11, 2013 and an indirect wholly-owned subsidiary of our company
“Huai’an Rundong Huifeng”	Huai’an Rundong Huifeng Automobile Sales and Services Company Limited* (淮安潤東滙豐汽車銷售服務有限公司), a company incorporated in the PRC on September 24, 2007 and an indirect wholly-owned subsidiary of our Company

\* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purpose only



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“Huai’an Rundong Renheng”	Huai’an Rundong Renheng Automobile Sales and Services Company Limited* (淮安潤東仁恒汽車銷售服務有限公司), a company incorporated in the PRC on March 29, 2007 and an indirect wholly-owned subsidiary of our Company
“Huai’an Rundong Shidai”	Huai’an Rundong Shidai Automobile Sales and Services Company Limited* (淮安潤東時代汽車銷售服務有限公司), a company incorporated in the PRC on August 1, 2005 and an indirect wholly-owned subsidiary of our Company
“Huai’an Rundong Zhifu”	Huai’an Rundong Zhifu Automobile Sales and Services Company Limited* (淮安潤東之福汽車銷售服務有限公司), a company incorporated in the PRC on April 6, 2006 and an indirect wholly-owned subsidiary of our Company
“Huiyu Rongzi”	Rundong Huiyu (Shanghai) Financing and Leasing Company Limited* (潤東匯譽(上海)融資租賃有限責任公司), a company incorporated in the PRC on September 30, 2013 and an indirect wholly-owned subsidiary of our Company
“Huzhou Baojing”	Huzhou Baojing Automobile Sales and Services Company Limited* (湖州寶景汽車銷售服務有限公司), a company incorporated in the PRC on May 26, 2010 and an indirect wholly-owned subsidiary of our Company
“Huzhou Rundong”	Huzhou Rundong Automobile Sales and Services Company Limited* (湖州潤東汽車銷售服務有限公司), a company incorporated in the PRC on May 18, 2011 and an indirect wholly-owned subsidiary of our Company
“Huzhou Runzhiyi”	Huzhou Runzhiyi Automobile Sales and Services Company Limited* (湖州潤之翼汽車銷售服務有限公司), a company incorporated in the PRC on June 9, 2011 and an indirect wholly owned subsidiary of our Company
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

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“International Offer Shares”	the 241,757,000 Shares being initially offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around August 5, 2014 by, among others, the Joint Global Coordinators, the Joint Bookrunners, the International Underwriters, Rue Feng, Cheerful Autumn, Rundong Fortune, Mr. Yang Peng, Runda and the Company in respect of the International Offering, as further described in the section headed “Underwriting—the International Offering” in this prospectus
“Jialun Insurance”	Linyi Jialun Automobile Insurance Brokerage Co., Ltd.* (臨沂佳輪汽車保險代理有限公司), a company incorporated in the PRC on May 23, 2012 and an indirect wholly-owned subsidiary of our Company
“Jiangsu Bank”	Jiangsu Bank Company Limited* (江蘇銀行股份有限公司), a company incorporated in the PRC on January 22, 2007 and is 0.11% owned by Rundong Group
“Jiangsu Qirun”	Jiangsu Qirun Investment Company Limited* (江蘇啟潤投資有限公司), a company incorporated in the PRC on December 28, 2011, an Independent Third Party and a transferee of the Disposed Companies
“Jinan Runzhiyi”	Jinan Runzhiyi Automobile Sales and Services Company Limited* (濟南潤之意汽車銷售服務有限公司), a company incorporated in the PRC on July 23, 2013 and an indirect wholly-owned subsidiary of our Company

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“Joint Bookrunners”	CCB International Capital Limited, Haitong International Securities Company Limited, Merrill Lynch International and Morgan Stanley Asia Limited ( <i>in alphabetical order</i> )
“Joint Global Coordinators”	Merrill Lynch International and Morgan Stanley Asia Limited ( <i>in alphabetical order</i> )
“Joint Lead Managers”	CCB International Capital Limited, Haitong International Securities Company Limited, Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering) and Morgan Stanley Asia Limited ( <i>in alphabetical order</i> )
“Joint Sponsors”	Merrill Lynch Far East Limited and Morgan Stanley Asia Limited ( <i>in alphabetical order</i> )
“KKR Auto”	KKR China Auto Retail Holding Ltd II, a company incorporated in the Cayman Islands on September 14, 2010 as an exempted company and a Controlling Shareholder
“Latest Practicable Date”	July 22, 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Lianyungang Fengtian”	Lianyungang Tianlan Fengtian Automobile Sales and Services Company Limited* (連雲港天瀾豐田汽車銷售服務有限公司), a company incorporated in the PRC on April 25, 2006, an indirect subsidiary of our Company and is 70% owned by Rundong Group and 30% owned by Lianyungang Tianlan
“Lianyungang Gangya”	Lianyungang Gangya Trading Company Limited* (連雲港市港亞貿易有限公司), a company incorporated in the PRC on June 29, 2012 and an Independent Third Party
“Lianyungang Rundong”	Lianyungang Rundong Tianyu Automobile Sales and Services Company Limited* (連雲港潤東天裕汽車銷售服務有限公司), a company incorporated in the PRC on January 10, 2008 and an indirect wholly-owned subsidiary of our Company
“Lianyungang Runhe”	Lianyungang Runhe Automobile Sales Company Limited* (連雲港潤合汽車銷售有限公司), a company incorporated in the PRC on August 10, 2012 and an indirect wholly-owned subsidiary of our Company
“Lianyungang Runjie”	Lianyungang Runjie Automobile Sales Company Limited* (連雲港潤捷汽車銷售有限公司), a company incorporated in the PRC on April 25, 2013 and an indirect wholly-owned subsidiary of our Company

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“Lianyungang Tianlan”	Lianyungang Tianlan Automobile Sales and Services Company Limited* (連雲港天瀾汽車銷售服務有限公司), a company incorporated in the PRC on July 1, 2004, an indirect subsidiary of our Company and is 87% owned by Rundong Group and 13% owned by Lianyungang Ganya, an Independent Third Party
“Lianyungang Zhibao”	Lianyungang Zhibao Automobile Sales and Services Company Limited* (連雲港之寶汽車銷售服務有限公司), a company incorporated in the PRC on April 22, 2009 and an indirect wholly-owned subsidiary of our Company
“Linyi Aofeng”	Linyi Aofeng Automobile Sales and Services Company Limited* (臨沂奧豐汽車銷售服務有限公司), a company incorporated in the PRC on May 18, 2011 and an indirect wholly-owned subsidiary of our Company
“Linyi Baojing”	Linyi Baojing Automobile Sales and Services Company Limited* (臨沂寶景汽車銷售服務有限公司), a company incorporated in the PRC on April 14, 2011 and an indirect wholly-owned subsidiary of our Company
“Linyi Jialun”	Linyi Jialun Automobile Sales and Services Company Limited* (臨沂佳輪汽車銷售服務有限公司), a company incorporated in the PRC on October 25, 1989 and an Independent Third Party
“Linyi Jinhua”	Linyi Jinhua Automobile Sales and Services Company Limited* (臨沂金華汽車銷售服務有限公司), a company incorporated in the PRC on November 29, 2002 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around August 12, 2014, on which the Shares are listed and from which dealings therein are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	a loan agreement dated November 5, 2011 entered into between Spring Oasis Cayman and Rundong Group pursuant to which Spring Oasis Cayman provided a loan of RMB153,330,000 to Rundong Group

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“Loan Exchange Agreement”	a loan exchange agreement (債權轉股權協議) dated March 1, 2012 entered into between Rundong Group, Spring Oasis Cayman, Spring Oasis Hong Kong and Schnell Holding, pursuant to which, among other things, Schnell Oasis Cayman acquired 44.83% equity interests in Rundong Group
“LOI”	letter of intent
“Ma’anshan Baojing”	Ma’anshan City Baojing Automobile Sales and Services Company Limited* (馬鞍山市寶景汽車銷售服務有限公司), formerly known as Ma’anshan Baojing Automobile Sales and Services Company Limited* (馬鞍山寶景汽車銷售服務有限公司) and Ma’anshan Baojing Automobile Services Company Limited* (馬鞍山寶景汽車服務有限公司), a company incorporated in the PRC on December 10, 2010 and an indirect wholly-owned subsidiary of our Company
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company which will become effective upon the Listing Date, as amended from time to time
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Cao”	Mr. Cao Qingcheng (曹慶成), the father-in-law of Mr. Yang Peng
“Mr. Yang Peng”	Mr. Yang Peng (楊鵬), the Chairman, executive Director and president of our Group, and also one of our Controlling Shareholders
“Ms. Cao Weijing”	Ms. Cao Weijing (曹維靜), the wife of Mr. Yang Peng
“Nanjing Baojing”	Nanjing Baojing Automobile Sales and Services Company Limited* (南京寶景汽車銷售服務有限公司), a company incorporated in the PRC on May 25, 2012 and an indirect wholly-owned subsidiary of our Company
“Nanjing Runzhiyi”	Nanjing Runzhiyi Automobile Sales and Services Company Limited* (南京潤之意汽車銷售服務有限公司), a company incorporated in the PRC on March 4, 2014 and an indirect wholly-owned subsidiary of our Company

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“Nantong Runbaohang”	Nantong Runbaohang Automobile Sales and Services Company Limited* (南通潤寶行汽車銷售服務有限公司), a company incorporated in the PRC on June 28, 2010 and an indirect wholly-owned subsidiary of our Company
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“Non-PRC Resident Enterprise”	as defined under the current PRC income tax laws, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Onshore Fourth Round Investment”	the transactions contemplated by each of the Loan Agreement and the Loan Exchange Agreement
“Onshore Second Round Investment”	the transactions contemplated by each of the Second Round Rundong Subscription Agreement and the Second Round Rundong Transfer Agreement
“Onshore Third Round Investment”	the transactions contemplated by each of the Third Round Rundong Subscription Agreement and the Third Round Rundong Transfer Agreement
“Other Disposals”	the disposals of two companies in the PRC by our Group during the Track Record Period, the details of which are set out in the section headed “History and Reorganization—Other Disposals” in this prospectus

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“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 40,292,000 additional Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	People’s Bank of China (中國人民銀行)
“Pizhou Rundong Kailong”	Pizhou Rundong Kailong Automobile Sales and Services Company Limited* (邳州潤東開隆汽車銷售服務有限公司), a company incorporated in the PRC on August 4, 2010 and a Disposed Company under the Disposal 2012
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“Predecessor Companies Ordinance”	the Companies Ordinance, former Chapter 32 of the Laws of Hong Kong, as in force from time to time before March 3, 2014
“Pre-IPO Investment”	the First Round Investment, Second Round Investment, Onshore Second Round Investment, Third Round Investment, Onshore Third Round Investment, Fourth Round Investment and Onshore Fourth Round Investment, further details of which are set out in the section headed “History and Reorganization—Pre-IPO Investment” in this prospectus
“Pre-IPO Investment Agreements”	the First Round Investment Agreements, Second Round Subscription Agreement, Third Round Subscription Agreement and Fourth Round Subscription Agreement, collectively
“Pre-IPO Scheme Options”	the options granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the employee pre-IPO incentive scheme adopted by the Company for the benefit of its employees, a summary of the principal terms of which is set forth in “Appendix IV—Statutory and General Information—D. Share Options Schemes—1. Pre-IPO Share Option Scheme” to this prospectus
“Presto Auto”	Presto Auto International Ltd., a company incorporated in the BVI as a limited liability company on September 14, 2010 and a wholly-owned subsidiary of our Company

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“Price Determination Date”	the date, expected to be on or about August 5, 2014 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and we may agree, but in any event no later than August 8, 2014
“Principal Share Registrar”	Maples Fund Services (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Protector”	the protector of the Family Trust, and as of the Latest Practicable Date, being Mr. Yang Peng
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Qingdao Baojing”	Qingdao Baojing Automobile Sales and Services Company Limited* (青島寶景汽車銷售服務有限公司), a company incorporated in the PRC on September 16, 2011 and an indirect wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “History and Reorganization—Reorganization” in this prospectus
“Rizhao Baojing”	Rizhao Baojing Automobile Sales and Services Company Limited* (日照寶景汽車銷售服務有限公司), a company incorporated in the PRC on March 12, 2012 and an indirect wholly-owned subsidiary of our Group
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rue Feng”	Rue Feng Holdings Limited, a company incorporated in the BVI as a limited liability company on March 2, 2011, and a wholly-owned subsidiary of the Family Trust Trustee and a Controlling Shareholder
“Rule 144A”	Rule 144A under the U.S. Securities Act
“Runda”	Runda (PTC) Limited, a private trust company incorporated under the laws of the BVI on May 13, 2011, a wholly-owned subsidiary of our Company and the trustee of the Employee Pre-IPO Trust



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“Rundong Fortune”	Rundong Fortune Investment Limited, a company incorporated in the BVI as a limited liability company on November 18, 2013, a wholly-owned subsidiary of Cheerful Autumn and a Controlling Shareholder
“Rundong Group”	Rundong Automobile Group Co. Ltd.* (潤東汽車集團有限公司), formerly known as Xuzhou City Dongchen Industrial Company Limited* (徐州市東辰實業有限公司), Xuzhou Dongchen Industrial Development Company Limited* (徐州東辰實業發展有限公司) and Xuzhou Rundong Industrial Group Company Limited* (徐州潤東實業集團有限公司), a company incorporated in the PRC on March 3, 1998 and an indirect wholly-owned subsidiary of our Company
“Rundong Holding”	China Rundong Auto Holding Ltd., a company incorporated in the Cayman Islands on September 14, 2010 and a sole shareholder of the Company prior to the Reorganization and before Listing
“Rundong Smart”	Rundong Smart Investment Limited, a company incorporated in the BVI on November 18, 2013 as a limited liability company and a wholly-owned subsidiary of Rundong Wisdom
“Rundong Subscription Agreement”	an equity subscription agreement dated September 25, 2010 entered into between Rundong Group, Spring Oasis Hong Kong, Mr. Yang Peng and Mr. Yang Shouming, pursuant to which, among other things, Spring Oasis Hong Kong acquired 25% equity interests in Rundong Group
“Rundong Wisdom”	Rundong Wisdom (PTC) Limited, a company incorporated in the BVI on November 18, 2013 as a private trust company and the trustee of the Wisdom Trust
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the aggregate of 23,645,000 Shares being offered for sale by Runda under the International Offering
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“Schnell Holding”	Schnell Holding Ltd., a company incorporated in Hong Kong on October 29, 2010, and a wholly-owned subsidiary of our Company

## DEFINITIONS

“Schnell International”	Schnell International Ltd., a company incorporated in the BVI with limited liability on September 14, 2010, and a wholly-owned subsidiary of our Company
“Second Round Investment”	the transaction under the Second Round Subscription Agreement
“Second Round Rundong Subscription Agreement”	an equity subscription agreement dated December 30, 2010 entered into between Rundong Group, Mr. Yang Peng, Mr. Yang Shouming, Spring Oasis Hong Kong and Schnell Holding, pursuant to which, among other things, Spring Oasis Hong Kong and Schnell Holding further acquired 16% and 41.99% equity interests in Rundong Group, respectively
“Second Round Rundong Transfer Agreement”	an equity interest transfer agreement dated December 30, 2010 entered into between Mr. Yang Peng, Mr. Yang Shouming and Schnell Holding pursuant to which Schnell Holding acquired 20.8% equity interest in Rundong Group
“Second Round Subscription Agreement”	a subscription agreement dated December 28, 2010 entered into between the Company, East Rain, KKR Auto and Ms. Cao Weijing, pursuant to which, among other things, KKR Auto subscribed for one share in Rundong Holding at the aggregate subscription price of US\$19,677,470
“Second-tier Cities”	includes Tianjin, Hangzhou, Suzhou, Chengdu, Dongguan, Ningbo, Qingdao, Nanjing, Wuhan, Foshan, Wuxi, Kunming, Chongqing, Wenzhou, Zhengzhou, Shenyang, Xi’an, Jinan, Tangshan, Weifang, Shijiazhuang, Changsha, Dalian and Linyi
“Selling Shareholder”	Runda
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Baojing”	Shanghai Baojing Automobile Sales and Services Company Limited* (上海寶景汽車銷售服務有限公司), a company incorporated in the PRC on July 6, 2010 and an indirect wholly-owned subsidiary of our Company
“Shanghai Baojing Xingcheng”	Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited* (上海寶景星誠汽車銷售服務有限公司), a company incorporated in the PRC on November 26, 2010 and an indirect wholly-owned subsidiary of our Company

## DEFINITIONS

“Shanghai Baojing Yuejie”	Shanghai Baojing Yuejie Automobile Services Limited* (上海寶景悅捷汽車服務有限公司), a company incorporated in the PRC on December 13, 2011 and an indirect wholly-owned subsidiary of our Company
“Shanghai Huijing”	Shanghai Huijing Automobile Accessories Company Limited* (上海匯景汽車用品有限公司), a company incorporated in the PRC on September 18, 2007, an Independent Third Party and a transferee of the Disposed Companies
“Shanghai Jierun”	Shanghai Jierun Automobile Sales and Services Limited* (上海捷潤汽車銷售服務有限公司), a company incorporated in the PRC on September 19, 2011 and an indirect wholly-owned subsidiary of our Company
“Shanghai Jingbao”	Shanghai Jingbao Automobile Services Company Limited* (上海景寶汽車服務有限公司), a company incorporated in the PRC on May 12, 2014 and an indirect wholly-owned subsidiary of our Company
“Shanghai Weichen”	Shanghai Weichen Industry Company Limited* (上海維辰實業有限公司), formerly known as Shanghai Weichen Investment Management Company Limited* (上海維辰投資管理有限公司), a company incorporated in the PRC on September 6, 2010 and an Independent Third Party
“Share(s)”	ordinary shares in the capital of our Company with nominal value of US\$0.0000002 each as at the date of the prospectus before the Share Consolidation or nominal value of US\$0.0000005 each after the Share Consolidation
“Share Charge”	a deed of share charge dated December 28, 2010 by East Rain, as pledger, in favor of KKR Auto, as secured party, as amended and restated by an amended and restated deed of share charge dated October 26, 2011 by East Rain, as pledger, in favor of KKR Auto, as secured party
“Share Charge II”	a deed of share charge dated December 20, 2013 by Rundong Fortune and Rundong Smart, as pledgers, in favor of KKR Auto, as secured party
“Share Consolidation”	the consolidation of every ten existing issued and unissued shares of US\$0.0000002 each in the share capital of the Company into four shares of US\$0.0000005 each upon Listing, further details of which are described in “Appendix IV—Statutory and General Information—A. Further Information about our Group—3. Resolutions of our Shareholders” to this prospectus
“Shareholder(s)”	holder(s) of our Shares

## DEFINITIONS

“Shareholders’ Agreement”	a shareholders’ agreement in relation to Rundong Holding dated December 28, 2010 entered into between Rundong Holding, KKR Auto, East Rain and Ms. Cao Weijing as amended and restated by an amended and restated shareholders’ agreement dated October 26, 2011 entered into between Rundong Holding, KKR Auto, East Rain, Cheerful Autumn, Rue Feng, Mr. Yang Peng and Ms. Cao Weijing, as supplemented by a Deed of Adherence dated December 20, 2013 entered into between Rundong Holding and Rundong Fortune and a Deed of Adherence dated December 20, 2013 entered into between Rundong Holding and Rundong Smart, and as further supplemented by the Supplemental Shareholders’ Agreement
“Share Option Scheme”	the share option scheme adopted by the Company for the benefit of its employees, Directors, customers and suppliers of the Group, business or joint venture partners and certain advisors of our Group and their respective employees, a summary of the principal terms of which is set forth in “Appendix IV—Statutory and General Information—D. Share Options Schemes—2. Share Option Scheme” to this prospectus
“Share Transfer”	the effective transfer of 89,960,000 shares in Rundong Holding by East Rain (as the investment holding company of the Family Trust) to Rundong Smart (as the investment holding company of the Wisdom Trust), the details of which are set out in the section headed “History and Reorganization—Transfer of shares in Rundong Holding to the Wisdom Trust” in this prospectus
“Spring Oasis Cayman”	Spring Oasis Investments Holdings Limited, a company incorporated in the Cayman Islands on October 28, 2011, and an indirect wholly-owned subsidiary of our Company
“Spring Oasis Hong Kong”	Spring Oasis Investments Limited, a company incorporated in the Hong Kong on September 13, 2010, and an indirect wholly-owned subsidiary of our Company
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stay Success”	Stay Success Limited, a company incorporated in the Hong Kong on September 13, 2010, and an indirect wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“store”	3S dealership store, 4S dealership store, 5S dealership store, repair center, fast-lane repair center or showroom

## DEFINITIONS

“subsidiaries”	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Shareholders’ Agreement”	the supplemental agreement to the Shareholders’ Agreement dated April 9, 2014 entered into between KKR Auto, Rundong Fortune, Cheerful Autumn, Rue Feng, Rundong Smart, Rundong Wisdom, Mr. Yang Peng and Ms. Cao Weijing, the key operative provisions of which are to be effective upon the Underwriting Agreements becoming unconditional and effective
“Suqian Rundong”	Suqian Rundong Automobile Sales and Services Company Limited* (宿遷潤東汽車銷售服務有限公司), a company incorporated in the PRC on July 31, 2006 and an indirect wholly-owned subsidiary of our Company
“Suqian Runkai”	Suqian Runkai Automobile Sales and Services Company Limited* (宿遷潤凱汽車銷售服務有限公司), a company incorporated in the PRC on August 15, 2011 and an indirect wholly-owned subsidiary of our Company
“Suzhou Baojing”	Suzhou City Baojing Automobile Sales and Services Company Limited* (蘇州市寶景汽車銷售服務有限公司), a company incorporated in the PRC on November 24, 2011, an indirect subsidiary of our Company and is 80% owned by Rundong Group and 20% owned by Suzhou Qiwei Vision System Engineering Company Limited* (蘇州企威視覺系統工程有限公司), an Independent Third Party
“Suzhou Runbaohang”	Suzhou Runbaohang Automobile Services Company Limited* (蘇州潤寶行汽車服務有限公司), a company incorporated in the PRC on February 27, 2014 and an indirect wholly-owned subsidiary of our Company
“Taizhou Baojing”	Taizhou Baojing Automobile Sales and Services Company Limited* (泰州寶景汽車銷售服務有限公司), a company incorporated in the PRC on March 1, 2011 and an indirect wholly-owned subsidiary of our Company
“Third Round Investment”	the transaction contemplated by the Third Round Subscription Agreement

## DEFINITIONS

“Third Round Rundong Subscription Agreement”	an equity subscription agreement dated July 19, 2011 entered into between Rundong Group, Mr. Yang Peng, Spring Oasis Hong Kong and Schnell Holding, pursuant to which, among other things, Spring Oasis Hong Kong and Schnell Holding further subscribed for an additional 7.71% and 8.19% equity interests in Rundong Group, respectively
“Third Round Rundong Transfer Agreement”	an equity interest transfer agreement dated July 19, 2011 entered into between Mr. Yang Peng and Schnell Holding pursuant to which Schnell Holding acquired 10.71% equity interest in Rundong Group from Mr. Yang Peng
“Third Round Subscription Agreement”	a subscription agreement dated July 19, 2011 entered into between the Company, East Rain, KKR Auto and Ms. Cao Weijing, pursuant to which KKR Auto subscribed for 15,405 shares in Rundong Holding at the aggregate subscription price of US\$20 million
“Third-tier Cities”	includes Baoding, Jinhua, Taiyuan, Changchun, Yantai, Taizhou, Ha’erbin, Changzhou, Nantong, Shaoxing, Jiaxing, Quanzhou, Cangzhou, Fuzhou, Hefei, Zibo, Xiamen, Nanning, Handan, Guiyang, Jining, Xuzhou, Langfang, Ordos, Hohhot, Nanchang, Zhongshan, Dongying, Yulin, Dezhou, Binzhou, Huzhou, Luoyang, Weihai, Xingtai and Baotou
“Tongshanxian Credit”	Tongshanxian Nongcun Credit Cooperation Association* (銅山縣農村信用合作聯社), a company incorporated in the PRC and is 0.71% owned by Rundong Group
“Track Record Period”	the period comprising the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014
“Treasure Path”	Treasure Path Holdings Limited, a company incorporated in Hong Kong on September 13, 2010 and an indirect wholly-owned subsidiary of our Company
“True Worth”	True Worth Investments Limited, a company incorporated in Hong Kong on September 13, 2010 and an indirect wholly-owned subsidiary of our Company
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.K.”	the United Kingdom of Great Britain and Northern Ireland

## DEFINITIONS

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“Vivace Auto”	Vivace Auto International Ltd., a company incorporated in the BVI with limited liability on September 14, 2010 and a wholly-owned subsidiary of our Company
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wisdom Trust”	the Rundong Wisdom Trust set up by Rundong Wisdom by a declaration of trust dated December 2, 2013
“Xuzhou Baojing”	Xuzhou Baojing Automobile Sales and Services Company Limited* (徐州寶景汽車銷售服務有限公司), a company incorporated in the PRC on March 6, 2007 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Baojing Runbao”	Xuzhou Baojing Runbao Automobile Sales and Services Company Limited* (徐州寶景潤寶汽車銷售服務有限公司), a company incorporated in the PRC on April 12, 2011 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Dianrun”	Xuzhou Dianrun Advertising Company Limited* (徐州點潤廣告有限公司), a company incorporated in the PRC on January 5, 2011 and which is wholly-owned by the brother-in-law of Mr. Yang Peng
“Xuzhou Dongchen”	Xuzhou Dongchen Automobile Sales and Services Company Limited* (徐州東辰汽車銷售服務有限公司), a company incorporated in the PRC on September 13, 2002, an indirect subsidiary of our Company and is 70% owned by Rundong Group and 30% owned by Xuzhou Transport, an Independent Third Party

## DEFINITIONS

“Xuzhou Hezhong”	Xuzhou Hezhong Automobile Sales and Services Company Limited* (徐州合眾汽車銷售服務有限公司), a company incorporated in the PRC on January 28, 2011 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Huaihai Bank”	Xuzhou Huaihai Nongcun Commercial Bank Company Limited* (徐州淮海農村商業銀行股份有限公司), a company incorporated in the PRC on January 6, 2012 and is 2.55% owned by Xuzhou Baojing
“Xuzhou Huifeng”	Xuzhou Huifeng Lexus Automobile Sales and Services Company Limited* (徐州滙豐雷克薩斯汽車銷售服務有限公司), formerly known as Xuzhou Rundong Huifeng Automobile Sales and Services Company Limited* (徐州潤東滙豐汽車銷售服務有限公司), a company incorporated in the PRC on February 28, 2006 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Investment”	Xuzhou City Investment Company Limited* (徐州市投資總公司), a company incorporated in the PRC on January 5, 1988 and an Independent Third Party
“Xuzhou Jierun”	Xuzhou Jierun Automobile Sales and Services Company Limited* (徐州捷潤汽車銷售服務有限公司), a company incorporated in the PRC on July 27, 2011 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Lanrun”	Xuzhou Lanrun Automobile Services Company Limited* (徐州藍潤汽車服務有限公司), a company incorporated in the PRC on December 6, 2007 and disposed by our Group, the details of which are set out in the section headed “History and Reorganization—Other Disposals” in this prospectus
“Xuzhou Rongchuang”	Xuzhou Rongchuang Automobile Services Company Limited* (徐州融創車業服務有限公司), a company incorporated in the PRC on March 16, 2010 and an indirect wholly-owned subsidiary of our Group
“Xuzhou Rundong”	Xuzhou Rundong Automobile Sales Management Company Limited* (徐州潤東汽車營銷管理有限公司), a company incorporated in the PRC on June 20, 2003 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Rundong Guangben”	Xuzhou Rundong Automobile Trading Company Limited* (徐州潤東汽車貿易有限公司), a company incorporated in the PRC on July 13, 2001 and an indirect wholly-owned subsidiary of our Company



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“Xuzhou Rundong Haohua”	Xuzhou Rundong Haohua Automobile Trading Company Limited* (徐州潤東浩華汽車貿易有限公司), a company incorporated in the PRC on May 21, 2003 and a Disposed Company under the Disposals 2011
“Xuzhou Rundong Huijing”	Xuzhou Rundong Huijing Automobile Sales and Services Company Limited* (徐州潤東匯景汽車銷售服務有限公司), a company incorporated in the PRC on September 26, 2002 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Rundong Huitong”	Xuzhou Rundong Huitong Automobile Sales and Services Company Limited* (徐州潤東匯通汽車銷售服務有限公司), a company incorporated in the PRC on June 12, 2003, an indirect subsidiary of our Company and is 90% owned by Rundong Group and 10% owned by Xuzhou Transport, an Independent Third Party
“Xuzhou Rundong Jiahua”	Xuzhou Rundong Jiahua Automobile Sales and Services Company Limited* (徐州潤東嘉華汽車銷售服務有限公司), a company incorporated in the PRC on May 25, 2004 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Rundong Jiaoguang”	Xuzhou Rundong Jiaoguang Automobile Sales Management Company Limited* (徐州潤東交廣汽車營銷管理有限公司), a company incorporated in the PRC on June 10, 2008 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Rundong Jiaoguang Subscription Agreement”	an equity subscription agreement dated October 8, 2010 entered into between Xuzhou Rundong Jiaoguang, Rundong Group and Treasure Path pursuant to which Treasure Path acquired 51% equity interests in Xuzhou Rundong Jiaoguang
“Xuzhou Rundong Pre-owned Auto”	Xuzhou Rundong Pre-owned Automobiles Trading Company Limited* (徐州潤東二手車交易市場有限公司), a company incorporated in the PRC on June 19, 2009 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Rundong Ruijing”	Xuzhou Rundong Ruijing Automobile Sales and Services Company Limited* (徐州潤東瑞景汽車銷售服務有限公司), a company incorporated in the PRC on November 24, 2004 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Rundong Subscription Agreement”	an equity subscription agreement dated October 9, 2010 entered into between Xuzhou Rundong, Rundong Group and Stay Success pursuant to which Stay Success subscribed for 51.5% equity interests in Xuzhou Rundong

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“Xuzhou Rundong Yifeng”	Xuzhou Rundong Fengtian Automobile Sales and Services Company Limited* (徐州潤東豐田汽車銷售服務有限公司), a company incorporated in the PRC on April 14, 2006, an indirect subsidiary of our Company and is 70% owned by Rundong Group and 30% owned by Shanghai Suqi Industrial Company Limited* (上海蘇企實業有限公司), an Independent Third Party
“Xuzhou Rundong Zhicheng”	Xuzhou Rundong Zhicheng Automobile Sales and Services Company Limited* (徐州潤東致成汽車銷售服務有限公司), a company incorporated in the PRC on February 25, 2004 and a Disposed Company under the Disposals 2011
“Xuzhou Rundong Zhifeng”	Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited* (徐州潤東之風汽車銷售服務有限公司), a company incorporated in the PRC on July 1, 2005, an indirect subsidiary of our Company and is 51% owned by Rundong Group, 25% owned by Xuzhou Furunda Investment and Management Services Company Limited* (徐州福潤達投資管理服務有限公司), an Independent Third Party, 10% owned by Xuzhou Ruihesheng Trading Company Limited* (徐州瑞禾盛商貿有限公司), an Independent Third Party, 9% owned by Xuzhou Qingwei Automobile Services Company Limited* (徐州慶偉汽車服務有限公司), an Independent Third Party, and 5% owned by Xuzhou Fupengshun Trading Company Limited* (徐州福鵬舜商貿有限公司), an Independent Third Party
“Xuzhou Rundong Zhitian”	Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited* (徐州潤東之田汽車銷售服務有限公司), a company incorporated in the PRC on December 4, 2005, an indirect subsidiary of our Company and is 70% owned by Rundong Group and 30% owned by Nanjing Xuanda Investment and Management Company Limited* (南京軒達投資管理有限公司), an Independent Third Party
“Xuzhou Rundong Zhouji”	Xuzhou Rundong Zhouji Automobile Sales and Services Company Limited* (徐州潤東洲際汽車銷售服務有限公司), a company incorporated in the PRC on March 29, 2004 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Runtong”	Xuzhou Runtong Automobile Safety Inspection Company Limited* (徐州潤通機動車檢測有限公司), a company incorporated in the PRC on August 23, 2010 and disposed by our Group, the details of which are set out in the section headed “History and Reorganization—Other Disposals” in this prospectus

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“Xuzhou Runzhiyi”	Xuzhou Runzhiyi Automobile Sales and Services Company Limited* (徐州潤之意汽車銷售服務有限公司), a company incorporated in the PRC on June 26, 2013 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Transport”	Xuzhou City Vehicle Transport Company Limited* (徐州市汽車運輸有限公司), a company incorporated in the PRC on March 14, 2001 and an Independent Third Party which is interested in 30% of the equity interest in Xuzhou Dongchen and 10% of the equity interest in Xuzhou Rundong Huitong
“Xuzhou Yuemei”	Xuzhou Yuemei Automobile Sales Management Company Limited* (徐州悅美汽車營銷管理有限公司), a company incorporated in the PRC on September 20, 2010 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Yuemei Transfer Agreement”	an equity interest transfer agreement dated October 12, 2010 entered into between Xuzhou Yuemei, Rundong Group, Xuzhou Rundong and True Worth pursuant to which True Worth acquired 51.5% equity interests in Xuzhou Yuemei
“Yancheng Baojing”	Yancheng Baojing Automobile Sales and Services Company Limited* (鹽城寶景汽車銷售服務有限公司), a company incorporated in the PRC on August 1, 2012 and an indirect wholly-owned subsidiary of our Company
“Yangyang Maofang”	Jiangsu Yangyang Worsted Spinning Weaving and Dyeing Group Company Limited* (江蘇陽羊毛紡織染集團有限公司), a company incorporated in the PRC on July 29, 1996 and one of the founding shareholders of Rundong Group
“Yantai Runjie”	Yantai Runjie Automobile Sales and Services Company Limited* (煙臺潤捷汽車銷售服務有限公司), a company incorporated in the PRC on September 16, 2011 and an indirect wholly-owned subsidiary of our Company
“Zaozhuang Aowei”	Zaozhuang Aowei Automobile Sales and Services Company Limited* (棗莊奧威汽車銷售服務有限公司), a company incorporated in the PRC on May 5, 2008 and an indirect wholly-owned subsidiary of our Company
“Zaozhuang Baojing”	Zaozhuang Baojing Automobile Sales and Services Company Limited* (棗莊寶景汽車銷售服務有限公司), a company incorporated in the PRC on April 14, 2011 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

## **DEFINITIONS**

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

## FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- our business prospects and the performance of our new and planned dealership stores;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business goals and our strategies to achieve these goals, including our ability to establish or acquire additional stores;
- the actions and developments of our automobile manufacturer partners and our competitors;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the scale and nature of, and potential for, future developments of our business and expansion of our network through organic growth and selective acquisitions;
- capital market developments and the availability of financing to us; and
- change or volatility in interest rates, inflation rate in China, foreign exchange rates, sales volumes, margins and overall market trends.

## **FORWARD-LOOKING STATEMENTS**

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

## RISK FACTORS

*You should carefully consider all the information in this prospectus, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in our Shares. The risk factors relating to our business, industry and the PRC may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial condition, results of operations and cash flows could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks 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 stores.**

Our rights to operate automobile manufacturer-authorized dealership and other stores, our supply of automobiles, spare parts and accessories, the location and relocation of our store premises, and other critical aspects of our business and operations, such as our inventory levels and marketing initiatives, are governed by our dealership authorization agreements with the automobile manufacturers. Our dealership authorization agreements are non-exclusive and generally have initial terms of one to three years with the option of renewal. The automobile manufacturers have the rights to terminate our dealership authorization agreements for reasons specified in the dealership authorization agreements, including without limitation, failure to abide by the agreements, unapproved business relationships with other automobile manufacturers, unapproved changes to our ownership or management structure and potential title defects in our store premises. Under a vast majority of the dealership authorization agreements with the automobile manufacturers, which effectively contributed approximately 99% of our Group's revenue during the Track Record Period, we are generally required to obtain the relevant automobile manufacturer's consent for (i) any direct change in shareholder(s) at the level of our subsidiaries authorized to operate the automobile dealership stores (the "**Relevant Subsidiaries**") (as in the case of Audi, Lexus, Ferrari and Maserati) rather than change in Shareholder(s) at the level of our Company; (ii) any direct or indirect change in shareholder(s) of our Relevant Subsidiaries (as in the case of BMW, Cadillac, Buick and Chevrolet) and, in the case of BMW, the automobile manufacturer could refuse to grant such consent only if such change would prejudice the ability of our Relevant Subsidiaries to perform the relevant dealership authorization agreements (the "**Type 2 Changes**"); or (iii) a direct change in shareholder(s) at the level of our Relevant Subsidiaries (rather than change in Shareholder(s) at the level of our Company) or an effective change in control of our Relevant Subsidiaries (as in the case of Jaguar, Land Rover, Shanghai Volkswagen and Dongfeng Honda) (the "**Type 3 Changes**"). In the case of an exercise of the valuation adjustment rights by KKR Auto under the Supplemental Shareholders' Agreement set out in the section headed "History and Reorganization—Pre-IPO Investment" of this prospectus, Rundong Fortune and Rundong Smart could be required to transfer a significant number of Shares to KKR Auto and the shareholding structure of our Group could change. As a result of such a transfer, our Group would be required to seek the approval of the relevant automobile manufacturers for such change in accordance with the terms of the relevant dealership authorization agreements that impose such approval requirement for Type 2 Changes or (if such a transfer involve a change in control of our Company) Type 3 Changes, and failure to obtain such approval could constitute a breach of these agreements and trigger the relevant automobile manufacturers' rights to terminate the agreements, unless waivers are granted by the relevant automobile manufacturers. Our Group has obtained the automobile manufacturers' consents to the Listing and, effectively, the trading of Shares by the public after Listing and the associated changes

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(including Type 2 Changes) in the shareholding structure of the Company. While we were able to renew all of our dealership authorization agreements historically, we cannot assure you that our dealership authorization agreements will be renewed on a timely basis, on commercially acceptable terms, or at all. As of the Latest Practicable Date, we have renewed the dealership authorization agreements for all of our automobile dealership stores. Moreover, an automobile manufacturer may decide to limit the number of new automobile dealership or other stores it allows us to open in the future for reasons unrelated to us, such as a change in its business strategy. While we have obtained authorizations or non-binding LOIs from automobile manufacturers to establish certain new stores, we cannot guarantee that we will be able to enter into definitive dealership authorization agreements with the automobile manufacturers after we complete construction of those stores. If any automobile manufacturer decides not to renew its dealership authorization agreement with us, does not enter into definitive dealership authorization agreements with us for our new stores after we complete their construction, or otherwise reduces or terminates its business dealings with us, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

**We are subject to restrictions imposed by the automobile manufacturers, and we rely on their cooperation in various aspects of our operations.**

Our business and operations are subject to restrictions imposed by our dealership authorization agreements with the automobile manufacturers, such as limitations on where we can conduct our sales and services, prohibition on us from selling automobiles to persons who intend to resell them, prohibition on authorized stores from selling products of or providing services for competing brands, minimum inventory requirement, pricing guidelines for our automobile sales and after-sales services, and store size and layout. Any increase in the level of restrictions or their enforcement by the automobile manufacturers on our business and operations may limit our ability to timely respond to changes in market conditions or to appropriately implement our business strategies, which could adversely affect our business and results of operations. In addition, we depend on the cooperation of the automobile manufacturers in different aspects of our operations. As a result, if our relationship with any automobile manufacturer were to deteriorate, our business, financial position, results of operations and growth prospects could be materially and adversely affected.

*Incentive rebates.* We receive incentive rebates from automobile manufacturers when we meet certain performance criteria set by them and the rebates affect our profitability. In 2011, 2012, 2013 and the three months ended March 31, 2014, we recorded rebates of approximately RMB344.4 million, RMB780.6 million, RMB936.5 million and RMB289.5 million, respectively from the automobile manufacturers, accounting for 75.4%, 122.8%, 93.4% and 77.3%, respectively, of our gross profit for these same periods. If any automobile manufacturer reduces the amount of incentive rebates to us or imposes more onerous conditions for us to receive the incentive rebates, our profit and results of operations may be materially and adversely affected.

*Product pricing.* We rely on automobile manufacturers to adopt successful pricing policies that allow us to compete effectively for customers while maintaining profitability. If the automobile manufacturers raise the prices of their products, customer demand for, and our sales of, those products may be negatively affected. If they reduce the guide prices of their products without adequately subsidizing us, our profitability will be negatively affected. If we do not comply with the automobile manufacturers' pricing guidelines, our relationship with them could be adversely affected.



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*Supply of automobiles and spare parts.* We rely exclusively on the automobile manufacturers for the supply of their branded automobiles and spare parts. Any event or development that adversely affects their ability to manufacture or deliver their products to us in a timely manner, such as component shortages, labor unrest or natural disasters, may have a material adverse effect on us. We also rely on the automobile manufacturers to successfully predict and quickly respond to changing market conditions and customers' consumption patterns. If any automobile model launched by an automobile manufacturer is not well received by the market or declines in popularity over time, our sales of that model and, as a result, our results of operations could be adversely affected.

*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 the customers. As a result, adverse changes in the term or coverage of these warranties may reduce the demand for our after-sales services from the customers. We also rely on automobile manufacturers to provide training to our store managers, customer service and sales personnel, and particularly training to our technicians to familiarize them with the features of, and repair and maintenance procedures for, the automobile models we sell. We cannot assure you that we will be able to maintain a 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.

*Sales and marketing.* We rely on the cooperation of the automobile manufacturers for various aspects of our sales and marketing efforts. Automobile sales at our automobile dealership stores are affected by the automobile manufacturers' marketing efforts designed to capture customers' changing preferences and to increase customer demand, such as sales and marketing events jointly organized by the automobile manufacturers and us, as well as the automobile manufacturers' offering of discounts, complimentary products or services or extended warranties granted to customers through us. Our automobile sales are also indirectly affected by the automobile manufacturers' marketing efforts to enhance their brand recognition and image in the PRC. Any decrease in the scale or effectiveness of these marketing efforts by the automobile manufacturers may adversely affect our automobile sales and after-sales services and adversely affect our business, financial condition, results of operations and growth prospects.

### **We derive a significant portion of our revenue from sales of automobiles of a few major luxury brands.**

We derive a significant portion of our revenue from sales of a few major luxury automobile brands, particularly BMW, MINI, Land Rover and Jaguar. For example, in 2011, 2012, 2013 and the three months ended March 31, 2014, revenue derived from sales of BMW and MINI automobiles accounted for 27.9%, 51.4%, 51.5% and 48.9% of our revenue from automobile sales, respectively. In 2012, 2013 and the three months ended March 31, 2014, revenue derived from sales of Land Rover and Jaguar automobiles accounted for 13.5%, 13.4% and 14.8% of our revenue from automobile sales, respectively. Moreover, in 2011, 2012, 2013 and the three months ended March 31, 2014, sales of automobiles of our top five suppliers accounted for 71.2%, 82.5%, 78.8% and 79.1% of our revenue from automobile sales, respectively. While our business relationship with BMW has lasted for approximately seven years and our sales of Land Rover and Jaguar automobiles have grown rapidly recently, there can be no assurance that we will continue to maintain our relationships with these automobile manufacturers in the future. If any of our major suppliers decides to terminate, not to renew, or to limit or reduce its dealership arrangements with us, or to add or amend any terms or conditions in

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a way that would adversely affect us, or if there is any adverse change in the financial position of any of the major automobile manufacturers or its ability to design, manufacture or market new automobiles, or if any of the major brands becomes less attractive to customers due to automobile 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.

**All of our stores are located in Eastern China and we derive all of our revenue in this area.**

During the Track Record Period, all of our stores were located in Jiangsu and Shandong provinces, Shanghai, Zhejiang and Anhui provinces, all in Eastern China. In 2011, 2012 and 2013 and the three months ended March 31, 2014, we derived 95.9%, 59.4%, 62.3% and 59.1% of our revenue from automobile sales at our automobile dealership stores located in Jiangsu province, 0.1%, 25.1%, 20.3% and 18.3% from Shanghai, and 4.0%, 15.6%, 17.4% and 22.7% from Shandong, Zhejiang and Anhui provinces, respectively. We expect to continue to derive a substantial portion of our revenue from the economically developed coastal regions of Eastern China in the foreseeable future. As a result of the regional focus of our network, any negative event or development that affects Eastern China where we operate, such as the slowdown of regional economic growth, natural disasters, outbreaks of contagious diseases, changes in laws and regulations, may negatively affect the automobile dealership industry in this area, which in turn could materially and adversely affect our business, financial condition, results of operations and growth prospects.

**We recorded significant growth during the Track Record Period and may not sustain our growth rate.**

During the Track Record Period, we experienced significant growth, with our revenue increasing by 55.9% from RMB6,017.4 million in 2011 to RMB9,383.8 million in 2012, by 23.5% from 2012 to RMB11,587.8 million in 2013, and by 62.5% from RMB2,395.0 million in the three months ended March 31, 2013 to RMB3,891.3 million in the same period of 2014. In addition, our net profit increased by 0.9% from RMB90.4 million in 2011 to RMB91.2 million in 2012, by 172.3% from 2012 to RMB248.4 million in 2013, and by 243.7% from RMB29.2 million in the three months ended March 31, 2013 to RMB100.2 million in the same period of 2014. There can be no assurance that we will be able to sustain our growth rate 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 periods as an indication of our future operating performance. Should any of the risks in relation to our growth strategy materialize, we may not be able to take advantage of market opportunities, execute our business plans or appropriately respond to competitive pressures, and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

**We had net current liabilities as of December 31, 2012 and 2013 and as of March 31 and May 31, 2014.**

As of December 31, 2012 and 2013 and as of March 31 and May 31, 2014, we had net current liabilities of RMB3.8 million, RMB838.8 million, RMB1,054.8 million and RMB1,122.3 million, respectively. See “Financial Information—Liquidity and Capital Resources—Net Current Assets and Liabilities” for more information. We may record net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to resort to external funding. If adequate external funds are not

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available on commercially reasonable terms or at all, we may be forced to postpone or abandon our development and expansion plans. As such, our business, financial condition and results of operations may be materially and adversely affected.

### **We have recorded, and may continue to record, negative operating cash flows due to our rapid expansion.**

We experienced negative cash flows from operating activities in 2011 mainly due to increases in our inventory purchases to stock our new luxury automobile dealership stores and increases in our related prepayments to the automobile manufacturers. While we recorded positive cash flows from operating activities in 2012, 2013 and the three months ended March 31, 2014, we may record negative operating cash flows in the future due to (i) the fact that a significant portion, 21 out of our 43 automobile dealership stores, had been in operation for less than three years and 25 out of our 43 automobile dealership stores had been in operation for less than five years as of the Latest Practicable Date, which are still in the process of ramping up automobile sales and after-sales business, and (ii) our continued network expansion plans. As of the Latest Practicable Date, we had received authorizations or non-binding LOIs to establish another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao. All of these new stores will be dedicated to luxury and ultra-luxury brands. If we record negative operating cash flows in the future and fail to fund our working capital through external sources, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

### **Our business operations and financial performance could be materially and adversely affected by our indebtedness.**

During the Track Record Period, we relied on bank loans and other borrowings to support a substantial portion of our capital expenditures, and we expect to continue to do so in the future. We had total interest-bearing bank loans and other borrowings of RMB1,433.5 million, RMB3,163.3 million, RMB3,245.4 million and RMB3,638.1 million as of December 31, 2011, 2012 and 2013 and March 31, 2014, respectively. Our gearing ratio (defined as our total interest-bearing bank and other borrowings divided by our total equity as of the respective period end date and multiplied by 100%) for the same periods were 240.4%, 457.0%, 343.6% and 340.5%, respectively. See “Financial Information—Key Financial Ratios—Gearing Ratio” in this prospectus for more information.

Our high gearing ratio could adversely affect our business development and financial performance in various ways, including the following:

- increase our potential exposure to adverse overall industry environment or any increase in interest rates;
- restrict our flexibility to manage our cash flow, because a substantial percentage of our cash would have to be used to pay interest and the repayment of indebtedness;
- reduce our ability to obtain further external financing;
- increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential damage liability from automobile defects or expenses for upgrading technologies or equipment required for our after sales services; and

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- restrict our sales volume or our rate of expansion, since our marketing and sales budget may be limited as a result of the repayment of our indebtedness.

### **Our profitability may be affected by the mix of products and services we offer.**

Our principal businesses consist of automobile sales and after-sales and other services. During the Track Record Period, we recorded significantly higher gross profit margin for after-sales and other services than for automobile sales. In 2011, 2012, 2013 and the three months ended March 31, 2014, our gross profit margin for after-sales and other services was 35.9%, 32.6%, 41.0% and 44.1%, respectively, while our gross profit margin for automobile sales was 4.8%, 4.6%, 5.2% and 5.8%, respectively. As such, our overall gross profit margin may vary depending on changes in the gross profit margins of our automobile sales or of our after-sales and other services and changes in the relative revenue contributions of those businesses. We may not be able to grow our after-sales and other services at a rate equal to, or higher than, our automobile sales business. Accordingly, our gross profit margin may vary from or be lower than our expectations. We relied also significantly on commission income from our consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles during the Track Record Period. In 2011, 2012, 2013 and the three months ended March 31, 2014, our commission income from our consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles accounted for 54.3%, 126.3%, 62.0% and 48.6% of our profit, respectively. Our commission income may vary as our automobile sales business fluctuates, and we may not be able to continue to grow our automobile-related value-added services as we expect. As a result, our profitability may vary from period to period due to changes in the mix of products and services we offer during the relevant periods.

### **Implementing our growth strategy, including adjusting our brand portfolio and geographic coverage, may expose us to certain risks and uncertainties.**

Our growth strategy includes plans to maintain a well-balanced portfolio of market-leading brands and a strategic focus on luxury and ultra-luxury brands.

We cannot assure you that we will be able to add new market-leading brands to our portfolio or that our dealerships for those brands will succeed as we expect. This depends on various factors out of our control, such as whether the automobile manufacturers intend to expand into our target regions. In addition, we may conduct strategic transactions to optimize our brand portfolio, which may subject us to various risks, including misjudgment of the market potential for the relevant brands, lack of familiarity with the new market, and lack of established network or relationship with the automobile manufacturers or failure to maintain business relationships with the relevant automobile manufacturers.

In addition, there are significant uncertainties and risks associated with our expansion plan, including whether we will be able to:

- obtain sufficient funding for our expansion;
- obtain authorizations from the manufacturers to establish new stores or acquire existing third-party dealerships;

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- obtain necessary licenses, permits and approvals from relevant PRC government authorities on a timely basis;
- secure premises for new stores in desirable locations on acceptable terms;
- commence and ramp up the operations of new stores and improve the performance of acquired stores to achieve our targeted profitability within expected time frames;
- efficiently operate and control our network as we rapidly increase the number of stores;
- recruit, train and retain sufficient qualified personnel;
- generate sufficient revenue to cover our indebtedness, costs or contingent liabilities associated with our expansion; and
- re-evaluate and revise our expansion plans as needed.

Various factors beyond our control may also significantly influence the results of our growth strategy, including general economic and market conditions and changes to PRC laws and regulations, particularly for the automobile dealership industry, the regions where we operate, and the luxury and ultra-luxury automobile market that is the focus of our business. Should any or all of the uncertainties or risks in relation to our growth strategy occur, our business, financial condition, results of operations, cash flows and growth prospects may be materially and adversely affected.

### **We have not yet obtained valid titles or rights to use certain properties occupied by us.**

We operate our stores on properties that we either own or that we lease from third parties; there are title defects with certain portions of these properties. For our owned properties, these problems include the use of the property for purposes other than the land's designated use and the lack of proper title or building certificates. For our leased properties, these problems include one property on collectively owned land, one property to which the landlord did not have the land use right, properties that are not used for the property's designated use and one property for which the landlord failed to provide relevant title certificates. We refer to these properties collectively as the Property with Defective Titles. See "Business—Our Properties" in this prospectus for more information. In 2011, 2012, 2013 and the three months ended March 31, 2014, revenue generated from our operations on the Properties with Defective Titles was RMB1,814.7 million, RMB4,941.4 million, RMB5,746.2 million and RMB1,882.0 million, respectively, which accounted for 30.2%, 52.7%, 49.6% and 48.4% of our total revenue for the respective period. Our PRC counsel, Haiwen & Partners, has advised that we may be exposed to an aggregate penalty of approximately RMB20.9 million for the Properties with Defective Titles that we own.

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government or if the lease is otherwise not renewed by our landlords upon expiration, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. Based on information currently available to us, if

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we were required to relocate all our operations that are located on the Properties with Defective Titles, we estimate that the total relocation costs would be approximately RMB23.2 million. We believe that it generally takes two to three weeks for us to relocate an automobile dealership store. In addition, there is no assurance that we will not locate our stores on properties with title defects in the future. Furthermore, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

### **Our shareholding structure and senior management team are subject to change.**

Mr. Yang Peng, who is the founder of our Group and has been our chief executive officer since 1998, is our Chairman, executive Director and president. He is also the protector of the Family Trust under which Rundong Fortune holds Shares as a Controlling Shareholder. Mr. Yang Peng is, therefore, also a Controlling Shareholder.

As part of the terms of the Pre-IPO Investment and the Supplemental Shareholders' Agreement, KKR Auto was granted certain valuation adjustment rights such that if the Group is not able to meet certain financial performance targets based on the audited consolidated net income of the Company for the financial years up to 2016, KKR Auto is entitled to require Rundong Fortune and Rundong Smart to transfer a significant number of Shares to KKR Auto at no consideration (details of the terms of the valuation adjustment rights are set out in the section headed "History and Reorganization—Pre-IPO Investment" of this prospectus).

Pursuant to the Supplemental Shareholders' Agreement, the earliest time that KKR Auto could be entitled to exercise the valuation adjustment rights is after publication of the audited consolidated financial statements of the Company for the 2015 financial year. Subject to (i) the ability of the Group to meet the financial performance targets for the financial years of the Group up to 2016 as set out in the Supplemental Shareholders' Agreements; (ii) whether KKR would exercise the valuation adjustment rights; and (iii) the extent of any shortfall between the target and the actual financial performance of the Group for the relevant financial years, the exercise of the valuation adjustment rights by KKR Auto could lead to Rundong Fortune and Rundong Smart being required to transfer a number of Shares to KKR Auto such that Rundong Fortune would own less than 30% of the then total issued share capital of our Company after completion of such transfer. As a result and subject to any change in the share capital and/or shareholding structure of our Company in the interim period before completion of such a transfer, (A) Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng would then cease to be Controlling Shareholders and KKR Auto could become the sole Controlling Shareholder; and (B) our shareholding structure and senior management team could change after completion of such transfer. Please refer to the section headed "History and Reorganization—Pre-IPO Investment" of this prospectus for an illustration of the various levels of net profit of the Group for the 2015 or 2016 financial year that would lead to Rundong Fortune and Rundong Smart being required to transfer (i) an aggregate of all of their 520,000,000 Shares (after the Share Consolidation) to KKR Auto or (ii) such number of Shares to KKR Auto such that, after such a transfer, KKR Auto would hold 30% shareholding interests in the Company as a result of its exercise of the valuation adjustment rights under the Supplemental Shareholders' Agreement. Any such change in our senior management team could affect our ability to effectively manage our operations and this may in turn materially and adversely affect our business, financial condition, results of operations and growth prospects.

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**We may pursue acquisitions that could present unforeseen integration obstacles, costs, and regulatory or other risks and challenges and may not enhance our business as we expect.**

We have in the past pursued acquisitions aimed at expanding the scope and scale of our operations both geographically and otherwise, and may continue to explore suitable future acquisition targets. Acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

- inability to identify and secure suitable acquisition targets at appropriate prices in the face of competition from other dealership groups that may have greater financial and other resources than we do;
- inability to maintain the acquired entities' existing relationships with the automobile manufacturers, or to establish and maintain good business relationships with automobile manufacturers of brands newly added to our brand portfolio through acquisitions;
- failure to effectively integrate acquired entities into our existing network due to differences in strategic focus, geographic coverage, corporate culture or otherwise between us and the acquired entities, including challenges in integrating personnel and financial, information technology and other systems;
- loss of key employees or customers of, or difficulty in hiring additional qualified personnel for, the acquired entities;
- incorrect valuation of the acquired entities, or undiscovered or unanticipated liabilities related to the acquired entities;
- failure to realize anticipated benefits or synergies from an acquisition; and
- potential disruption of our ongoing business and a prolonged diversion of our management time and attention from our existing operations and the delay by our management to make important strategic decisions.

Our acquisition plans may also encounter regulatory difficulties under PRC laws and regulations. For example, our Company's status as a foreign enterprise makes it more complicated and time-consuming for us to acquire PRC companies under PRC law, particularly the M&A Rules. In addition, acquisitions of PRC companies could involve complex legal procedures such as anti-trust filings with the MOFCOM when certain revenue test is met.

Any failure by us to address the risks and challenges highlighted above may affect our ability to expand our business through acquisitions and enhance our competitiveness in China's automobile dealership industry, which could materially and adversely affect our business, financial position, results of operations, cash flows and growth prospects.

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### **Our business and financial performance depends on our ability to effectively manage our inventories.**

Our business and financial performance depends on our ability to maintain a reasonable level of inventories of automobiles, spare parts and accessories. In 2011, 2012, 2013 and the three months ended March 31, 2014, our inventory turnover days were 30.9 days, 36.8 days, 46.7 days and 40.4 days, respectively. Some of the automobile manufacturers require our automobile dealership stores to maintain a minimum level of inventories of automobiles, spare parts and accessories to respond to customer demands in a timely manner. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs, and may need to adopt more promotional activities, including offering discounts, to dispose of inventories, which could have an adverse impact on our financial condition and results of operations. If we understock inventory for any reason, we may not be able to satisfy demand of our customers, which may cause us to forgo revenue and adversely affect our reputation, relationship with the manufacturers and results of operations.

### **Product defects and automobile recalls could have a negative impact on our business.**

Automobile manufacturers conduct recalls from time to time to remedy defects or other problems with their products. See “Business—Our Services—After-Sales Services—Automobile Recalls” in this prospectus for more information. We have been advised by our PRC counsel, Haiwen & Partners, that, under PRC laws and regulations, we are generally not liable for any costs of the recalls and we are typically compensated by automobile manufacturers for the repair services undertaken by us in connection with the recalls. However, product defects and automobile recalls could have a material adverse effect on customers’ confidence in the quality and safety of the affected automobile brands. As a result, product defects and recalls may lead to the cancellation of orders placed by our customers and a decline in demand for particular automobile brands or models that we sell, which in turn may reduce our sales and result in a high level of inventories of the relevant automobile models, automobiles of the same brands and their spare parts. We may incur costs associated with holding excess inventories or reduce our selling price. We cannot assure you that there will be no future automobile recalls or product defects affecting the automobiles we sell, or that any of the recalls or product defects will not have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In addition, according to the 3R Provisions, the sellers are responsible for guaranteeing the repair, replacement and return of household automotive products (the “**Three Warranties**”), but are entitled to compensations from the automobile manufacturers or other suppliers if the defects in the products occurred within the valid period of the Three Warranties and are attributable to the automobile manufacturers or other suppliers. To the extent that the 3R Provisions lead to an increase in customer Three Warranties claims against us and these claims are not reimbursed by the relevant automobile manufacturers in a timely manner or at all, our business, financial condition, results of operations and growth prospects may be adversely affected. See “Regulations—Regulations Relating to the PRC Automobile Industry—Repair, Replacement and Return Liability” and “Business—Our Services—After-sales Services” in this prospectus for more information.



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**We may not be able to obtain adequate financing on acceptable terms on a timely basis, or at all, and we may issue securities that dilute your interests or limit our business.**

We require significant working capital to fund inventories of automobiles, spare parts and accessories. We also require significant capital to expand our automobile dealership network and maintain our existing stores and operations, including purchases of property, plant and equipment and land use rights. We incurred capital expenditures of RMB654.6 million, RMB743.3 million, RMB783.4 million and RMB418.5 million in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. We have generally relied on cash generated from our operations, bank loans and other external financing to fund our operations and expansion plans. There can be no assurance that the cash flows generated from our operations will be sufficient to fund our future capital needs. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control, including the global and PRC economic conditions, market conditions for the automobile dealership industry in China and in the regions where we operate, interest rates fluctuation and changes in applicable laws, rules and regulations. In particular, the Measures on the Management of Automobile Loans (汽車貸款管理辦法), which were jointly promulgated by the PBOC and the CBRC and effective from October 1, 2004, provide that in order to obtain financing from commercial banks and other financial institutions for the purchases of automobiles or spare parts, an automobile dealer's asset liability ratio, which equals its total indebtedness divided by its total assets, must not exceed 80%. See "Regulatory Overview—Regulations Relating to the PRC Automobile Industry—Automobile Loans" in this prospectus for more information. If we are unable to obtain external financing when required, in a timely manner, at a reasonable cost or on commercially reasonable terms, or at all, the implementation of our expansion plan may be delayed and our competitive position and growth prospects may be adversely affected. Furthermore, our finance costs could be significantly higher than the prevalent interest rates, which can adversely affect our liquidity and results of operations.

In addition, we may issue equity or debt securities to meet our future capital needs. Any sale by us of any equity securities or securities convertible into our equity securities could dilute your interests. Our incurrence of additional debt would also result in increased debt servicing obligations and may result in restrictive covenants limiting our shareholding structure, business or operations.

**We depend on our information technology systems.**

We depend on reliable information technology systems to manage various aspects of our business. We have invested extensively in developing and successfully implementing an ERP system for all our stores. Our ERP system incorporates an advanced CRM system, which helps us to collect and analyze customer information and facilitates our interactions with and services to our customers. As our ERP system is relatively new, we may experience problems in its implementation. We periodically upgrade our ERP system and other hardware and software components of our information technology systems from time to time to meet the needs of our business. In the course of the implementation and upgrading, we may encounter software and hardware failures that disrupt our operations. Any failure of our information technology system or loss of data could have a material adverse effect on our business and operations.

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All of our stores are required to use the designated information technology systems developed and provided by various automobile manufacturers. The reliability and security of the manufacturers' information technology systems, which they typically use in all of their authorized stores, 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.

**Our success depends on our senior management team and our ability to attract and retain talents.**

Our success is, to a significant extent, attributable to the leadership of our senior management team, in particular, our Chairman and president, Mr. Yang Peng, who is the founder of our Group and has been our chief executive officer since our inception in 1998. Mr. Yang Peng has over 16 years of experience in China's automobile industry. Members of our core management team have an average of approximately 10 years of experience in the industry. We do not maintain key person insurance for members of our management team. The loss of services of any member of our senior management team could significantly affect our ability to effectively manage our operations and implement our expansion plan and as a result, our competitiveness may decrease. This 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.

Our success also depends on an adequate number of talents, including our store managers, customer service and sales personnel, and automotive engineers and technicians. Due to the strong growth of China's economy and automobile dealership industry, competition for experienced and qualified personnel is intense. If we are unable to attract and retain the necessary personnel to grow and develop our business, including appropriately staffing our new stores and quickly ramping up their sales, our business, financial condition, results of operations and growth plans may be materially and adversely affected.

**Improper disclosure or unauthorized use of customer information may result in liability and harm our business.**

Leveraging our extensive business network and our information technology systems, particularly our CRM system, we have developed a large customer database. As of the Latest Practicable Date, we had information on approximately 283,000 existing customers who had purchased our products or used our services. We have established policies and procedures to help protect the security and privacy of this information. If our security controls over personal and other data and practices we follow fail to prevent the improper access to, or disclosure of, personally identifiable or otherwise confidential information, we may be subject to liability under our contracts and the laws that protect personal data and confidential information, resulting in increased costs to us. In addition, our reputation may be harmed and our customers may resist providing their personal information to us, which may have a material adverse effect on our ability to collect and utilize customer data to promote our business, resulting in decreased revenue to us. Furthermore, data privacy is subject to frequently changing rules and regulations, and our failure to adhere to or successfully implement procedures in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace.

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### **Our business depends on the market recognition of our brand, and we may fail to protect our brand, trademark or other related intellectual property rights.**

We believe that our success depends on strong brand awareness and market image. We have successfully established our “Rundong” (润东) brand. If we fail to maintain brand recognition among our target customers due to deterioration in service quality, dealership management or otherwise, or if any premium in value attributable to our brand compared to that of our competitors declines, market perception and customer acceptance of our brand may diminish. If that were to occur, we may not be able to effectively compete for customers or authorizations from automobile manufacturers to open new stores, and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

In addition, any unauthorized use of our trademarks and other related intellectual property rights by others in their corporate names or product brands could harm our brand image, our competitive advantages and our business. As of the Latest Practicable Date, we had the trademarks of the logos



and were applying to register the Chinese characters of “Rundong” (润东) as trademark in China. While we have required certain third parties, including certain of our former subsidiaries, which we disposed of during the Track Record Period, to refrain from unauthorized use of our trademarks, the measures we take to identify potential infringement of, or to protect, our trademarks and other related intellectual property rights may not be adequate. Moreover, the application of laws governing intellectual property rights in China is uncertain. If we fail to adequately protect our trademarks or other related intellectual property rights, our brand and reputation may be negatively affected and as a result, our business and growth prospects may be materially and adversely affected.

### **Our insurance coverage may be inadequate to protect us from certain types of losses.**

We carry insurance covering risks including losses to our fixed assets and inventories in our automobile dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes and tsunamis. However, we do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, neither do we maintain any insurance coverage for business interruption due to the limited 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, tsunamis or other causes, and liabilities claims against us could have a material and adverse effect on our business, financial condition, results of operations and growth prospects.

### **Our business is subject to seasonal fluctuations.**

We experience seasonal fluctuations in our business and results of operations. Automobile sales are generally slightly slower in the first half of each year due to decreased demand during major holidays in China during that period, including the Spring Festival holidays, and because sales normally would significantly increase in December, prior to the Spring Festival holidays. 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 on as indicators of our performance for any future period.

## RISK FACTORS

### RISKS RELATING TO OUR INDUSTRY

**Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile dealership industry.**

The PRC automobile dealership industry is competitive. Automobile manufacturers typically grant non-exclusive dealership rights in the same geographical area. As a result, in many of our markets we compete with dealerships that offer the same brands and models as we do, as well as those offering competing brands. Our business is also affected by competition among automobile manufacturers in terms of quality, delivery time, design and price. In addition, we compete with independent repair shops and auto parts retail centers in after-sales services and spare parts sales. We believe that automobile dealership stores in the PRC compete for customers on the level of customer services, inventory of automobiles, capabilities of sales personnel, management personnel, automotive engineers and technicians and on the prices of their automobiles. In addition, more automobile manufacturers may enter the distribution sector and build up their own automobile dealership network in the future. Any increase in number of competitors in the PRC automobile dealership industry could have a negative impact our market share and result in a decrease in our revenue and profit. As a result, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

**High fuel prices and strict fuel economy and emission standards on automobile consumption may reduce the demand for automobiles.**

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 and a desire to limit traffic and pollution problems. 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 increasingly 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, customers may shift to use more fuel efficient vehicles or alternative transport, such as bicycles, buses and subways.

The PRC Government's implementation and enforcement of strict fuel economy and emission standards for automobiles sold in the PRC may raise manufacturing and distribution costs for automobile manufacturers, which may lead to higher suggested prices for their automobiles, and any such development could negatively impact customer demand. These standards tend to have a greater impact on more expensive, luxury and ultra-luxury automobiles, which tend to be less fuel efficient.

There can be no assurance that the PRC Government will not implement stricter fuel economy and emission standards, or impose additional restrictions. Any such measures may cause our sales to decline and adversely affect our revenue.

**Government policies on automobile purchases and ownership may materially affect our business and results of operations.**

Government policies on automobile purchases and ownership may materially affect our business because of their influence on consumer behavior. For example, pursuant to the Notice on the Discontinuation of the Reduction in Purchase Tax for Passenger Vehicles with Emission Equal to or Less than 1.6 Liters (關於1.6升及以下排量乘用車車輛購置稅減徵政策到期停止執行的通知)

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promulgated by the PRC Ministry of Finance and SAT, the PRC Government raised the purchase tax for passenger vehicles with emission equal to or less than 1.6 liters from 7.5% to 10% from January 1, 2011. If the PRC Government continues to increase passenger vehicle purchase tax or consumption tax rates or restrictions on passenger vehicle purchasers, our sales and as a result, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

In addition, it was recently reported by certain media sources that a 20% luxury tax might be levied by the PRC Government on the purchase of a passenger vehicle with a retail price, after valued-added tax, over RMB1.7 million. This luxury tax, if effectuated, might have an adverse effect on our sales of new ultra-luxury passenger vehicles under our ultra-luxury brands, Maserati and Ferrari, and on our expansion in the ultra-luxury passenger vehicle market as we plan to establish a new Maserati and Ferrari automobile dealership store, for which we have obtained the automobile manufacturer's authorization.

Automobile sales may also be affected by quotas or other measures implemented by local governments to control the number of automobiles in the areas where we operate. For example, with a goal to curb urban traffic problems and pollution, Shanghai has adopted rules to limit the issuance of new license plates since 1994. Individuals and companies must bid in auctions for a license plate in order to register a new automobile. Approximately 9,000 license plates were issued by auction in Shanghai per month in 2013, according to ACMR. As of the Latest Practicable Date, we operated three automobile dealership stores in Shanghai. These and any future anti-congestion ordinances in the markets where we operate may restrict the ability of potential customers to purchase automobiles and reduce customer demand for automobiles. Should similar ordinances be adopted in other cities where we operate, or if existing regulations become stricter, our sales in those cities may be adversely affected.

**We operate in a highly regulated industry, and if we fail to comply with applicable laws and regulations or maintain necessary approvals, licenses and permits, our business and operations may be adversely affected.**

We operate in a highly regulated industry. We are required to maintain various approvals, licenses and permits for our operations, such as road transportation licenses, concurrent business insurance agency licenses and business licenses. Our profiles are required to be filed with the SAIC and included in the list announced by the SAIC from time to time under the Notice Relating to Announcement of Name List of Branded Automobile Sales Enterprises issued by SAIC before we commence operation of our automobile dealership business. If we fail to comply with applicable laws, rules or regulations in China, or to obtain or maintain necessary approvals, licenses and permits, our business or operations may be adversely affected and we may be subject to fines or penalties. See the section headed "Business—Legal Proceedings and Regulatory Compliance" in this prospectus for more information. As of the Latest Practicable Date, except as disclosed otherwise in this prospectus, all of our PRC subsidiaries held valid licenses material to their businesses or were in the process of applying for or renewing the relevant licenses according to PRC law. However, according to a notice issued by the CIRC on March 26, 2012, the PRC Government has since suspended granting the license for concurrent-business insurance agency to enterprises other than financial institutions and post offices, and it is not clear whether and when this policy will be changed. Most of our automobile dealership stores hold the license for concurrent-business insurance agency to provide automobile-related insurance agency services. This license has a general term of three years and the license for certain of our relevant subsidiaries will expire soon. If any of our relevant subsidiaries is not able to renew this license, our business of

## RISK FACTORS

distributing insurance products and our results of operations may be materially and adversely affected. See “Regulatory Overview—Regulations Relating to the PRC Automobile Industry” in this prospectus for more information.

**The ongoing economic slowdown in many countries is imposing significant risks to the global economy, which may adversely affect the PRC economy and our business and results of operations.**

The global capital and credit markets have been experiencing extreme volatility and disruption in recent times. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, and continuing concerns among investors regarding the sovereign debt of various European countries have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events may lead to a slowdown in the PRC economy. We derive all of our revenues in the PRC. Any slowdown in the PRC economy may adversely affect demand for our automobiles and after-sales services and could result in:

- a significant reduction in consumer demand for our automobiles and after-sales services, which would reduce our revenues and profit margins;
- a significant reduction in the availability of automobile financing, which would also reduce customer demand for automobiles;
- increased price competition for automobiles and after-sales services;
- risk of excess and obsolete inventory;
- difficulty in accurately forecasting the demand for automobiles 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, which could disrupt the supply of automobiles or spare parts or increase our inventory costs.

In addition, some of our luxury and ultra-luxury automobiles are or will be imported from or manufactured by joint ventures of automobile manufacturers based in the member states of the European Union, in particular Germany. If the current credit crisis in Europe persists or deteriorates and ultimately leads to the cessation of the 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 automobiles, spare parts and accessories imported from Germany. As a result, this may increase our cost of sales and negatively affect the demand for these products. Any of the foregoing developments could have a material adverse effect on our business, results of operations, financial condition and network expansion.

## RISK FACTORS

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

**Changes in economic, political and social conditions and government policies in China could have a material adverse effect on our business, financial condition, results of operations and prospects.**

All of our business and operations are conducted in the PRC. We anticipate that China will remain our primary market in the foreseeable future. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in China. China's economy differs from the economies of developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. A substantial portion of productive assets in China is still owned by the PRC Government, and the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government also exercises significant control over the PRC economic growth through allocation of resources, restrictions on payment of foreign currency-denominated obligations, the setting of monetary policy and provision of preferential treatment to particular industries or companies.

While in recent years the PRC Government has been reforming the PRC economic system and government structure, the economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. The growth of China's economy has also been uneven, both geographically and among various sectors of the economy. Historically, the PRC Government has taken measures in attempt to constrain economic growth to a manageable level, especially to control the growth rate in industrial production, bank credit, fixed investment and monetary supply. In addition, a slowdown in growth of the economies of the United States, the European Union and certain Asian countries may negatively affect the economic growth in China. We cannot predict how the changing global economic conditions will affect the economic growth and consumer spending in China, nor whether changes in China's economic, political and social conditions or laws, regulations and policies will have any adverse impact our current or future business, financial condition, results of operations and growth prospects.

**Uncertainties with respect to the PRC legal system could have a material adverse effect on us.**

Our business and operations are primarily conducted in the PRC and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system 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 significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. The legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

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In addition, there can be no assurance that the PRC Government will not amend or revise existing laws, rules or regulations, in a manner which materially and adversely affects our business, results of operations or prospects. For example, the PRC Government may require additional approvals, licenses or permits for our business and operations, or to impose stricter requirements or conditions for the maintenance or renewal of approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain, maintain or renew our approvals, licenses or permits could disrupt our operations or subject us to fines or penalties. See “Regulatory Overview—Regulations Relating to the PRC Automobile Industry” and “Business—Legal Proceedings and Regulatory Compliance” in this prospectus for more information.

### **Dividends paid to our investors are subject to PRC taxes.**

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign invested enterprise generated from January 1, 2008 and onwards and distributed to its immediate holding company outside the PRC, to the extent the distributed profit is sourced from the PRC, if the immediate holding company is neither a PRC-resident enterprise nor has any establishment or place of business in the PRC, or if the immediate holding company has an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and the PRC, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the PRC company. However, according to the Circular of the SAT on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (關於印發《非居民享受稅收協定待遇管理辦法(試行)的通知》) which became effective on October 1, 2009, the 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the taxation treaties. In addition, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that the PRC tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries or that the PRC tax authorities will not levy a higher withholding tax rate on these dividends in the future.

### **Under the EIT Law, we and our non-PRC subsidiaries may be classified as “resident enterprises” of China, and this classification could result in unfavorable tax consequences to us and our non-PRC shareholders.**

Under the EIT Law, an enterprise established outside the PRC with “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementation rules of the EIT Law define “de facto management bodies” as management bodies that have “substantial and overall management and control over the production and operations, personnel, accounting, properties and other aspects of the enterprise.” Through a circular promulgated in April 2009, the SAT further clarified the criteria for determining whether an enterprise has “de facto management bodies” within the PRC. As most of our management is currently based in the PRC and many may remain in the PRC in the future, we and our non-PRC subsidiaries may be treated as “resident enterprises” and a number of unfavorable PRC tax consequences could follow. 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. This would



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mean that any income sourced by us from outside the PRC, such as interest on offering proceeds held outside the PRC, 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 exempt from PRC enterprise income tax, it is not clear whether dividends we receive from our non-PRC subsidiaries, including Hong Kong subsidiaries 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 PRC “resident enterprise” under PRC law, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within the PRC. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC 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-PRC 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 you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

### **Our ability to pay dividends depends on our subsidiaries’ earnings and distributions.**

We are a holding company incorporated in the Cayman Islands, and our business and operations are primarily conducted through our PRC subsidiaries. We rely on dividends and other distributions paid by our PRC subsidiaries to make dividend payments and other distributions in cash to our Shareholders, service indebtedness we may incur, pay our operating expenses and finance the needs of our other subsidiaries. The ability of our PRC subsidiaries to pay dividends or other distributions may be subject to their earnings, financial condition, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to their shareholders contained in financing or other agreements. Applicable PRC laws and regulations permit payment of dividends by our PRC subsidiaries only out of their distributable profits, if any, determined in accordance with the PRC GAAP. Each of our PRC subsidiaries is required to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, up to a maximum of 50% of its registered capital. Our PRC subsidiaries that are foreign invested enterprises may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with PRC laws and regulations as well as their articles of association. In addition, 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. Moreover, distributions by our PRC subsidiaries to us in forms other than dividends may be subject to government approvals and taxes. 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 our business.

### **We may be required to pay additional corporate income taxes if the relevant PRC tax authorities hold that any of our overseas equity transfer arrangements were not made on an arm’s length basis.**

Pursuant to the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“SAT Circular No. 698”) issued by the SAT and effective from January 1, 2008, except for the purchase and sale of equity through a public securities market, when a non-resident enterprise transfers the equity interests of a PRC-resident enterprise indirectly by disposition of the equity interests in an

## RISK FACTORS

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, and gains derived from the Indirect Transfer may be deemed to be sourced from the PRC and subject to PRC tax at a rate of up to 10%. SAT Circular No. 698 also provides that, when 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 can 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 can request information from a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority in China has not yet promulgated any formal provisions nor formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of reporting 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 the transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we could be taxed under SAT Circular No. 698 and could 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, any of which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

### **PRC regulations on loans to and foreign direct investment in PRC enterprises may restrict our uses of the proceeds from the Global Offering to fund our PRC subsidiaries.**

Any loans or capital contributions that we, as an offshore entity, make to our PRC subsidiaries that are foreign-invested enterprises, including with the proceeds of the Global Offering, are subject to PRC laws and regulations. Foreign-invested enterprises must register with the SAFE or its local counterpart in order to obtain shareholder loans from the foreign investors. The aggregate amount of these foreign loans must not exceed statutory limits. Furthermore, the foreign-invested enterprises must register with the SAFE or its local counterpart for repayment of the foreign loans. In addition, foreign investors must obtain approvals from MOFCOM or its local counterpart and register with SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises. We cannot assure you that we can obtain the required government approvals or registrations on a timely basis, or at all, with respect to loans or capital contributions that we may make to our PRC subsidiaries. If we fail to obtain the approvals or registrations, our ability to use the proceeds from the Global Offering to fund our operations in the PRC would be negatively affected, which would materially and adversely affect our liquidity and our ability to expand our business.

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### **Failure by our PRC shareholders or beneficial owners to make required foreign exchange filings and registrations may prevent us from distributing dividends and expose us to liabilities under the PRC laws.**

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on July 14, 2014, requires a PRC individual resident (“PRC Resident”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s PRC subsidiary to distribute dividends to its overseas parent.

As advised by our PRC counsel, Haiwen & Partners, the existing shareholders and beneficial owners of our Company currently are not subject to the registration procedures under SAFE Circular No. 37. However, as SAFE Circular No. 37 was recently promulgated, it is unclear how this regulation and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategies. If SAFE Circular No. 37 were determined to apply to us, any failure by our PRC Resident shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant PRC Resident shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries’ ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operations and liquidity as well as our ability to pay dividends or make other distributions to our shareholders may be materially and adversely affected.

### **All PRC employee participants in our share incentive plan may be required to register with the SAFE, and we might face regulatory uncertainties that could restrict our ability to adopt option plans for our Directors and employees under PRC law.**

Under the Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法實施細則) promulgated by SAFE and effective from February 1, 2007, PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company must register with SAFE or its local counterpart. 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)) (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

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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 the Share Option Rules, PRC residents who participate in a share incentive plan of an offshore-listed company are required to register the granted shares or share options with SAFE or its local counterpart 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 the offshore-listed company or another qualified institution selected by this PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. These 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 update 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. According to the recently-promulgated SAFE Circular No. 37, a PRC Resident that participates in an employee share incentive plan of a non-listed Offshore SPV could, by submitting required documents, apply for registration with the local SAFE branch before exercising stock options.

We and our PRC-resident employees participating in our Pre-IPO Share Option Scheme may be subject to SAFE Circular No. 37 before the Global Offering and the Stock Option Rules after the Global Offering. As advised by our PRC counsel, Haiwen and Partners, the grantees of the Rundong Holding Options (before the Reorganization) or the Pre-IPO Scheme Options (after the Reorganization) currently are not subject to the registration procedures under SAFE Circular No. 37. However, as SAFE Circular No. 37 was recently promulgated, it is unclear how this regulation and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. If we or our PRC-resident employees participating in our Pre-IPO Share Option Scheme fail to comply with SAFE Circular No. 37, the Stock Option Rules and other relevant rules, we and the relevant PRC-resident employees may be subject to fines and other legal or administrative sanctions, there may be additional restrictions on the ability of the PRC-resident employees to exercise their stock options or remit proceeds gained from sale of their stock into the PRC, and we may be prevented from further granting restricted shares or from granting options under our share incentive plan to our PRC-resident employees who are PRC citizens. These events could adversely affect our business operations.

### **Government control of currency conversion and fluctuation in the exchange rates of Renminbi may have a material adverse effect on your investment.**

Substantially all of our revenue is denominated in Renminbi. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local counterpart is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC Government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign

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exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of Renminbi against foreign currencies, including the Hong Kong dollar, 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 in Renminbi, which would increase our purchase costs for inventories of automobiles, spare parts and accessories. Accordingly, our retail prices may have to be increased and our sales may be materially and adversely affected. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the Global Offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments 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.

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

We are a company incorporated under the laws of the Cayman Islands. Substantially all of our assets are located in the PRC. Most of our Directors and senior management also reside in the PRC and a substantial portion of their assets may also be located in the PRC. As a result, it may not be possible to effect service of process in the PRC upon most of our Directors and senior management, including for matters arising under applicable securities laws. Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with the PRC. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments 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 such, recognition and enforcement in the PRC or Hong Kong of judgments of courts in some jurisdictions is uncertain.

**We face risks related to health epidemics and natural disasters, which could significantly affect our business and operations.**

Our business could be materially and adversely affected by the outbreaks of health epidemics such as influenza A (including H1N1, H7N9 and H10N8) that spread across the world in recent years, or natural disasters such earthquakes that hit Sichuan province in May 2008 and April 2010, typhoon and storms that caused floods in Zhejiang province, Shanghai, Jiangsu province and Fujian province in October 2013, and earthquakes and Tsunami that hit northern Japan in March 2011. While we did not suffer any material loss resulting from the health epidemics and natural disasters during the Track Record Period, if a similar disaster were to occur in the regions where we operate, our operations could be materially and adversely affected as a result of loss of personnel, damages to property or decreased demand for our automobiles or services. Natural disasters may also cause shortages in production

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capacity of the relevant automobile manufacturers or delays in transportation of the automobiles, spare parts or accessories from the manufacturers to our stores, which in turn may have a material and adverse effect on our business, financial condition, results of operations and growth prospects.

**We work with foreign brands, and adverse changes in political relations between China and the relevant foreign countries may adversely affect our business.**

A majority of the brands of automobiles that we sell are produced by manufacturers based in countries outside China, such as Japan, Germany and South Korea, or by their joint venture companies in China. Any significant deterioration in China's political relations with any of these countries could discourage some of our customers from purchasing the relevant automobile manufacturers' automobiles from us or could lead to legislation in China or these countries that could have an adverse effect on our business. For example, Honda, Toyota, Lexus and Nissan brand automobiles are imported from, or manufactured by joint ventures of, manufacturers based in Japan. In August and September 2012 when diplomatic relations between China and Japan were particularly strained due to the territorial dispute over the Diaoyu Islands, demonstrations were organized across China to boycott Japanese products including automobiles. We believe our slower growth in sales volume and revenue in 2012 is partly attributable to the Diaoyu Islands incident. See "Financial Information—Description of Selected Income Statement Line Items—The Year ended December 31, 2012 Compared with the Year ended December 31, 2011—Revenue" in this prospectus for more information. Any prolonged intense diplomatic relations between China and Japan or other potential disputes between China and other countries where the automobile brands we sell are sourced from may have a material adverse effect on 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 an active trading market in our Shares may not develop.**

Prior to the Global Offering, there has been no public market for our Shares. The initial offering price range for our Share was the result of negotiations among us and the Joint Global Coordinators (on behalf of the Underwriters), and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied for an approval to list and permission to deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the completion of the Global Offering or in the future. If an active public market for our Shares does not develop after the Global Offering, the Shares could trade at a price lower than the Offer Price and you may not be able to resell your Shares for an extended period of time, or at all.

**Investors will experience dilution in the pro forma net tangible book value per Share because the Offer Price is higher than our net tangible book value per Share.**

As the Offer Price range 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 in pro forma net tangible book value. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Share with respect to their shareholdings. In addition, if we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their ownership percentage.

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**The trading volume and market price of our Shares following the Global Offering may be volatile.**

The price and trading volume of our Shares may be highly volatile and could fluctuate widely in response to factors beyond our control, including general market conditions 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 volume for our Shares. In addition, factors such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new automobile models by the automobile manufacturers, strategic alliances or acquisitions by us or our competitors, industrial or environmental accidents, changes in our senior management personnel, changes in our ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our products could cause large and sudden changes in the volume and price at which our Shares will trade. Moreover, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

**Future sales or perceived sales of substantial amounts of our securities, especially by our Directors, senior management and current Shareholders, could have a material adverse effect on the prevailing market price of our Shares.**

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares other securities relating to our Shares, especially by our Directors, senior management and current Shareholders, or the issuance of new Shares or other securities by us, or the perception that such sales or issuances may occur. These sales or perceived sales could materially and adversely affect our ability to raise capital in the future at a time and price 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 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.

**Due to a gap of up to five business days between pricing and trading of our Shares, the initial trading price of our Shares could be lower than the Offer Price.**

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is generally expected to be about five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during this period and are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

**We may not be able to pay any dividends on our Shares.**

We cannot guarantee when, if or in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by our Board and will be based on, and limited by, various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient profit to make dividend

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distributions to our Shareholders in the future, even if our financial statements prepared under HKFRS indicate that our operations have been profitable, due to, among others, limitations on our PRC subsidiaries' ability to make dividend payments to us. In 2011, 2012, 2013 and the three months ended March 31, 2014, we declared dividends to non-controlling shareholders in subsidiaries of RMB3.7 million, zero, zero and zero, respectively. In addition, on July 23, 2014, our Directors declared a special dividend of RMB330.0 million out of historical profits of the Company, conditional upon the Underwriting Agreements becoming unconditional and effective, to its then shareholders Rundong Fortune, Rundong Smart and KKR Auto, except for Runda which has agreed to forfeit its entitlement to this special dividend. However, the amounts of distributions that we have declared and made in the past do not indicate the dividends that we may pay in the future. See "Financial Information—Dividend Policy" in this prospectus for more information.

**Our Controlling Shareholder, Mr. Yang Peng, may exert substantial influence over us and may not act in the best interests of our other shareholders.**

Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$3.78 per Share, being the mid-point of the indicative Offer Price range from HK\$3.58 to HK\$3.98 per Share), Mr. Yang Peng, as the Protector with the power to appoint and remove, and to amend the rights of, the Family Trust Trustee which will indirectly holds 45% of our issued share capital through Rundong Fortune, will be a Controlling Shareholder. Subject to our Memorandum and Articles of Association and applicable laws and regulations, our Controlling Shareholder, Mr. Yang Peng, will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approvals. The interests of our Controlling Shareholder, Mr. Yang Peng, may not necessarily be aligned with the interests of our other Shareholders, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

**Certain industry statistics contained in this prospectus are derived from various publicly available government or official sources and may not be accurate or reliable.**

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. We believe that the sources of these facts and statistics are appropriate sources for information contained in this prospectus and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.



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**You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands, and the law of the Cayman Islands for minority shareholders protection is different from the law of Hong Kong or other jurisdictions.**

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 our 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.

**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.**

You should read the entire prospectus, including this “Risk Factors” section, carefully before making an investment with us. 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 have not authorized the disclosure of any 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. We make no representation as to the appropriateness, accuracy, completeness or reliability of any that 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 any such information.

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE**

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### **MANAGEMENT PRESENCE IN HONG KONG**

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the PRC, the executive Directors has been and are expected to continue to be based in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Liu Jian and Ms. Ho Siu Pik;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- (d) the Company will retain a Hong Kong legal adviser to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;
- (e) Haitong International Capital Limited, our compliance adviser, will act as an additional channel of communication with the Stock Exchange; and
- (f) each Director will provide their respective mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange promptly upon request.

For further information about other channels of communication with the Stock Exchange, please refer to the section headed “Directors and Parties Involved in the Global Offering” in this prospectus.

# WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

## JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that an issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

We have appointed Mr. Zhou Jian and Ms. Ho Siu Pik as joint company secretaries. Ms. Ho Siu Pik is a fellow member of The Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Mr. Zhou Jian joined the Group in November 2012 as the secretary of the board of our Group and has gained a thorough understanding of the internal administration and business operation of the Group. Prior to joining the Group, he has gained significant experience in the consulting industry. By virtue of Mr. Zhou Jian's experience and familiarity with the Group, the Company believes Mr. Zhou Jian is capable of discharging the duties as a joint company secretary of the Company and is a suitable person to act as a joint company secretary of the Company. Further, given that its main operation is in the PRC, the Company believes that it would be in the best interests of the Company and its corporate governance to have Mr. Zhou Jian with the relevant background and experience in the PRC to act as its joint company secretary. Since Mr. Zhou Jian does not possess the academic and professional qualifications required of a company secretary under Note 1 to Rule 3.28 of the Listing Rules, we have sought and obtained from the Stock Exchange a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zhou Jian may be appointed as our company secretary. The waiver was granted for a 3-year period on the condition that we engage Ms. Ho Siu Pik as a company secretary to assist Mr. Zhou Jian in the discharge of his duties as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Ho Siu Pik ceases to provide such assistance. At the end of the 3-year period, we must liaise with the Stock Exchange which will re-visit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the Stock Exchange that Mr. Zhou Jian, having had the benefit of Ms. Ho Siu Pik's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

For further details about Mr. Zhou Jian's qualifications, please refer to the section headed "Directors and Senior Management" in this prospectus.

## PRE-IPO SHARE OPTION SCHEME

Pursuant to paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Companies Ordinance**"), this prospectus is required to include details of the number, description and amount of Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and the names and addresses of the persons to whom it or the

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE

right to it was given. Under paragraph 27 of Appendix 1A to the Listing Rules, where options have been granted to employees under a share scheme, it is not necessary to disclose the names and addresses of the grantees of the options.

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options be disclosed in the prospectus.

In recognition of the contributions of the employees of our Group, we have implemented a share option scheme and established the Employee Pre-IPO Trust under a trust deed dated September 27, 2011. On November 15, 2011, Rundong Holding, at zero consideration, granted the Rundong Holding Options, to Runda, acting as the trustee to the Employee Pre-IPO Trust. Runda held the Rundong Holding Options for the benefit of the beneficiaries of the Employee Pre-IPO Trust, which include the Group's employees (including the Directors), former employees and their respective family members as selected by the protector of the Employee Pre-IPO Trust, which has the power to add any beneficiaries, exclude any person as a beneficiary and extinguish or restrict the powers of the trustee. Each of the grantees of the Rundong Holding Options entered into the Rundong Holding Option Agreement with Rundong Holding and Runda, under which Rundong Holding agreed to nominate the relevant grantee as a beneficiary of the Employee Pre-IPO Trust. See "History and Reorganization—Establishment of the Employee Pre-IPO Trust" in this prospectus for further details on the Employee Pre-IPO Trust.

Immediately before the Listing, save for the Rundong Holding Options that have already been exercised by, among others, all of the relevant Directors as disclosed in the section headed "History and Reorganization — Establishment of the Employee Pre-IPO Trust" in this prospectus (the "**Relevant Grantees**"), the remaining Rundong Holding Options will be cancelled in full and, in exchange for such cancellation, the shareholders of the Company will approve a share option scheme on the same terms as the Rundong Holding Options (the "**Pre-IPO Share Option Scheme**"). Pursuant to the Pre-IPO Share Option Scheme, our Company will grant such number of options ("**Pre-IPO Scheme Options**") in equivalent numbers, terms and conditions as the Rundong Holding Options to the same grantees (which comprise of our Group's employees but exclude the Relevant Grantees) who had been granted the Rundong Holding Options (other than those who had exercised the Rundong Holding Options before Listing) to subscribe for an aggregate of 23,250,000 Shares before the Share Consolidation, (or 9,300,000 Shares immediately after the Share Consolidation, representing approximately 0.87% of the total issued share capital of the Company immediately after completion of the Global Offering, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option). None of the grantees of the Pre-IPO Scheme Options is a Director or a member of senior management or a connected person of the Company or has been granted Pre-IPO Scheme Options representing more than 0.1% of our total issued share capital immediately after the completion of the Global Offering.

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We have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in connection with the disclosure of certain details in relation to the Pre-IPO Share Option Scheme on the grounds that strict compliance with such requirements would be unduly burdensome for the Company, the granting of such waiver and exemption would not prejudice the interests of the investing public, and:

- (a) in light of the large number of grantees who have been granted the Pre-IPO Scheme Options, strict compliance with such disclosure requirements in setting out full details (including the names, addresses and number of Shares represented by the Pre-IPO Scheme Options) for all 95 grantees under the Pre-IPO Share Option Scheme on an individual basis in this prospectus will increase the number of pages in this prospectus by about 12 pages (English and Chinese versions included), which will be costly and unduly burdensome on the Company with a significant increase in cost and timing for information compilation, prospectus preparation and printing;
- (b) the grant and exercise in full of the Pre-IPO Scheme Options would not cause any material adverse impact on the financial position of the Company;
- (c) non-compliance with the above disclosure requirements would not prevent the Company from providing its potential investors with an informed assessment of the Group's activities, assets and liabilities, financial position, management and prospects; and
- (d) the information contained in the prospectus regarding the Pre-IPO Share Option Scheme and the Pre-IPO Scheme Options, including the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Scheme Options, should provide potential investors with sufficient information to make an informed assessment of the Company in their investment decision-making process.

The Stock Exchange has granted a waiver from strict compliance with the relevant disclosure requirements in connection with the information of the Pre-IPO Scheme Options on the following conditions:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies Ordinance requirements by the SFC;
- (b) the following details are disclosed in this prospectus:
  - (i) the aggregate number of the grantees who have been granted the Pre-IPO Scheme Options;
  - (ii) the consideration paid for the grant of such Pre-IPO Scheme Options;
  - (iii) the exercise period and the exercise price for such Pre-IPO Scheme Options; and

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- (iv) the aggregate number of Shares underlying the outstanding Pre-IPO Scheme Options and the percentage of the Company's issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) represented by them, as well as the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Scheme Options;
- (c) a full list of all the grantees who have been granted the Pre-IPO Scheme Options (including the persons referred to in paragraph (a)(i) below, if any), containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be made available for inspection by the public as one of the documents available for inspection in accordance with "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection—Documents Available for Inspection" to this prospectus; and
- (d) the particulars of the waiver are set out in this prospectus.

The SFC has granted a certificate of exemption (pursuant to section 342A of the Companies Ordinance) exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, subject to the following conditions:

- (a) the following details shall be disclosed in this prospectus:
  - (i) where applicable, full details of the Pre-IPO Scheme Options granted to each of the Directors, members of senior management and connected persons of the Company;
  - (ii) the aggregate number of the grantees (other than those referred to in paragraph (a)(i) above) who have been granted the Pre-IPO Scheme Options and the aggregate number of Shares subject to the Pre-IPO Scheme Options and the percentage to the Company's total issued share capital represented by such Shares;
  - (iii) the consideration paid for the grant of such Pre-IPO Scheme Options; and
  - (iv) the exercise period and the exercise price for such Pre-IPO Scheme Option;
- (b) a full list of all the grantees who have been granted the Pre-IPO Scheme Options (including the persons referred to in paragraph (a)(i) above, if any), containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be made available for inspection by the public as one of the documents available for inspection in accordance with "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection—Documents Available for Inspection" to the prospectus; and
- (c) the particulars of the exemption are set out in this prospectus.

For further details of the Pre-IPO Share Option Scheme, please refer to "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme" to this prospectus.

<p style="text-align: center;"><b>WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES ORDINANCE</b></p>
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## **DEALINGS IN SHARES PRIOR TO LISTING**

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealing in the Shares by a connected person of our Company from the date which is four clear Business Days before the expected hearing date until listing is granted.

On August 8, 2014 and immediately after the Underwriting Agreements becoming unconditional and effective, Rundong Holding, the direct holding company of the Company prior to the Proposed Listing, will repurchase its entire issued share capital from each of its direct shareholders, namely, Rundong Fortune, Rundong Smart, Runda and KKR Auto (each, a “**Share Repurchase Shareholder**”, together, the “**Share Repurchase Shareholders**”). As consideration, Rundong Holding will transfer or the Company will issue (as the case may be) such number of Shares (paid or unpaid, as the case may be) to the Share Repurchase Shareholders in proportion to their respective shareholding in Rundong Holding (the “**Share Repurchase**”). See “History and Reorganization—Reorganization—11. Repurchase by Rundong Holding of its shares from its shareholders in consideration of our Shares” in the prospectus for details of the Share Repurchase.

The Company intends to proceed with the Share Repurchase prior to the prescribed period as specified under Rule 9.09(b) and will complete the Share Repurchase immediately before Listing. The completion of the Share Repurchase is conditional upon, amongst others, the Underwriting Agreements becoming unconditional and effective. As such, the Company does not contemplate that it will satisfy the strict requirement under Rule 9.09(b) of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement of Rule 9.09(b) of the Listing Rules on the following grounds:

- (a) the Share Repurchase constitutes a part of the Reorganization;
- (b) each of the Share Repurchase Shareholders (including any person who will be entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the Company) and their respective ultimate beneficial owners will continue to be the ultimate beneficial owners of the Shares then held by Rundong Holding immediately before the Listing Date. Rundong Fortune and Mr. Yang Peng, being the Controlling Shareholders, will continue to be subject to the relevant lock-up undertakings pursuant to Rule 10.07 of the Listing Rules;
- (c) the transfer of the Shares and the completion of the Share Repurchase will not result in the Share Repurchase Shareholders (including any person who will be entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the Company) reducing their respective effective interests in the Company or the Group. The Share Repurchase is to enable each of the Share Repurchase Shareholders to become direct Shareholder upon Listing;
- (d) the Share Repurchase involves the disposal (and not acquisition) of Shares by Rundong Holding which will not acquire any direct benefit from such disposal of Shares; and

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES  
AND EXEMPTIONS FROM THE COMPANIES ORDINANCE**

(e) the particulars of this waiver are set out in this prospectus.

The Company further agreed and confirmed that the Directors and senior management of the Company, and their associates, will not deal in the Shares from four clear business days before the expected hearing date until Listing is granted.



## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

### **SELLING SHAREHOLDER**

Runda, a private trust company incorporated under the laws of the BVI on May 13, 2011, is the Selling Shareholder and is selling 23,645,000 Shares in the International Offering.

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

### **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

The Listing is sponsored by the Joint Sponsors. We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon the exercise of the Pre-IPO Scheme Options and the options that may be granted under the Share Option Scheme).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on August 12, 2014. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 1365.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our Principal Share Registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

### REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on its behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.80 to HK\$1.00

RMB6.21 to US\$1.00

HK\$7.75 to US\$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

### **ROUNDING**

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
--

**DIRECTORS**

Name	Residential Address	Nationality
<b>Executive Directors</b>		
Mr. Yang Peng (楊鵬)	Room 502, Unit 6, Building 15 Hubin New Village Quanshan District Xuzhou, Jiangsu province PRC	Chinese
Mr. Liu Dongli (柳東麗)	No. 139, Lane 333 Qingtong Road Pudong New Area Shanghai PRC	Chinese
Mr. Zhao Zhongjie (趙忠階)	Room 701, Unit 1, Building 3 72 Minzhu North Road Gulou District Xuzhou, Jiangsu province PRC	Chinese
Mr. Liu Jian (劉健)	Room 202, Building 33, Lane 501 Xianxia West Road Changning District Shanghai PRC	Chinese
Mr. Li Xiang (李祥)	Room 401, Unit 2, Building 6 Haizhengli Village Quanshan District Xuzhou, Jiangsu province PRC	Chinese
<b>Non-executive Directors</b>		
Mr. Liu Haifeng David (劉海峰)	11-2502, Central Park No. 6 Chaowai Street Chaoyang District, Beijing PRC	Chinese
Mr. Zhao Fu (趙福)	Flat G, 45/F, Shining Heights 83 Sycamore Street Tai Kok Tsui Kowloon Hong Kong	Chinese

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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Name	Residential Address	Nationality
Mr. Yan Sujian (燕蘇建)	Room 102, Unit 2, Building 3 Shahou Lane North Yunlong District Xuzhou, Jiangsu province PRC	Chinese

**Independent Non-executive Directors**

Mr. Peng Zhenhuai (彭真懷)	Room 501, Unit 2, Building 39 Longzeyuan West Area Huilongguan Changping District Beijing PRC	Chinese
Mr. Mei Jianping	10 Landing Lane, Princeton New Jersey, 08550 United States	American
Mr. Lee Conway Kong Wai (李港衛)	House No. A9, Europa Garden 48 Kwu Tung Road Sheung Shui New Territories Hong Kong	Chinese
Mr. Xiao Zhengsan (肖政三)	Room 205, Building 35 Dinghui Dongli Haidian District Beijing PRC	Chinese

See “Directors and Senior Management” in this prospectus for further information regarding our Directors.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### PARTIES INVOLVED

#### **Joint Sponsors**

*(in alphabetical order)*

Merrill Lynch Far East Limited  
55/F Cheung Kong Center  
2 Queen's Road Central  
Central  
Hong Kong

Morgan Stanley Asia Limited  
Level 46 International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

#### **Joint Global Coordinators and Joint Bookrunners**

*(in alphabetical order)*

Merrill Lynch International  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

Morgan Stanley Asia Limited  
Level 46 International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

#### **Joint Lead Managers**

*(in alphabetical order)*

Merrill Lynch Far East Limited (in relation to the  
Hong Kong Public Offering)  
55/F Cheung Kong Center  
2 Queen's Road Central  
Central  
Hong Kong

Merrill Lynch International (in relation to the  
International Offering)  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

Morgan Stanley Asia Limited  
Level 46 International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and  
Joint Lead Managers**  
*(in alphabetical order)*

CCB International Capital Limited  
12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

Haitong International Securities Company Limited  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Reporting accountants**

Ernst & Young  
*Certified Public Accountants*  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

**Legal advisors to the Company**

*As to Hong Kong and U.S. laws:*  
Cleary Gottlieb Steen & Hamilton (Hong Kong)  
37th Floor, Hysan Place  
500 Hennessy Road  
Hong Kong

*As to PRC law:*  
Haiwen & Partners  
20/F Fortune Financial Center  
5 Dong San Huan Central Road  
Chaoyang District  
Beijing 100020  
PRC

*As to Cayman Islands law:*  
Maples and Calder  
53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

**Legal advisors to the Underwriters**

*As to Hong Kong and U.S. laws:*  
Simpson Thacher & Bartlett  
35/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong



## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

*As to PRC law:*

Jingtian & Gongcheng  
34th Floor, Tower 3, China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing, 100025  
China

**Industry Consultant**

All China Marketing Research Co. Ltd.  
8th Floor, Jingrun Mansion  
No. 28 Fuchengmenwai Street  
Xicheng District  
Beijing 100037  
China

**Receiving Banks**

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

Wing Lung Bank Limited  
Wing Lung Bank Building  
45 Des Voeux Road Central  
Hong Kong

**Compliance Advisor**

Haitong International Capital Limited  
22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
<b>Head office in the PRC</b>	7th Floor, Building D 999 Jinzhong Road Changning District Shanghai, PRC
<b>Principal place of business in Hong Kong</b>	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.rundong.com.cn">www.rundong.com.cn</a></u></b> <i>(The information on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	Mr. Zhou Jian (周健) 7th Floor, Building D 999 Jinzhong Road Changning District Shanghai, PRC  Ms. Ho Siu Pik (何小碧) Tricor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong  <i>Fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries</i>
<b>Authorized representatives</b>	Mr. Liu Jian Room 202, Building 33, Lane 501 Xianxia West Road, Changning District Shanghai, PRC  Ms. Ho Siu Pik Tricor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

## CORPORATE INFORMATION

<b>Audit Committee</b>	Mr. Lee Conway Kong Wai ( <i>chairman</i> ) Mr. Yan Sujian Mr. Peng Zhenhuai
<b>Nomination Committee</b>	Mr. Yang Peng ( <i>chairman</i> ) Mr. Xiao Zhengsan Mr. Mei Jianping Mr. Peng Zhenhuai Mr. Zhao Fu
<b>Remuneration Committee</b>	Mr. Mei Jianping ( <i>chairman</i> ) Mr. Zhao Fu Mr. Peng Zhenhuai
<b>Principal Share Registrar</b>	Maples Fund Service (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102, Cayman Islands
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<b>Compliance Advisor</b>	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
<b>Principal Banks</b>	China Minsheng Bank Corp., Ltd. (Nanjing Branch of Transportation Business Department) 212 Zhongshan North Road Nanjing, Jiangsu province PRC  China CITIC Bank Corporation Limited (Nanjing Wangfujing Branch) 99 Wangfujing Street Nanjing, Jiangsu province PRC  Bank of China Limited (Xuzhou Branch) 99 Huaihai West Road Xuzhou, Jiangsu province PRC

## INDUSTRY OVERVIEW

*The information and statistics presented in this section are derived from various official government publications, publicly available market research sources and an industry report commissioned by us that was independently prepared by ACMR in connection with the Global Offering. We believe that the sources of the information and statistics are appropriate sources for the information and statistics and we have taken reasonable care in extracting and reproducing the information and statistics. We have no reason to believe that any of the information or statistics used in this section are false or misleading in any material respect or that any fact has been omitted that would render the information or statistics false or misleading in any material respect. The information and statistics have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to its accuracy.*

### SOURCES OF INFORMATION

We commissioned All China Marketing Research Co., Ltd. (“ACMR”), an independent market research consulting firm, to conduct an analysis of the PRC passenger vehicle market and industry. ACMR was established in 1992 and provides data collection, industry research, market research and competition research services. ACMR is the vice-chair member of the China Association of Market Information and Research, and a member of the Society of Competitive Intelligence of China. Certain information set forth in this section has been extracted from the industry report prepared by ACMR. We paid ACMR a total commission of RMB380,000 for the research for, and preparation of, the industry report. The payment of this commission was not conditional on our successful listing or on the research findings of the industry report.

The industry report was prepared based on ACMR’s analysts’ specific knowledge of the PRC passenger vehicle industry. In preparing the industry report, ACMR used classifications and definitions that are widely used in the industry, such as certain geographic subdivisions and definitions of types of passenger vehicles. According to ACMR, their forecasts of the sales volumes of passenger vehicles in China and the different market segments are based on the following information: (i) historical data of the sales volumes of passenger vehicles in the relevant markets for the years from 2003 to 2013, (ii) interviews with the industrial experts and market participants to support, verify and cross-check their estimates, and (iii) other factors such as the PRC government’s support for the automobile industry and automobile purchase preferences of the consumers. ACMR obtained this information from a variety of industry sources, including relevant PRC government departments and established industry organizations, such as the National Bureau of Statistics of China (“NBSC”), the Ministry of Transport of the PRC, the China Association of Automobile Manufacturers, the China Automobile Dealers Association and the China Automotive Technology & Research Center. To prepare the forecasts, the ACMR report has assumed that: (i) the global economic environment will be stable during the forecast period, (ii) China’s economy will keep growing during the forecast period, and (iii) there is no catastrophic or emergent events such as large scale natural disasters that would affect the supply and demand in the automobile dealership industry.

Except for the industry report prepared by ACMR, we did not commission any other customized research report in connection with the Global Offering or this prospectus.

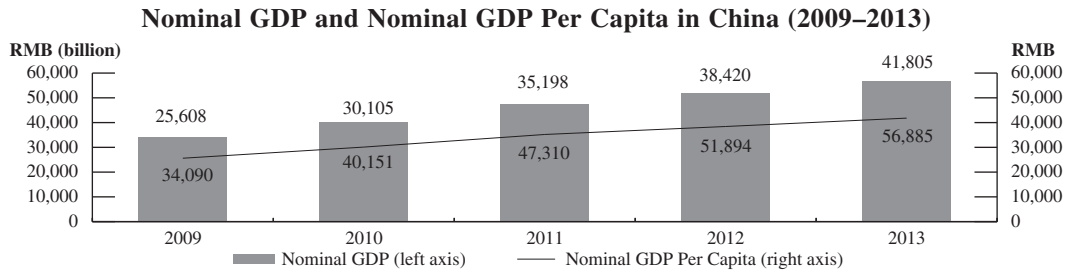
### ECONOMIC GROWTH OF CHINA

#### Rapid Growth of China’s Economy

China’s economy has been growing rapidly in recent years. Even in 2008, when the global financial crisis set on, China’s nominal GDP grew by 9.6% from the previous year, has maintained strong economic growth in the past three decades, and China surpassed Japan as the world’s second largest economy in terms

## INDUSTRY OVERVIEW

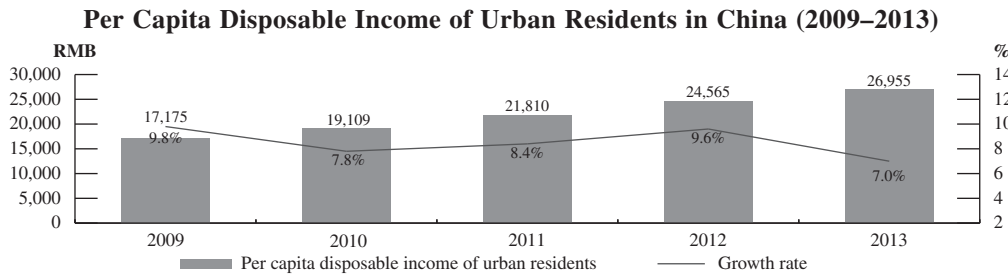
of nominal GDP in the second quarter of 2010. China's nominal GDP grew from RMB34.1 trillion in 2009 to RMB56.9 trillion in 2013, representing a CAGR of 13.7%. In the meanwhile, China's nominal GDP per capita grew from RMB25,608 in 2009 to RMB41,805 in 2013, representing a CAGR of 13.0%.



Source: National Bureau of Statistics of China

### Increasing Urbanization and Disposable Income of Urban Households

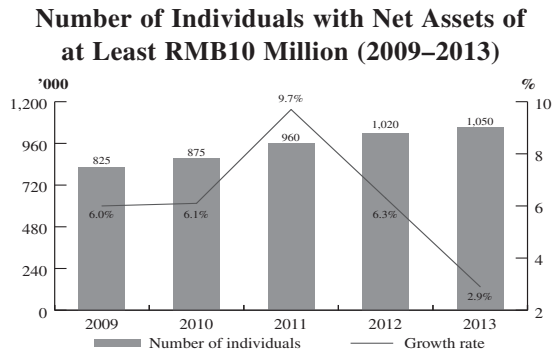
Rapid economic growth has accelerated the urbanization process in China. China's total urban population grew by a CAGR of 3.2% from 2009 to 2013 and accounted for an increasing percentage of the total population in China during the same period, reaching 53.7% in 2013, according to the NBSC. In addition, per capita disposable income of urban households in China increased at a CAGR of 11.9% from 2009 to 2013.



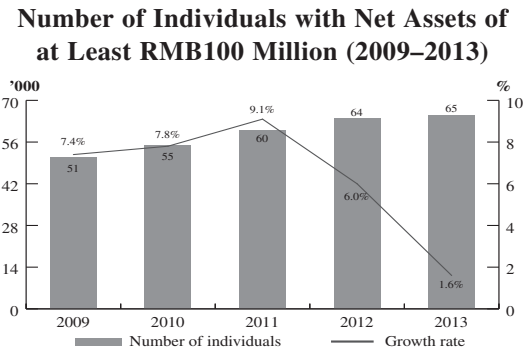
Source: National Bureau of Statistics of China

### Increasing Number of High Net Worth Individuals

China's rapid economic growth has led to a large and growing pool of high net worth individuals, defined as individuals with net assets of at least US\$1 million. In 2012, the number of high net worth individuals increased by 14.3% from the previous year, placing China as the fourth in the world ranking of total number of high net worth individuals, according to ACMR. In addition, the number of individuals in China with net assets of at least RMB10 million and at least RMB100 million increased at CAGRs of 6.2% and 6.0%, respectively, from 2009 to 2013.



Source: Hurun Wealth Report, ACMR



## INDUSTRY OVERVIEW

### PASSENGER VEHICLE MARKET IN CHINA

#### The World's Largest Passenger Vehicle Market, with Strong Growth

China's passenger vehicle market has grown rapidly in recent years; it became the second largest passenger vehicle market in the world in 2007, and became the largest two years later in 2009, a position it has been holding through 2013, according to ACMR. While the growth of China's passenger vehicle market slowed in 2011 and 2012, China remained to be the largest passenger vehicle market in the world in 2013, more than twice as large as the U.S. market, which was the second largest, in terms of sales volume of new passenger vehicles in 2013.

#### Top 10 Passenger Vehicle Markets

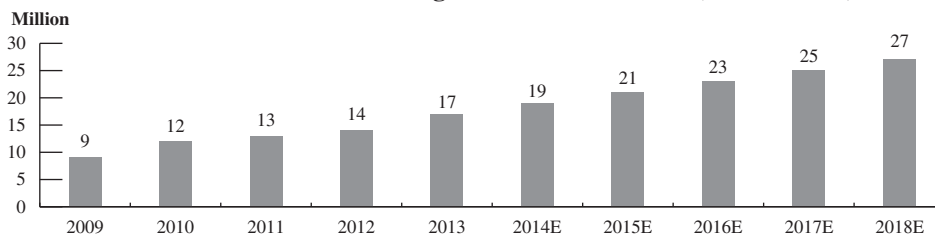
Ranking	Country	2009	2010	2011	2012	2013	CAGR	
							2009–2013	2013–2018E
Million units								
1	China	8.75	12.15	13.23	14.32	17.35	18.7%	9.0%
2	U.S.	5.46	5.64	6.09	7.24	7.59	8.6%	(0.6%)
3	Japan	3.92	4.21	3.52	4.57	4.56	3.9%	(1.3%)
4	Brazil	2.48	2.65	2.65	3.63	3.58	9.6%	5.0%
5	Germany	3.81	2.92	3.17	3.08	2.95	(6.2%)	(0.8%)
6	Russia	1.46	1.90	2.65	2.94	2.78	17.5%	6.5%
7	India	1.82	2.39	2.52	2.77	2.55	8.8%	5.4%
8	U.K.	2.00	2.04	1.88	2.04	2.26	3.1%	1.5%
9	France	2.27	2.25	2.20	1.90	1.79	(5.8%)	(1.0%)
10	Italy	2.16	1.96	1.75	1.40	1.30	(11.9%)	(4.2%)

Source: ACMR

Note: The ranking is based on sales volumes in millions in 2013.

The sales volume of new passenger vehicles in China grew at a CAGR of 18.7% from 2009 to 2013. ACMR expects the sales volume of new passenger vehicles to grow at a CAGR of 9.0% from 2013 to 2018.

#### Sales Volume of New Passenger Vehicles in China (2009–2018E)

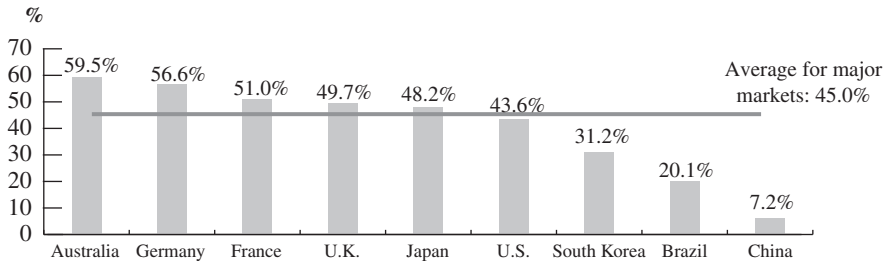


Source: China Association of Automobile Manufacturers, ACMR

However, according to ACMR, China's passenger vehicle market is still in its early stage of development, and its penetration rate is still low. In 2013, China's passenger vehicle penetration rate was 7.2%, lower than the world average of 11.6%, according to ACMR, and significantly lower than that of major markets including Australia, Germany, France, the U.K., Japan, the U.S., South Korea and Brazil which had an average penetration rate of 45.0%.

## INDUSTRY OVERVIEW

### Passenger Vehicle Penetration Rate in Major Markets in 2013



Source: ACMR

### Market Segmentation

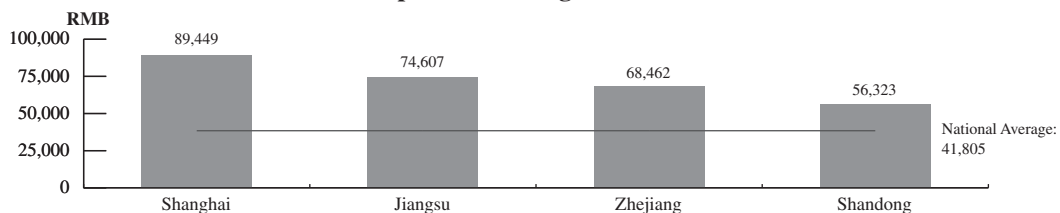
There is no uniform standard used to classify the segments of China's passenger vehicle market. The industry report prepared by ACMR divides China's passenger vehicle market into four segments, based on, among other things, brand positioning, quality, functionality and price range. The segments are (1) ultra-luxury, (2) luxury, (3) mid- to high-end and (4) low-end brands, and are commonly used in the industry.

Segment	Representative brands	Indicative price range (RMB)
Ultra-luxury . . . . .	Bentley, Bugatti, Ferrari, Koenigsegg, Lamborghini, Rolls-Royce, Maserati, Maybach, Spyker, Wiesmann, Aston Martin, Porsche	Over 1 million
Luxury . . . . .	BMW, Audi, Mercedes-Benz, MINI, Volvo, Lexus, Infiniti, Land Rover and Jaguar, Cadillac, Lincoln, Acura, Imported Volkswagen, Chrysler	300,000 to 1 million
Mid- to high-end . . . . .	Nissan, Buick, Honda, Domestic Volkswagen, Hyundai, Toyota, Chevrolet, Ford, Mitsubishi, Dodge, Hongqi, Jeep, Renault, Opel, Subaru, Citroen, Mazda, Roewe, Skoda, Peugeot, Kia	80,000 to 300,000
Low-end . . . . .	BYD, Chery, Geely, Chang'an, JAC, Soueast, Suzuki, Emgrand, Haima, Jiangling, Great Wall, Changfeng, Hafei, Xiali, Changhe, Chuanqi, Qichen	Less than 80,000

### OVERVIEW OF THE ECONOMY IN THE REGIONS WHERE WE FOCUS

Our operations focused on the affluent coastal regions of Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province. According to the NBSC, the aggregate nominal GDP of these regions increased at a CAGR of 12.9% from RMB10.6 trillion in 2009 to RMB17.3 trillion in 2013. In 2013, the aggregate nominal GDP of these regions accounted for 30.4% of the total nominal GDP of China. In addition, in 2013, each of Shanghai and Jiangsu, Zhejiang and Shandong provinces had nominal GDP per capita above the national average, ranking the third, fourth, fifth and tenth, respectively, among all of China's provincial-level regions.

### Nominal GDP Per Capita of the Regions Where We Focus in 2013



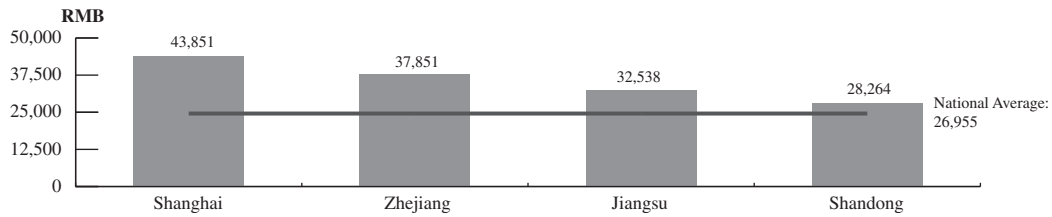
Source: National Bureau of Statistics of China, ACMR

In 2013, the average disposable income of urban households in each of Shanghai and Zhejiang, Jiangsu and Shandong provinces was higher than the national average, ranking the first, third, sixth and eighth among all provincial level regions in China, respectively, according to the NBSC. According to the 2013 Hurun Wealth Report, in 2013, the aggregate number of individuals with net assets of at least RMB10 million in the regions where we focus accounted for 37.4% of the total number of these individuals in

## INDUSTRY OVERVIEW

China, with 14.0%, 12.6%, 7.2% and 3.6% in Shanghai, Zhejiang, Jiangsu and Shandong respectively, and the aggregate number of individuals with net assets of at least RMB100 million in these regions accounted for 36.1% of the total number of these individuals in China.

### Per Capita Disposable Income of Urban Residents of the Regions Where We Focus (2013)

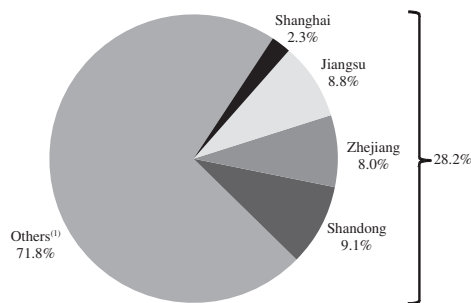


Source: National Bureau of Statistics of China, ACMR

### PASSENGER VEHICLE MARKETS IN THE REGIONS WHERE WE FOCUS

We strategically focus our dealership business in Jiangsu and Shandong province, Shanghai and Zhejiang provinces. The number of new passenger vehicles registered in Shandong, Jiangsu, Zhejiang and Shanghai provinces accounted for 9.1%, 8.8%, 8.0% and 2.3% of the total number of new passenger vehicles registered in China in 2012. The aggregate number of new passenger vehicles registered in these regions increased from approximately 2.7 million units in 2009 to approximately 3.3 million units in 2012, representing a CAGR of 7.4%.

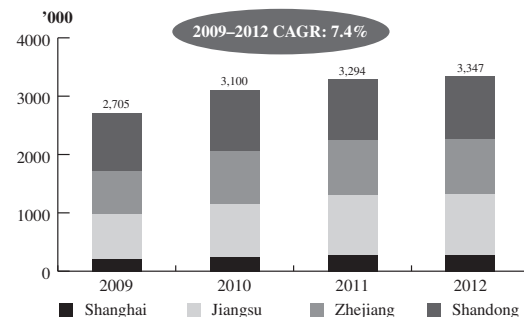
#### Percentage of New Passenger Vehicles Registered in 2012



Source: ACMR

Note: (1) Including 19 provinces, 3 municipalities and 5 autonomous regions

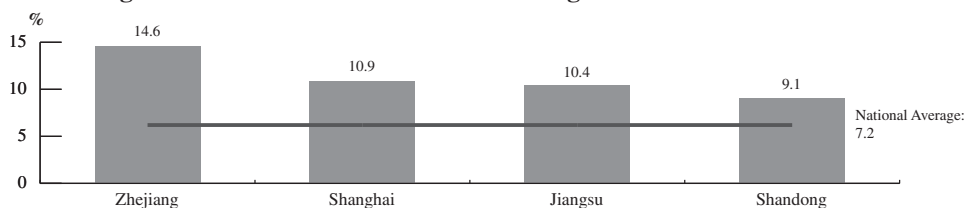
#### Number of New Passenger Vehicles Registered (2009–2012)



Source: ACMR

The regions where we focus our business had passenger vehicle penetration rates higher than the national average in 2013. The aggregate car parc in these regions grew at a CAGR of 29.2% from 2009 to 2012.

### Passenger Vehicle Penetration Rate of the Regions Where We Focus in 2013

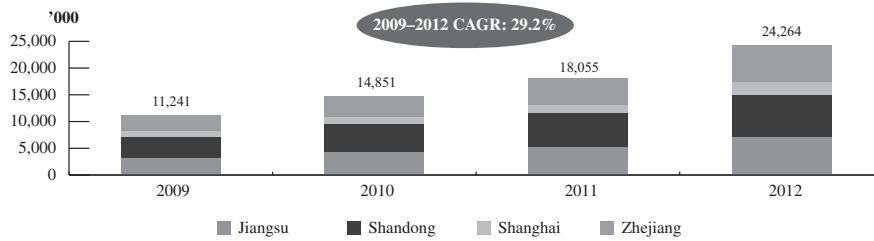


Source: ACMR



# INDUSTRY OVERVIEW

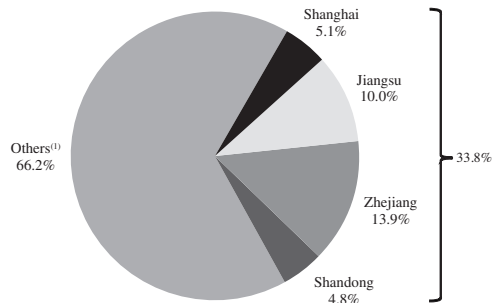
## Car Parc in Regions Where We Focus (2009–2012)



Source: ACMR

In addition, according to ACMR, between 2009 and 2012, the number of new luxury and ultra-luxury brands passenger vehicles registered in these regions increased from approximately 149,000 units to approximately 414,000 units, representing a CAGR of 40.6%. According to ACMR, Zhejiang, Jiangsu, Shanghai and Shandong provinces have traditionally been key markets for luxury and ultra-luxury passenger vehicles, and the number of new luxury and ultra-luxury passenger vehicles registered in these regions in 2012 accounted for 13.9%, 10.0%, 5.1% and 4.8%, respectively, of the total number of new luxury and ultra-luxury brands passenger vehicle registered in China, ranking the first, third, fifth and seventh among all provincial-level regions in China.

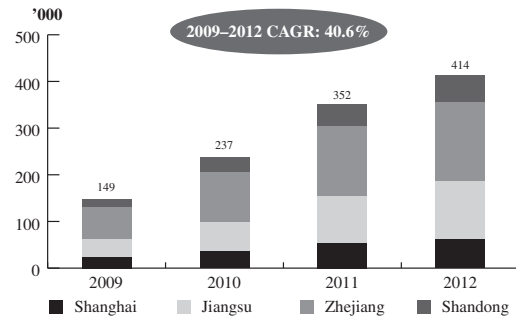
### Percentage of New Ultra-luxury and Luxury Passenger Vehicles Registered in 2012



Source: ACMR

Note: (1) Including 19 provinces, 3 municipalities and 5 autonomous regions

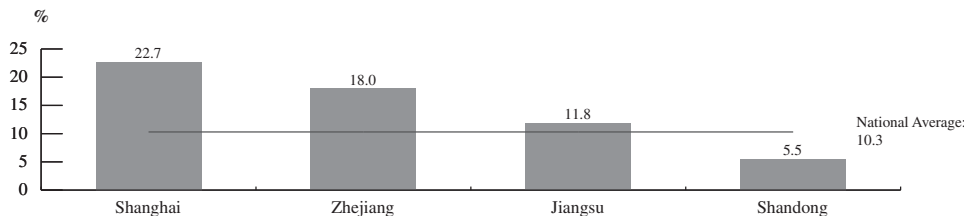
### Number of New Luxury and Ultra-Luxury Passenger Vehicles Registered (2009–2012)



Source: ACMR

In 2012, Shanghai and Zhejiang and Jiangsu provinces had higher percentages of new luxury and ultra-luxury passenger vehicles registered than the national average.

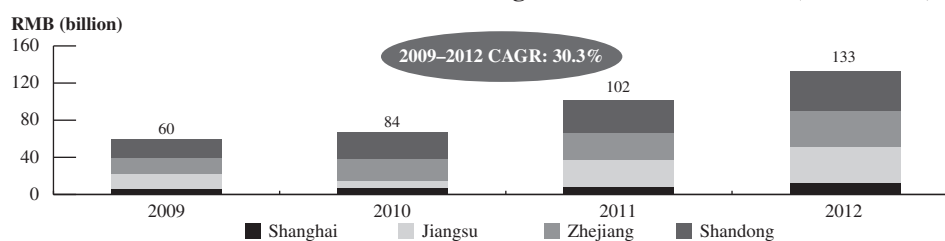
### New Luxury and Ultra-luxury Passenger Vehicles Registered as a Percentage of Total New Passenger Vehicles Registered in 2012



According to ACMR, the total revenue of the after-sales market in the regions where we focus grew from RMB60.0 billion in 2009 to RMB132.6 billion in 2012, representing a CAGR of 30.3%, and this after-sales market contributed to a steadily increasing percentage in the national after-sales market in terms of revenue, from 25.0% in 2009 to 28.8% in 2012.

## INDUSTRY OVERVIEW

### Revenue of After-sales Market in the Regions Where We Focus (2009–2012)



Source: ACMR

## CHINA'S 4S DEALERSHIP SECTOR

### Development of the 4S Dealership Model in China

A “4S dealership” is a passenger vehicle dealership model that integrates four business elements initiated by “S”: sales, spare parts, services and survey. Upon the promulgation of the Measures for the Implementing Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法) which became effective in April 2005, the PRC Government established that only automobile manufacturer-authorized branded automobile dealerships and general automobile distributors can procure automobiles directly from the automobile manufacturers; as a result, other distribution channels such as automobile trading markets and automobile supermarkets have gradually been replaced by 4S dealerships. A 5S dealership store is a 4S dealership store with an additional element of “sustainability”, meaning that the automobile dealership store is equipped with certain recycling capacities and operates according to eco-friendly procedures set by the relevant automobile manufacturer.

According to ACMR, total revenue of 4S dealerships increased at a CAGR of 25.3% from 2009 to 2013 and ACMR expects the total revenue of 4S dealerships to increase at a CAGR of 11.1% from 2013 to 2018. In 2013, approximately 85.3% of the revenue came from new passenger vehicle sales, 11.8% from after-sales services, 1.9% from pre-owned automobile business and 1.0% from automobile financing business, according to ACMR.

### Our Luxury and Ultra-Luxury 4S Dealerships

We are one of the largest luxury automobile dealership groups in the regions where we operate, as well as in the regions where we focus, in terms of number of luxury automobile dealership stores and showrooms as of December 31, 2013.

### Top Five Luxury Automobile Dealership Groups in the Regions Where We Operate<sup>(1)</sup> (as of December 31, 2013)

Ranking	Dealership Group	Number of Stores for Luxury Brands <sup>(2)</sup>
1	Group A . . . . .	54
2	Group B . . . . .	50
3	Group C . . . . .	33
<b>4</b>	<b>Our Group</b> . . . . .	<b>24</b>
5	Group D . . . . .	23

Source: ACMR

Note:

- (1) The regions where we operate includes the regions where we focus as well as Anhui province. Our group also ranks fourth in the regions where we focus.
- (2) Number of stores includes automobile dealership stores and showrooms in operation.

## INDUSTRY OVERVIEW

As of December 31, 2013, we were the largest automobile dealership group headquartered in Jiangsu province in terms of number of dealership stores and showrooms for luxury and ultra-luxury brands.

### Top Five Luxury and Ultra-luxury Automobile Dealership Groups Headquartered in Jiangsu Province (as of December 31, 2013)

Ranking	Dealership Group	Number of Stores for Luxury and Ultra-luxury Brands <sup>(1)</sup>
1	<b>Our Group</b> .....	25
2	Group A .....	15
3	Group B .....	14
4	Group C .....	12
5	Group D .....	11

Source: ACMR

Note:

(1) Number of stores includes 4S/5S dealership stores and showrooms in operation.

We were a leading dealership group in China and in the regions where we focus our business in terms of number of dealership stores for BMW as of December 31, 2013. According to ACMR, as of December 31, 2013, we are the largest BMW dealership group in terms of the aggregate number of automobile dealership stores in Jiangsu and Shandong provinces and Shanghai.

### Top Five BMW Dealership Groups in China (as of December 31, 2013)

Ranking	Dealership Group	Number of BMW Stores <sup>(1)</sup>
1	Group A .....	24
1	Group B .....	24
3	Group C .....	19
4	Group D .....	16
5	<b>Our Group</b> .....	14

Source: ACMR

Note:

(1) Number of stores includes automobile dealership stores in operation only.

### Top Five BMW Dealership Groups in the Regions Where We Focus (as of December 31, 2013)

Ranking	Dealership Group	Number of Dealership Stores <sup>(1)</sup>
1	Group A .....	16
2	<b>Our Group</b> .....	13
2	Group B .....	13
4	Group C .....	7
4	Group D .....	7

Source: ACMR

Note:

(1) Number of stores includes automobile dealership stores in operation only.

We are also a leading Land Rover and Jaguar dealership group in Shanghai and Jiangsu and Shandong provinces, in terms of number of 4S dealership stores for Land Rover and Jaguar as of December 31, 2013, according to ACMR.

## INDUSTRY OVERVIEW

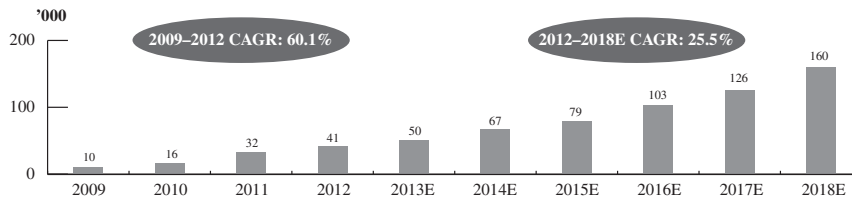
As of December 31, 2013, we had three 4S Audi dealership stores in Shandong province, which makes us the third largest dealership group in Eastern China and in the regions where we focus, and the largest in Shandong province, in terms of number of Audi 4S dealership stores.

### KEY TRENDS IN CHINA'S PASSENGER VEHICLE MARKET

#### Rapid Growth of the Luxury and Ultra-Luxury Passenger Vehicle Market

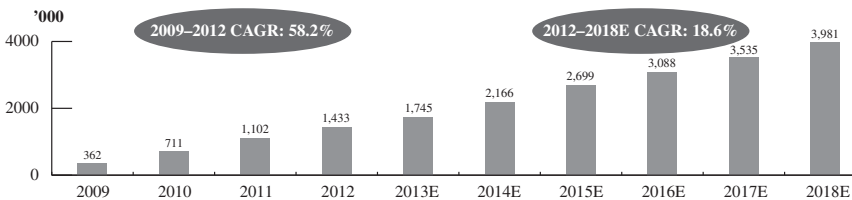
The sales volume of ultra-luxury passenger vehicles increased at a CAGR of 60.1% from 2009 to 2012. During the same period, the sales volume of luxury passenger vehicles increased at a CAGR of 58.2%. ACMR expects that the sales volume of ultra-luxury passenger vehicles and luxury passenger vehicles will reach approximately 160,000 units and 3,981,000 units, respectively, in 2018, representing CAGRs of 25.5% and 18.6%, respectively, from 2012 to 2018.

**Sales Volume of New Ultra-luxury Passenger Vehicles in China (2009–2018E)**



Source: ACMR

**Sales Volume of New Luxury Passenger Vehicles in China (2009–2018E)**

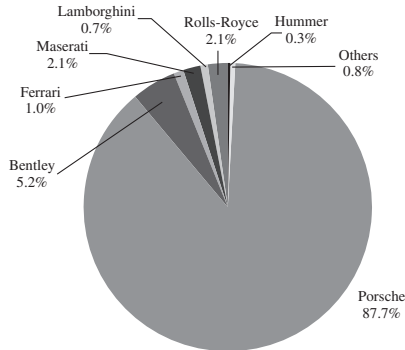


Source: ACMR

With China's rapid economic growth and increasing levels of household consumption, the country has become an important market for various luxury and ultra-luxury passenger vehicle brands. According to ACMR, in 2013, China was the world's second largest market for Maserati and Ferrari passenger vehicles, and the world's largest market for Audi, BMW, Land Rover and Jaguar passenger vehicles. According to ACMR, the sales volume of BMW passenger vehicles in China increased at a CAGR of 31.7%, from 158,489 units in 2010 to 362,100 units in 2013, taking up a 21.9% share of the global market; this compares with a CAGR of 10.6% for BMW's global market during the same period. According to ACMR, the sales volume of Land Rover and Jaguar passenger vehicles in China increased at a CAGR of 53.9% from 26,114 units in 2010 to 95,237 units in 2013, taking up a 22.4% share of the global market; this compares with a CAGR of 22.2% for Land Rover and Jaguar's global market during the same period. According to ACMR, the sales volume of Audi passenger vehicles in China increased at a CAGR of 29.7% from 225,588 units in 2010 to 491,989 units in 2013, taking up a 31.2% share of the global market; this compares with a CAGR of 13.0% for Audi's global market during the same period.

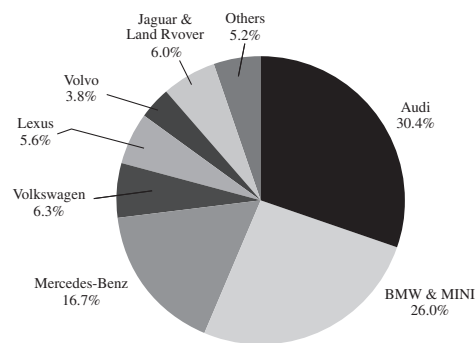
## INDUSTRY OVERVIEW

### Market Share of Ultra-luxury Passenger Vehicles in China by Sales Volume<sup>(1)</sup> in 2012



Source: ACMR

### Market Share of Luxury Passenger Vehicles in China by Sales Volume in 2012



Source: ACMR

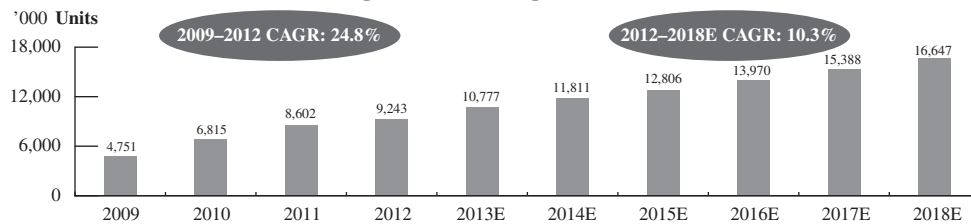
Note: (1) Based on new passenger vehicles registered.

China's luxury and ultra-luxury passenger vehicle markets are highly concentrated, with a small number of brands taking up a majority of the market share. In 2012, Porsche had the largest sales volume and accounted for 87.7% of the total sales volume of ultra-luxury passenger vehicles in China. In the same period, the top three luxury brands, namely, Audi, BMW (including MINI) and Mercedes-Benz, together accounted for 71.3% of the total sales volume of luxury passenger vehicles in China.

### Steady Growth of the Mid- to High-end Passenger Vehicle Market

The sales volume of mid- to high-end passenger vehicles increased at a CAGR of 24.8% from 2009 to 2012. ACMR expects the sales volume of mid- to high-end passenger vehicles to grow at a CAGR of 10.3% from approximately 9,243,000 units in 2012 to approximately 16,647,000 units in 2018.

#### Sales Volume of Mid- to High-end Passenger Vehicles in China (2009–2018E)



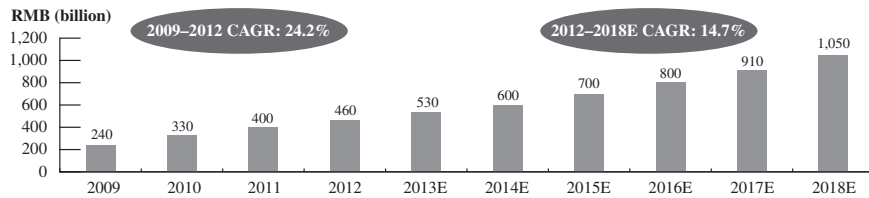
Source: ACMR

### Significant Growth of the After-Sales Services Market

According to ACMR, China's 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, which is defined as the number of registered automobiles on the road in a specific region or market. According to ACMR, the car parc in China increased at a CAGR of 23.2% from approximately 45.0 million units in 2009 to approximately 84.2 million units in 2012. In addition, according to ACMR, the demand for after-sales services is usually at the maximum when the vehicle has been used for between four to nine years, and as a result, China's after-sales services market has grown rapidly from 2009 onward. The retail sales of China's after-sales market increased by more than nine times from 2002 to 2012, and in 2012, more than 50% of the passenger vehicles in China have been used for over three years, according to ACMR. ACMR expects the retail sales of this market to grow at a CAGR of 14.7% from 2012 to 2018, reaching approximately RMB1,050 billion in 2018.

## INDUSTRY OVERVIEW

### Retail Sales of After-sales Market in China (2009–2018E)

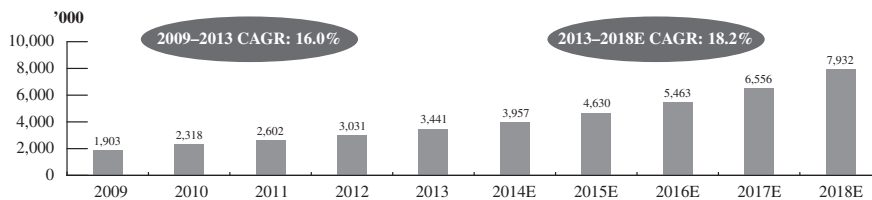


Source: ACMR

### Rapid Growth of the Pre-Owned Passenger Vehicle Market

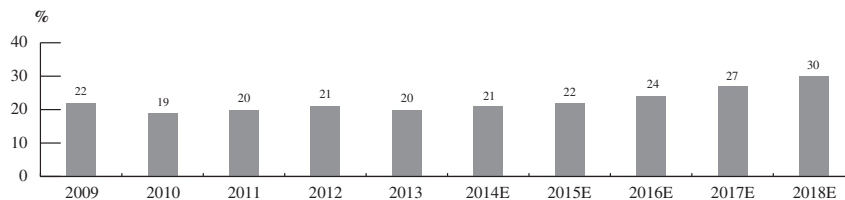
The trading volume of pre-owned passenger vehicles in China grew at a CAGR of 16.0% from 2009 to 2013. In 2013, Eastern China had the second highest trading volume of pre-owned passenger vehicles, accounting for 25.6% of the total trading volume in China, according to ACMR. In spite of the rapid growth in recent years, China's pre-owned passenger vehicle market is still in its early stage of development, compared to mature markets, according to ACMR. ACMR expects the trading volume of pre-owned passenger vehicles as a percentage of sales volume of new passenger vehicles to grow from approximately 20% in 2013 to approximately 30% in 2018.

### Trading Volume of Pre-owned Passenger Vehicles in China (2009–2018E)



Source: China Automobile Dealers Association, ACMR

### Trading Volume of Pre-owned Passenger Vehicles as a Percentage of Sales Volume of New Passenger Vehicles (2009–2018E)



Source: ACMR

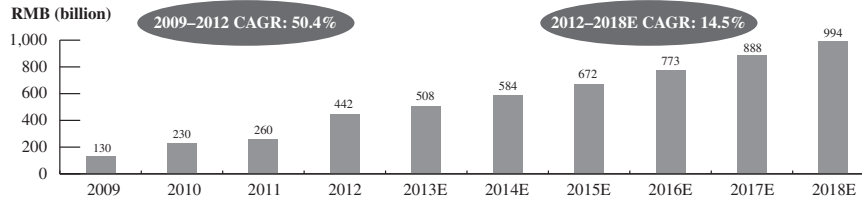
### Rapid Growth of the Automobile Financing Market

According to ACMR, the growth of China's automobile financing market is driven by the fast expansion of China's automobile market, as well as the growth in car parc, which increased at a CAGR of 23.2% from 2009 to 2012. In addition, compared to mature automobile markets, China had a low automobile financing penetration rate, which ACMR defines as the sales volume of automobiles purchased with loans or through financial leasing as a percentage of the total automobile sales volume. According to ACMR, in 2012, the automobile financing penetration rate in China was around 13% (with an automobile financial leasing penetration rate of around 1%), as compared to around 70% to 80% in European countries (with an automobile financial leasing penetration rate of around 20%) and around 81% in U.S. (with an automobile financial leasing penetration rate of around 46%).

## INDUSTRY OVERVIEW

With the expansion of the automobile market and change in consumers' consumption pattern and habits, China's automobile financing market has grown rapidly in recent years. The balance of automobile purchase loans increased at a CAGR of 50.4% from 2009 to 2012. ACMR expects the balance of China's automobile purchase loans to grow at a CAGR of 14.5% from 2012 to 2018, reaching RMB994 billion in 2018.

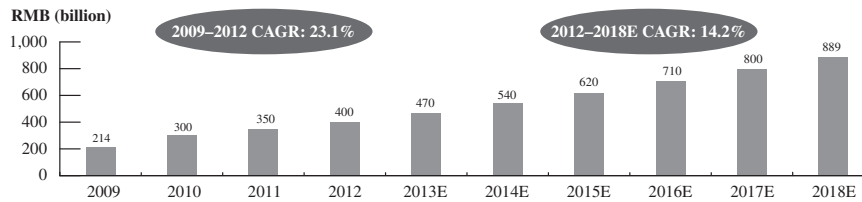
**Automobile Purchase Loan Balance in China (2009–2018E)**



Source: China Automotive Industry Yearbook, ACMR

Premium income from motor vehicle insurance products in China increased at a CAGR of 23.1% from 2009 to 2012. ACMR expects premium income from motor vehicle insurance in China will more than double from 2012 to 2018, reaching RMB889 billion in 2018.

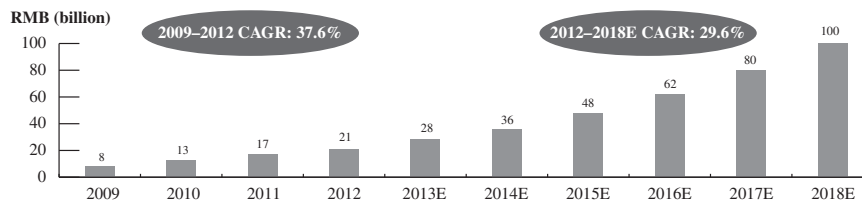
**Premium Income from Motor Vehicle Insurance in China (2009–2018E)**



Source: China Automotive Industry Yearbook, ACMR

The size of China's automobile financial leasing market grew significantly at a CAGR of 37.6% from 2009 to 2012. ACMR expects it to grow at a CAGR of 29.6% from 2012 to 2018, reaching RMB100 billion in 2018.

**Amount of Automobile Financial Leasing in China (2009–2018E)**



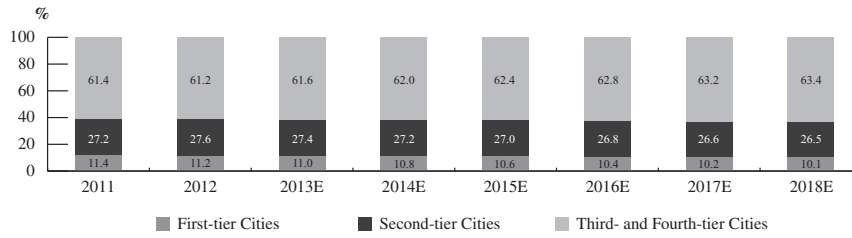
Source: ACMR

### Rapid Growth of the Passenger Vehicle Market in Third- and Fourth-Tier Cities

According to ACMR, with the rapid economic development of China's Third- and Fourth-tier Cities and the gradual increase in passenger vehicle penetration rates in First- and Second-tier Cities, growth in the passenger vehicle sales network in China has been migrating to Third- and Fourth-tier Cities in recent years. ACMR expects Third- and Fourth-tier Cities' contribution to China's GDP will grow from 61.2% in 2012 to 63.4% in 2018. From 2009 to 2012, the number of new passenger vehicles registered in Third- and Fourth-tier Cities increased at CAGRs of 9.6% and 8.7%, respectively, higher than the 2.0% and 7.5% CAGRs in First- and Second-tier Cities, respectively, for the same period. The aggregate number of new passenger vehicles registered in Third- and Fourth-tier Cities as a percentage of all new passenger vehicles registered in China increased from 57.1% in 2009 to 59.1% in 2012.

# INDUSTRY OVERVIEW

**GDP Contribution in the PRC by Category of Cities (2011–2018E)**



Source: ACMR

**Percentage of Passenger Vehicles Registered (2009–2012)**



Source: ACMR



### OVERVIEW

This section summarizes the main PRC laws, rules and regulations applicable to our business and operations.

### REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY

#### The PRC Automobile Industry

On May 21, 2004, the NDRC promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (the “**Policy**”) which became effective on May 21, 2004 and was further amended on August 15, 2009. The Policy contains provisions relating to, amongst other things, the PRC automobile industry policies and aims, technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

#### New Automobile Sales

The sale of new automobiles is subject to the Measures for Implementing the Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法) (the “**Automobile Sales Measures**”), which were jointly promulgated by the MOFCOM, the NDRC and the SAIC on February 21, 2005 and became effective on April 1, 2005.

The Automobile Sales Measures provide for two categories of automobile distributors, namely general automobile distributors and automobile brand dealers. Foreign automobile manufacturers are required to establish general automobile distributors in the PRC to distribute their automobiles and parts. Automobile brand dealers are defined under the Automobile Sales Measures as enterprises authorized by automobile suppliers (either automobile manufacturers or their general automobile distributors) to engage in automobile sales and services.

An automobile brand dealer must be a legal person authorized by an automobile supplier to sell the supplier’s brand of automobiles. An automobile brand dealer must comply with the supplier’s requirements relating to the intellectual property rights associated with the automobile brands, such as trademarks, labels and store names, it must have the business site, facilities and technical personnel associated with its business scope and it is also subject to regulation by local municipal and commercial development authorities.

In accordance with the Automobile Sales Measures, an automobile supplier must submit relevant materials of the applicant for automobile brand dealer who meets the statutory requirements to the SAIC for record, and then the applicant for automobile brand dealer must register with the local administration for industrial and commercial on the strength of the aforesaid record documents.

Notice on Implementation of “Measures for Implementing the Administration of Branded Automobile Sales” and “Measures for the Administration of the Sales of Pre-Owned Automobiles” (國家工商行政管理總局關於進一步貫徹實施《汽車品牌銷售管理實施辦法》《二手車流通管理的辦法》的意見), which was promulgated by the SAIC and became effective on November 10, 2005, further

## REGULATORY OVERVIEW

provides that an automobile dealer must register with the SAIC prior to commencing business operations, and a Name List of Branded Automobile Sales Enterprises has been announced by SAIC from time to time.

### **Automobile Repair and Maintenance Services**

Our repair and maintenance services business is subject to the Road Transportation Regulations (道路運輸條例), which were promulgated by the State Council on April 30, 2004 and became effective from July 1, 2004 and was amended on November 9, 2012. The amendments became effective on January 1, 2013. According to the Road Transportation Regulations, prior to commencing a motor vehicle repair and maintenance business, an operator of such business must file an application with the local department of the Ministry of Transport of the PRC (the “**MOT**”) and obtain a Road Transportation License (道路運輸經營許可證). No motor vehicle repair and maintenance business operator is permitted to repair any discarded motor vehicle, or refit any motor vehicle, without approval.

Pursuant to the Regulations on the Administration of Automobile Maintenance and Repair (機動車維修管理規定) (the “**Automobile Repair Regulations**”), which were promulgated by the MOT on June 24, 2005 and became effective on August 1, 2005, an operator must have suitable facilities, equipment and technical personnel to be allowed to operate an automobile maintenance and repair business. In addition, an operator must implement quality control systems and work safety procedures, provide training to its technical personnel, maintain proper automobile repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

### **Pre-Owned Automobile Sales**

The trading of pre-owned automobiles is subject to the Measures for the Administration of the Circulation of Pre-Owned Automobiles (二手車流通管理辦法) (“**Pre-Owned Automobiles Measures**”), which were promulgated by the MOFCOM, the Ministry of Public Security of the PRC, the SAIC and the State Administration of Taxation on August 29, 2005 and became effective on October 1, 2005.

According to the Pre-Owned Automobiles Measures, any direct transaction of pre-owned automobiles, which refers to that the owner of a pre-owned automobile directly sells his/her automobile to a buyer without using a dealer, auction enterprise or brokerage firm, must be conducted within a trading market for pre-owned automobiles. The operator of the trading market for pre-owned automobiles must provide an invoice to the buyer in the direct transaction of pre-owned automobile.

### **Automobile Insurance**

Our distribution of insurance products is subject to the Interim Measures on the Administration of Concurrent-Business Insurance Agents (保險兼業代理管理暫行辦法) (the “**Concurrent-Business Insurance Regulations**”), which were promulgated by the China Insurance Regulatory Commission (the “**CIRC**”) on August 4, 2000 and became effective on August 4, 2000, and the Notice of the China Insurance Regulatory Commission on Suspending the Market Access Permission of Regional Insurance Agencies and Some Concurrent-Business Insurance Agencies (中國保險監督管理委員會關於暫停區域性保險代理機構和部分保險兼業代理機構市場准入許可工作的通知) (the “**Market Access Permission Suspension Notice**”), which was promulgated by the CIRC and became effective on March 26, 2012.

## REGULATORY OVERVIEW

The Concurrent-Business Insurance Regulations require, amongst other things, that an enterprise, which distributes insurance products that directly relate to its main business, apply for a License for Concurrent-Business Insurance Agency from the CIRC and obtain authorization documentation from the insurance companies, subject to the CIRC's supervision. According to the Market Access Permission Suspension Notice, the government has decided to suspend the granting of the licenses for concurrent-business insurance agency to enterprises other than financial institutions and post offices since March 26, 2012 to reexamine the insurance agency market.

In addition, we provide insurance agency service through a subsidiary within Shandong Province. As such, our business operation is subject to the Provisions on the Supervision and Administration of Specialized Insurance Agencies (保險專業代理機構監管規定), which was promulgated by the CIRC on September 25, 2009 and became effective on October 1, 2009, as amended on April 27, 2013, and the Notice of the China Insurance Regulatory Commission on Implementing the Provisions on the Supervision and Administration of Specialized Insurance Agencies, the Provisions on the Supervision and Administration of Insurance Brokerage Institutions and the Provisions on the Supervision and Administration of Insurance Assessment Institutions (中國保險監督管理委員會關於貫徹落實《保險專業代理機構監管規定》、《保險經紀機構監管規定》、《保險公估機構監管規定》有關事宜的通知), which was promulgated on December 23, 2009 and became effective on the same day (the “**Supervision and Administration Provisions**”). According to the Supervision and Administration Provisions, the establishment of a specialized insurance agency that operates within a provincial level region must be approved by the provincial counterpart of the CIRC.

### Financial Leasing

Our financial leasing business is subject to the Measures for the Administration of Foreign-Funded Lease Industry (外商投資租賃業管理辦法) (“**Foreign-Funded Financial Leasing Measures**”), which were promulgated by the MOFCOM on February 3, 2005 and became effective on March 5, 2005. Pursuant to the Foreign-Funded Financial Leasing Measures, to establish a foreign-funded financial leasing company, approval from the MOFCOM is required, and such foreign-funded financial leasing company must satisfy the following requirements: (a) its registered capital must be no less than USD10 million; (b) if it is a limited liability company, its operation term must generally not exceed 30 years; and (c) it must have appropriate professional personnel and its senior management personnel must have appropriate professional qualifications and at least three years of relevant work experience.

### Automobile Loans

The extension of financing to us by commercial banks and other financial institutions is subject to the Measures for the Administration of Automobile Loans (汽車貸款管理辦法) (the “**Loans Measures**”), which were promulgated by the People's Bank of China (“**PBOC**”) and the China Banking Regulatory Commission (“**CBRC**”) on August 16, 2004 and became effective on October 1, 2004.

The Loans Measures provide that an automobile dealer may not obtain financing that has a term of over one year from commercial banks and other financial institutions for the purchases of automobiles or spare parts. In order to obtain the financing, an automobile dealer's balance sheet ratio, or asset liability ratio, which equals its indebtedness divided by its total assets, must not exceed 80%, and it must have sufficient stable and lawful income or assets to repay both the principal and interest incurred on the

## REGULATORY OVERVIEW

loan. An automobile dealer will be subject to regular credit reviews and inspections that will be conducted by the relevant commercial banks and financial institutions, the frequency of which is not specified in the Loans Measures.

### **Fuel-Efficient Automobiles Subsidy**

Pursuant to the Notice on the Launch of the “Project to Benefit People with Energy-Saving Products” (關於開展“節能產品惠民工程”的通知), which was jointly promulgated by the NDRC and the Ministry of Finance of the PRC (“**MOF**”) on May 18, 2009, and the Implementation Provisions for the Promotion of Fuel-Efficient Automobiles (Passenger Vehicles of 1.6 Liters and Below) under the “**Project to Benefit People with Energy-Saving Products**” (“節能產品惠民工程”節能汽車(1.6升及以下乘用車)推廣實施細則), which were jointly promulgated by the NDRC, the Ministry of Industry and Information Technology of the PRC (“**MIIT**”) and the MOF on May 26, 2010, the PRC Government provides a subsidy of RMB3,000 per automobile purchased if the automobile is fuel-efficient, which requires that the automobile has a 1.6-liter or smaller engine. The NDRC, the MIIT and the MOF announced a catalog of the fuel-efficient automobile models eligible for such subsidy (the “**Fuel-Efficient Automobiles Catalog**”) in June 2010 and subsequently made amendments to the Fuel-Efficient Automobiles Catalog.

On September 7, 2011, the NDRC, the MIIT and the MOF jointly promulgated the Notice on the Adjustment of Promotion and Subsidy Policy for Fuel-Efficient Automobiles (關於調整節能汽車推廣補貼政策的通知). To implement this notice, the NDRC, the MIIT and the MOF further amended the Fuel-Efficient Automobiles Catalog on October 1, 2011, July 10, 2012 and April 2, 2013, which reduced the number of accredited fuel efficient automobile models from about 400 to about 200. The amount of subsidy remains RMB3,000 per automobile.

### **Anti-Congestion**

Shanghai has implemented an auction system for the issuance of new vehicle registration plates since 1994. Under this system, each applicant is required to submit a “blind” bid for a vehicle registration plate. Only successful bidders can apply to have their automobiles registered with the local vehicle administration in Shanghai. Out-of-city vehicles bearing non-Shanghai registration plates are not allowed on certain roads during specified rush hours.

### **Automobile Recalls**

The Regulations on Recalls of Defective Automotive Products (缺陷汽車產品召回管理規定) (“**Recall Regulations**”), which were promulgated by the State Administration of Quality Supervision, Inspection and Quarantine of the PRC, the NDRC, the MOFCOM, and the General Administration of Customs of the PRC on March 12, 2004 and became effective on October 1, 2004, and the Rules on Recalls of Defective Automotive Products (缺陷汽車產品召回管理條例) (“**Recall Rules**”), which were promulgated by the State Council on October 22, 2012 and became effective on January 1, 2013, require all automobile dealership stores to report defects in automobiles and automobile-related products to both the relevant automobile manufacturers and the PRC government authorities, and to fully cooperate with the automobile manufacturers in conducting automobile recall activities and with the PRC government authorities in any investigations thereto.

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Under the Recall Regulations, there is a statutory warranty period, within which an automobile manufacturer is required to recall an automobile if a relevant defect is discovered in the automobile. This statutory warranty period is the longer of (a) 10 years from the date on which the automobile is delivered to its first owner, and (b) the usage period specified by the manufacturer for the automobile. The foregoing does not apply to certain automobile parts and components. For example, the Recall Regulations provide that the statutory warranty period for automobile tires will be three years from the first date of delivery and that the statutory warranty period for non-durable components and parts will be the relevant usage period specified by the automobile manufacturers.

### **Repair, Replacement and Return Liability**

According to the Provisions on the Liabilities for the Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定) (the “**3R Provisions**”), which were promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on December 29, 2012 and became effective on October 1, 2013, the liabilities for repair, replacement and return of household automotive products (the “**Three Warranties**”) will be borne by the dealer who distributes the household automotive products within the PRC. After the dealer has performed the Three Warranties obligations within the valid period of the Three Warranties, if the liabilities can be attributed to the manufacturers or other operators, the dealer will be entitled to seek remedies from the manufacturers or other operators.

The warranty period of household automotive products must be not less than three years or 60,000 kilometers in driving distance, whichever is reached first. The valid period of the Three Warranties of household automotive products will be not less than two years or 50,000 kilometers in driving distance, whichever is reached first. The warranty period of household automotive products and the valid period of the Three Warranties both commence from the date on which the vendor issues the purchase invoice. Within the valid period of the Three Warranties of a household automotive product, the consumer has the right to request the vendor to replace or return the product on the strength of the Three Warranties certificate and the purchase invoice, when the conditions of replacement or return under the 3R Provisions are met. For the 3R Provisions’ impact on our operations and financial position, see “Risk Factors—Risks Relating to Our Business—Product defects and automobile recalls could have a negative impact on our business” and “Business—Our Services—After-sales Services” in this prospectus.

### **Anti-Corruption**

On November 25, 2013, the State Council and the Chinese Communist Party’s Central Committee jointly promulgated the Regulations on Requiring the Party and Government Organizations to Practice Thrift and Avoid Waste (黨政機關厲行節約反對浪費條例) (the “**Anti-Corruption Regulations**”). According to the Anti-Corruption Regulations, government expenditures on automobile purchases and uses will be strictly regulated, and government centralized procurement of automobiles must be of domestically manufactured automobiles. As part of the market-oriented reform for government automobiles in China, government automobiles can only be used for prescribed and necessary purposes. For the possible impact of the Anti-Corruption Regulations on our business, see “Business—Our Services—Automobile Sales” in this prospectus.

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### PROPERTY LAW

The real properties we lease and own in the PRC are subject to the Property Law (物權法), which was promulgated by the National People's Congress on March 16, 2007 and became effective on October 1, 2007. Under the Property Law, any creation, modification, transfer or termination of real property rights will become effective upon registration with the relevant government authorities. The Property Law also contains specific provisions relating to construction land use rights, residential land use rights, easement rights and various security rights.

Under the Urban Real Estate Law (城市房地產管理法), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and became effective on January 1, 1995, as amended on August 30, 2007, and the Measures for Administration of Leases of Commodity Properties (商品房屋租賃管理辦法), which were promulgated by the Ministry of Construction of the PRC on December 1, 2010 and became effective on February 1, 2011, parties to a building lease must enter into a written lease contract and register the lease with the relevant real estate administration authority. Whenever a lease contract is signed, amended, extended or terminated, the parties are required to register the details with the relevant real estate administration authority. Parties will be subject to fines if they fail to register the details after being ordered to do so by the relevant authorities.

The Land Administration Law (土地管理法), which was promulgated by the Standing Committee of the National People's Congress on June 25, 1986 and became effective on January 1, 1987, as amended on December 29, 1988, August 29, 1998 and August 28, 2004, provides that a land use certificate of state-owned land must be obtained from the land administration department prior to the use of collectively-owned land. Violation of the Land Administration Law may result in imposition of fines and confiscation of the land involved.

### TAXATION

#### Income Tax

According to the Enterprise Income Tax Law (企業所得稅法) (the "EIT Law"), which was promulgated on March 16, 2007 and became effective from January 1, 2008, and the Implementation Rules to the Enterprise Income Tax Law (企業所得稅法實施條例) (the "Implementation Rules"), which were promulgated on December 6, 2007 and became effective from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at the uniform rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of a foreign country (region) but have their actual management bodies within the PRC, must pay enterprise income tax originating both within and outside the PRC. Non-resident enterprises that have set up institutions or establishments within the PRC must pay enterprise income tax in relation to the income that originated from the PRC and was obtained by their institutions or establishments within the PRC, as well as the income that originated outside the PRC but had an actual relationship with the institutions or establishments set up by such enterprises within the PRC. Where non-resident enterprises have not set up institutions or establishments in the PRC, or where they have set up institutions or establishments in the PRC but there is no actual relationship between the income and the institutions or establishments, they must pay enterprise income tax in relation only to the income originating from the PRC.

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Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or SAT Circular No. 698, which was issued by the State Administration of Taxation on December 10, 2009 and has retroactive effect from January 1, 2008, except for the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company (an “**Indirect Transfer**”), and this overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise investor must report this Indirect Transfer to the competent tax authority of the PRC resident enterprise. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer.

According to the Announcement on Issues Relating to Resident Enterprises’ Reporting on Information of Outbound Investments and Income (國家稅務總局關於居民企業報告境外投資和所得信息有關問題的公告), or SAT Circular No. 38, which was issued by the State Administration of Taxation on June 30, 2014 and will come into effect on September 1, 2014, each PRC resident enterprise that establishes, holds interest in, or disposes of any shares or voting shares of, an overseas enterprise shall report to the competent tax authorities if such investment and disposal shall be recognizable according to PRC accounting rules, and one of the following conditions is satisfied: (1) the PRC resident enterprise directly or indirectly holds not less than 10% shares or voting shares of the overseas enterprise as of September 1, 2014; (2) the shares or voting shares directly or indirectly held by the PRC resident enterprise increase from less than 10% to become 10% or above after September 1, 2014; or (3) the shares or voting shares directly or indirectly held by the PRC resident enterprise decrease from 10% or above to become less than 10% after September 1, 2014. The PRC resident enterprise shall also report overseas income-related information to the competent tax authorities when filing annual EIT returns. Non-PRC resident enterprises that have establishment or business premises in the PRC and derive overseas-sourced income that is effectively connected with that establishment or business premises shall also report relevant information in accordance with SAT Circular No. 38. In addition, pursuant to SAT Circular No. 38, relevant information about circumstances that occurred before September 1, 2014 shall also be reported to competent tax authorities according to the SAT Circular No. 38.

### Value-Added Tax

According to the Interim Regulations on Value-Added Tax (增值稅暫行條例), which were promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, all taxpayers engaged in the sale of goods, provision of processing, repairs and replacement services, and importation of goods within the territory of the PRC are required to pay value added tax (“**VAT**”). The rate of VAT is 17% for taxpayers engaged in the sale or importation of goods, except as otherwise provided by the relevant provisions in the Interim Regulations on Value-Added Tax and is also for 17% for taxpayers providing processing repairs and replacement services.

In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》) (the “**Pilot Plan**”). Since January 1, 2012, the PRC government has been implementing a pilot program in certain provinces and

## REGULATORY OVERVIEW

municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the 5% business tax. According to the Notice Regarding the Nationwide Implementation of B2V Transformation Pilot Program in respect of Transportation and Certain Modern Service Industries (《關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知》) jointly issued by the MOF and SAT effective from August 1, 2013 (the “**B2V Circular 37**”), such policy has been implemented nationwide. In addition, the MOF and SAT released the Notice on Including Railway Transportation and Postal Services Sectors into the Pilot Scheme on Switching from Business Tax to VAT (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》) on December 12, 2013, which further expanded the scope of taxable services for value-added tax and replaced the B2V Circular 37 as of January 1, 2014.

### **Business Tax**

Pursuant to the Provisional Regulations on Business Tax (營業稅暫行條例), which were promulgated on November 10, 2008 and became effective from January 1, 2009, an enterprise or an individual that provides services as prescribed, transfers intangible assets or sells real properties within the territory of the PRC is required to pay business tax. The turnover multiplied by the prescribed tax rates will be the business tax payable. The tax rates range from 3% to 20% depending on the industries in question.

### **Consumption Tax and Purchase Tax on Passenger Vehicles**

The PRC Government adopted an automobile consumption tax on January 1, 1994. 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告), which was promulgated by the MOF and the SAT and became effective from September 1, 2008, the personal automobile consumption tax rate for passenger vehicles with engine displacement capacity of equal to or less than 1.0 liter was reduced from 3% to 1%, whereas the tax rate for vehicles with larger engine displacements was increased. In particular, the tax rate for vehicles with engine displacement of 3.0 to 4.0 liters increased from 15% to 25%, and the tax rate for vehicles with engine displacement of more than 4.0 liters increased from 20% to 40%.

Pursuant to the Notice on the Discontinuation of the Reduction in Purchase Tax for Passenger Vehicles with Emission Equal to or Less than 1.6 Liters (關於1.6升及以下排量乘用車車輛購置稅減徵政策到期停止執行的通知), which was promulgated by the MOF and the SAT and became effective from January 1, 2011, the PRC Government raised the purchase tax for passenger vehicles with emission equal to or less than 1.6 liters from 7.5% to 10%.

### **FOREIGN EXCHANGE CONTROL**

The Foreign Exchange Administration Regulations (外匯管理條例), which were promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定), which were promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996, govern foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and remit abroad such foreign exchange from their bank accounts in the PRC. Foreign-invested enterprises may also effect payments for current account items without the SAFE's approval, with valid receipts and proof of the relevant transactions. However, prior approval from SAFE is required for foreign exchange conversions for capital account items, including direct investments and capital contributions.



### FOREIGN EXCHANGE REGISTRATION

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular No. 37**”), which was promulgated by SAFE and became effective on July 14, 2014, requires a PRC individual resident (“**PRC Resident**”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Offshore SPV**”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s PRC subsidiary to distribute dividends to its overseas parent.

The Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法實施細則), which were promulgated by the SAFE on January 5, 2007 and became effective on February 1, 2007, require 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 the SAFE or its local counterpart. In February 2012, the 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 the SAFE in March 2007. Under the new 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, must 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 update 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. According to the recently-promulgated SAFE Circular No. 37, a PRC Resident that participates in an employee share incentive plan of a non-listed Offshore SPV could, by submitting required documents, apply for registration with the local SAFE branch before exercising stock options.

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### FOREIGN EXCHANGE RATE

On July 21, 2005, the PBOC changed the fixed RMB-US\$ exchange system to a floating exchange system based on market supply and demand. The closing price of foreign currencies, including the U.S. dollar, is announced by PBOC in the inter-bank foreign exchange market after the closing of the market on each working day and is the central parity for trading against RMB on the following working day. The daily trading price of the U.S. dollar against the Renminbi in the inter-bank foreign exchange market has been allowed to float within a band of 2% around the central parity published by PBOC since March 17, 2014, while the trading prices of certain non-U.S. dollar currencies (including pounds, euros, Japanese yens and Hong Kong dollars) against the Renminbi have been allowed to float within a band of 3% around the central parity published by PBOC since September 23, 2005.

### DIVIDEND DISTRIBUTIONS

Under the Company Law, before dividends can be paid, companies must set aside a minimum of 10% of its after-tax profit as a statutory surplus reserve fund. Companies are not required to do so until the reserve balance reaches 50% of its registered capital. If a company's statutory reserve fund is not sufficient to cover its losses in previous years, the company must use its profit of the current year to cover losses before retaining the statutory reserve fund. After the company has retained the statutory reserve fund as required, it may retain discretionary reserve fund from the after-tax profit. After losses are covered and the reserve fund is retained, the company may distribute dividends to its shareholders.

Before the promulgation of EIT Law, the principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign-Owned Enterprise Law, the FIE Tax Law and their respective Implementation Regulations.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit after setting aside statutory reserve funds, if any, determined in accordance with PRC accounting standards and regulations. And dividends paid to its foreign investors are exempt from withholding tax. However, this exemption provision has been revoked by the EIT Law which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Rules reduced the rate from 20% to 10%, effective from January 1, 2008.

The PRC and the government of Hong Kong SAR signed the Arrangement Between the Mainland of the PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on August 21, 2006 (the "Arrangement"). According to the Arrangement, a 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. A 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which became effective from February 20, 2009, all of the following requirements must be satisfied for a resident of the other party to a tax treaty to be entitled to the treatment under the tax treaty for the dividends paid to it by a Chinese resident enterprise, provided that

## REGULATORY OVERVIEW

such tax treaty requires the resident of the other party to the treaty directly owns a certain percentage of interest in the Chinese resident enterprise: (a) the resident who obtains dividends must be a company as provided in the tax treaty; (b) the resident's equity interest in and ownership of voting shares of the Chinese resident company that it directly owns reaches a specified percentage; and (c) at any time during the twelve months prior to the obtainment of the dividends, the resident's equity interest in the Chinese resident company that it directly owns reaches a percentage specified in the tax treaty.

In addition, according to The Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) (the “**Administrative Measures**”), which became effective on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the Treaty, it must submit an application for approval or filing to the competent tax authority. Without being approved or having filed, the non-resident enterprise may not enjoy the favorable tax treatments provided under the Arrangement.

### ENVIRONMENTAL PROTECTION

The Environmental Protection Law (環境保護法), which was promulgated by the Standing Committee of the National People's Congress and became effective on December 26, 1989, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within its jurisdiction.

#### Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), which was promulgated by the Standing Committee of the National People's Congress on September 5, 1987 and amended on August 29, 1995 and April 29, 2000, effective from September 1, 2000, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorized to regulate air pollution within its jurisdiction by formulating more specific local standards, and may impose penalties for violation.

#### Water Pollution

The Water Pollution Prevention Law (水污染防治法), which was promulgated on May 11, 1984 by the Standing Committee of the National People's Congress and became effective on November 1, 1984 and amended on May 15, 1996 and February 28, 2008, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises which discharge waste into water must pay a treatment fee. Each of the local environmental protection bureaus is authorized to regulate water pollution within its jurisdiction by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

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### Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), which was promulgated by the Standing Committee of the National People's Congress on October 29, 1996 and became effective on March 1, 1997, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person, who undertakes a construction, renovation or expansion project which might cause environmental noise pollution, must prepare and submit an environmental impact statement to the competent administrative department for environmental protection for approval. Facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the project works, and be inspected by the competent administrative department for environmental protection before project facilities are put in production or other uses. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the competent environmental protection department of the State Council.

### Construction Projects

Our construction projects are subject to the Environmental Impact Appraisal Law (環境影響評價法), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which were promulgated by the State Council on November 29, 1998 and became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), which were promulgated by the State Environmental Protection Administration of China on December 27, 2001 and became effective on February 1, 2002, as amended on December 22, 2010. Under these regulations, enterprises planning construction projects are required to engage qualified professionals to provide assessment reports on the environmental impact of these projects. The assessment report must be filed with, and approved by, the competent environmental protection department, prior to commencement of any construction work.

### PRODUCT QUALITY

The principal law governing product liability in the PRC is the Product Quality Law (產品質量法), which was promulgated by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000.

Pursuant to the Product Quality Law, a seller must, among other things, adopt measures to keep products for sale in good quality and comply with regulations regarding the labeling of products, and must not sell defective or damaged products, forge the origin of a product, forge or falsely use another manufacturer's authentication marks, or substitute a fake product for a genuine product or a defective product for a high-quality product.

Violation of the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer, unless any agreement between the retailer and the manufacturer provides otherwise.

## **REGULATORY OVERVIEW**

### **CONSUMER PROTECTION**

The Consumer Protection Law (消費者權益保護法), which was promulgated by the Standing Committee of the National People's Congress on October 31, 1993 and became effective on January 1, 1994, as amended on August 27, 2009 and October 25, 2013 (effective from March 15, 2014), prescribes standards of conduct for businesses in dealing with consumers.

Businesses must, among other things, observe the provisions of the Consumer Protection Law and other relevant laws and regulations regarding personal safety and property protection, provide consumers with truthful information and advertising in relation to goods and services and with truthful and clear answers to consumers' questions in relation to goods and services, ensure that the actual quality of goods and services is consistent with the relevant advertisements, product descriptions or samples, and must not impose unreasonable or unfair terms on consumers or exclude civil liability unreasonably.

Article 40 (as amended in 2013) of the Consumer Protection Law stipulates that consumers whose legitimate rights and interests are infringed upon during the purchase or use of a product may demand compensation from the relevant vendor. In the event the liability is attributable to another supplier or the manufacturer, the vendor may in turn demand recovery of any compensation paid to the consumer from the supplier or manufacturer, as the case may be. In addition, consumers who suffer personal injury or property damage due to product defects may demand compensation from either the vendor or the manufacturer. If the liability is attributable to the manufacturer, the vendor may demand recovery of any compensation which it paid to the consumer. If the default and liability are attributable to the vendor, the manufacturer may demand recovery of any compensation which it paid to the consumer.

In addition, Article 24 (as amended in 2013) of the Consumer Protection Law provides that when products or services provided by businesses do not meet quality requirements, businesses must be responsible for the repair, replacement or return of goods if such goods are guaranteed by regulatory or pursuant to agreements. Consumers may return the products within seven days of receipt in the absence of regulatory provisions or agreements. When the legal conditions for termination of contracts are met, the consumers can return goods promptly. When the legal conditions for termination of contracts are not met, the businesses must be responsible for the repair or replacement of goods. And further, that businesses must bear the reasonable cost of transportation in the event of repair, replacement or return aforementioned.

Violation of the Consumer Protection Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer.

### **COMPETITION AND ANTI-TRUST LAWS**

Pursuant to the Competition Law (反不正當競爭法), which was promulgated by the Standing Committee of the National People's Congress on September 2, 1993 and became effective on December 1, 1993, businesses may not engage in improper market activities to undermine their competitors, including infringing trademark rights or confidential business information, generating false publicity through advertising or other means, or forging and disseminating false information infringing upon the goodwill of competitors or the reputation of their products, bribing, collusive tendering, and dumping goods below cost; businesses may also not engage in improper activities to infringe the customers' right,

## REGULATORY OVERVIEW

including imposing condition on the customer, arranging false prize-winning purchase, selling defective products with high price by using prize-winning purchase, and arranging the prize-winning purchase in which the highest amount of prize exceeds RMB5,000.

According to the Anti-Trust Law (反壟斷法), which was promulgated by the Standing Committee of the National People's Congress on August 30, 2007 and became effective on August 1, 2008, where a concentration of business undertakings triggers the threshold as set by the State Council, the business operators must file in advance with the competent authority under the State Council. The competent authority will carry out an initial review of the concentration to decide whether to conduct a further review. Where the competent authority decides not to conduct further review, or decides not to prevent the concentration after the further review, or fails to make a decision at the expiration of the time limit, the relevant parties may proceed with the concentration. According to the Provisions of the State Council on the Thresholds for Filing of Concentration of Business Operators (國務院關於經營者集中申報標準的規定), which were promulgated on August 3, 2008 and became effective on the same date, where the intended concentration of business undertakings triggers any of the following thresholds, the business operators must file with the MOFCOM in advance, otherwise, the concentration must not be implemented: (a) all the business operators to the concentration have an aggregate global business turnover of more than RMB10 billion for the previous fiscal year, and at least two of the business operators each has a China business turnover of more than RMB400 million for the previous fiscal year; (b) all the business operators to the concentration have an aggregate China business turnover of more than RMB2 billion for the previous fiscal year, and at least two of the business operators each has a China business turnover of more than RMB400 million for the previous fiscal year. Pursuant to the Anti-Monopoly Law, if the business operators, in violation of the Law, conduct concentration, the competent authority will order them to discontinue such concentration, within a specified time limit to dispose of their shares or assets, transfer the business or adopt other necessary measures to return to the original state prior to the concentration, and a fine of not more than RMB500,000 may be imposed.

## INTELLECTUAL PROPERTY RIGHTS

### Trademarks

The Trademark Law (商標法) was promulgated by the Standing Committee of the National People's Congress on August 23, 1982 and became effective on March 1, 1983, as amended on February 22, 1993 and October 27, 2001 and August 30, 2013 (effective from May 1, 2014). Under the Trademark Law, any of the following acts will be an infringement upon the right to exclusive use of a registered trademark:

- without a license from the registrant of a trademark, using a trademark identical with the registered trademark on the same type of products;
- without a license from the registrant of a trademark, using a trademark similar to the registered trademark on the same type of products or using a trademark identical with or similar to the registered trademark on similar types of products, and such usage can easily cause confusion;
- selling commodities that infringe upon the right to exclusive use of a registered trademark;

## REGULATORY OVERVIEW

- forging or manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

A trademark registrant may conclude a licensing contract authorizing use of its registered trademark by another person. Under the Trademark Law, the licensor must supervise the quality of the commodities on which the trademark is used, and the licensee must guarantee the quality of such commodities.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

The Provisions on Recognition and Protection of Well-Known Trademarks (馳名商標認定和保護規定), which were promulgated by SAIC on April 17, 2003 and became effective on June 1, 2003 as amended on July 3, 2014 (effective from August 2014), protects well-known trademarks. Well-known trademarks are recognized on a case-by-case basis by the Trademark Review and Adjudication Board of SAIC, the Trademark Office pursuant to the Provisions on Recognition and Protection of Well-Known Trademarks, or by the PRC courts under the Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (最高人民法院關於審理商標民事糾紛適用法律若干問題的解釋), which was promulgated on October 12, 2002 and became effective on October 16, 2002.

### Domain Names

The Measures for the Administration of Domain Names for Chinese Internet (中國互聯網絡域名管理辦法) (the “**Domain Name Measures**”) were promulgated by the Ministry of Information Industry on November 5, 2004 and became effective on December 20, 2004. Under the Domain Name Measures, the Ministry of Information Industry regulate registrations of domain names with the Internet country code “.cn” and domain names in Chinese.

The Measures on Domain Name Dispute Resolution (2012 Edition) (中國互聯網絡信息中心域名爭議解決辦法(2012年修訂)) (the “**Domain Name Dispute Resolution Measures**”) were promulgated by the Chinese Internet Network Infrastructure Center on May 28, 2012 and became effective on June 28, 2012. The Domain Name Dispute Resolution Measures require domain name disputes to be submitted to institutions authorized by the Chinese Internet Network Information Center for resolution.

### LABOR

#### Employment Contracts

The Employment Contract Law (勞動合同法), which was promulgated on June 29, 2007 and became effective on January 1, 2008, as amended on December 28, 2012 (effective from July 1, 2013), and the Implementing Regulations of the Employment Contracts Law (勞動合同法實施條例), which

## REGULATORY OVERVIEW

were promulgated and became effective on September 18, 2008 govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract must be signed within one month after the date on which the employer first engages the employee.

### **Social Insurance and Housing Fund**

Under applicable PRC laws, rules and regulations, including the Social Insurance Law (社會保險法), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which were promulgated by the State Council on January 22, 1999 and became effective on January 22, 1999, Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法), which were promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupation Injury Insurance (工傷保險條例), which were promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004, as amended on December 20, 2010, the Unemployment Insurance Regulations (失業保險條例), which were promulgated by the State Council on January 22, 1999 and became effective on January 22, 1999, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例), which were promulgated by the State Council on April 3, 1999 and became effective on April 3, 1999, as amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be ordered to correct the deficit within a stipulated time limit and be fined if it still fails to contribute after such stipulated time limit has passed.

### **ESTABLISHMENT, OPERATION AND MANAGEMENT OF A FOREIGN-INVESTED ENTERPRISE**

The incorporation and operation of our subsidiaries in China are governed by the Company Law (公司法) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 (effective on March 1, 2014). The Company Law provides for two general types of companies, namely, limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of the assets of the company. A shareholder's liability is limited to the amount of registered capital contributed by such shareholder. The Company Law also applies to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, the other stipulations will prevail.

The Law on Wholly Foreign-Owned Enterprises (外資企業法), which was promulgated by the Standing Committee of the National People's Congress on April 12, 1986 and became effective on April 12, 1986, as amended on October 31, 2000, and the Implementation Rules to Law on Wholly Foreign-



## REGULATORY OVERVIEW

owned Enterprises (外資企業法實施細則), which were promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, govern the establishment, operation and management of foreign-owned enterprises.

The Law on Sino-Foreign Equity Joint Ventures (中外合資經營企業法), which was promulgated by the National People's Congress and became effective on July 8, 1979, as amended on April 4, 1990 and March 15, 2001, and the Implementation Regulations to Law on Sino-Foreign Equity Joint Ventures (中外合資經營企業法實施條例), which were promulgated on September 20, 1983 and amended on July 22, 2001 and February 19, 2014, govern the establishment, operation and management of a Sino-foreign joint equity ventures.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by the Catalog of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the “**Catalog**”), which was amended and promulgated by MOFCOM and NDRC on December 24, 2011 and became effective from January 30, 2012. The Catalog contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalog are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. The wholesale, retail and distribution of automobiles, the retail of pre-owned vehicles, the maintenance and repair of motor vehicles as well as insurance agency are not listed in the Catalog, which means foreign investments are permitted to have investments in these industries in accordance with PRC laws.

### MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

According to the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (“**M&A Rules**”), which were promulgated by the MOFCOM, the State Assets Supervision and Administration Commission of the State Council, the SAT, the SAIC, the CSRC and the SAFE on August 8, 2006 and became effective on September 8, 2006, as amended on June 22, 2009, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor (each a “**foreign acquisition**”):

- the foreign investor purchases by agreement the equity interests of a pure domestic enterprise without foreign investment (a “**domestic enterprise**”) or subscribes for the increased capital of a domestic enterprise, and thus converts the domestic enterprise into a foreign-invested enterprise;
- the foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a domestic enterprise and operates such assets; or
- the foreign investor purchases by agreement the assets of a domestic enterprise and then use such assets as capital contribution to establish a foreign-invested enterprise and operates such assets.

The M&A Pules provide that when a foreign acquisition involves a PRC company, enterprise or individual using a foreign company, which was legally established by or is legally controlled by such person, to acquire and merge with a PRC non-foreign invested company, with which such PRC person is

## **REGULATORY OVERVIEW**

associated, via any one of the foregoing methods of foreign acquisition, the transaction must be examined and approved by the MOFCOM. The M&A Rules prohibit the use of any foreign invested enterprise, or any other methods, to carry out an investment in the PRC to circumvent the requirements under the M&A Rules.

In addition, the M&A Rules provide that an offshore special purpose vehicle established for listing purposes, and controlled directly or indirectly by PRC companies or individuals must obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

### **SECURITY REVIEW SYSTEM FOR MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES**

Pursuant to Circular of the General Office of State Council on Establishing the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was promulgated on February 3, 2011 and became effective from March 3, 2011, and Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定), which were promulgated on August 25, 2011 and became effective from September 1, 2011, foreign investors who initiate mergers and acquisitions of PRC military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, or other entities relating to the national defense security; mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment, etc., which relate to the national security, and may obtain the actual controlling power of those acquired enterprises, must apply to the MOFCOM for the security review of the concerned mergers and acquisitions. Whether a foreign investor' mergers and acquisitions of a domestic enterprise falls under the scope of mergers and acquisitions security review or not must be determined in terms of the substance and actual influence of the mergers and acquisitions transaction. No foreign investors may substantially avoid the mergers and acquisitions security review by means including, but not limited to, holding on behalf of others, trust, multi-level reinvestment, leasing, loans, variable interest entities, or overseas transactions.

# HISTORY AND REORGANIZATION

## OUR HISTORY

### Our Company

Our Company was incorporated in the Cayman Islands on January 15, 2014 as an exempted company with limited liability. As a result of the Reorganization, our Company became the ultimate holding company of our various subsidiaries. Further details of our corporate structure and the Reorganization are set out in the section headed “Reorganization” in this prospectus.

Our Group was founded by Mr. Yang Peng (楊鵬), our Chairman, executive Director, president and one of our Controlling Shareholders, who, along with other partners who were Independent Third Parties (other than Mr. Cao), set up Rundong Group in 1998 and took up the opportunity of opening the first automobile dealership store in Xuzhou, Jiangsu province in September 2001. Prior to founding our Group, Mr. Yang Peng engaged in business in the electronic commerce industry. Mr. Yang Peng’s source of funding for his capital contributions and acquisitions of equity interests in our PRC operating subsidiaries before the Pre-IPO Investment (further details of which are set out in the paragraph headed “Our Corporate History” in this section of this prospectus below) was generated from his income and personal investments. See “Directors and Senior Management—Directors—Executive Directors” in this prospectus for further information on the background and experience of Mr. Yang Peng.

As of the Latest Practicable Date, we operated 51 stores and had obtained authorizations or non-binding LOIs from automobile manufacturers to open another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao.

### Our Business Milestones

The key milestones of the development of our Group are as follows:

- |      |   |
|------|---|
| 2001 | We opened our first store in Xuzhou, Jiangsu province which was the first automobile dealership store in the city.                                      |
| 2004 | We expanded outside Xuzhou, Jiangsu province and established our first store in Lianyungang, Jiangsu province.  |
| 2005 | We established our first store in Huai’an, Jiangsu province.  |
| 2006 | We were named as a Top Ten Auto Marketing Group (全國十佳汽車營銷集團) by the China Automotive News (中國汽車報社).   |
| 2008 | We opened our first store for BMW/MINI in Xuzhou, Jiangsu province.   |
| 2009 | We opened our first store for BMW in Lianyungang, Jiangsu province. We established our pre-owned automobile trading center in Xuzhou, Jiangsu province. |
| 2010 | We opened our first store in Huai’an, Jiangsu province for BMW.   |
- Pre-IPO Investment by KKR Auto in our Group.

## HISTORY AND REORGANIZATION

- 2011 We opened our first store for Lexus in Xuzhou, Jiangsu province.
- We opened our first store for Land Rover and Jaguar in Shanghai.
- We opened our first stores in Nantong, Jiangsu province, Huzhou, Zhejiang province and Ma'anshan, Anhui province for BMW.
- 2012 We opened our first stores in Zaozhuang, Shandong province for BMW and in Yantai, Shandong province for Land Rover and Jaguar.
- We opened our first store in Huzhou, Zhejiang province for MINI and our first store for Cadillac in Huzhou, Zhejiang province.
- 2013 We opened our first store for Maserati in Xuzhou, Jiangsu province.
- We opened our first stores in Suzhou, Nanjing and Yancheng, Jiangsu province and Rizhao and Linyi, Shandong province for BMW.
- We acquired our first stores for Audi in Linyi and Zaozhuang, Shandong province
- 2014 We opened our first store for Maserati and Ferrari in Jinan, Shandong province.

### Our Corporate History

#### *Rundong Group*

Our history can be traced back to 1998 when Rundong Group was established in the PRC with a registered capital of RMB2 million and commenced its business operation on March 3, 1998. Yangyang Maofang, Mr. Cao (the father-in-law of Mr. Yang Peng), Mr. Zhao Zhongrong (趙忠榮) (“**Mr. Zhao**”) and Mr. Jiang Linfeng (姜林風) (“**Mr. Jiang**”) (each, other than Mr. Cao, an Independent Third Party) and Mr. Yang Peng made capital contributions of RMB1.01 million, RMB200,000, RMB100,000, RMB100,000 and RMB590,000 and owned 50.5%, 10%, 5%, 5% and 29.5% equity interests, respectively, in Rundong Group.

Pursuant to an equity transfer agreement dated February 7, 2001, Mr. Zhao and Mr. Jiang transferred their respective 5% equity interests in Rundong Group to Mr. Yang Shouming (楊守明) (the father of Mr. Yang Peng and as a nominee of Mr. Yang Peng) for a consideration of RMB100,000 (which was determined based on an aggregate of 10% of the then registered capital of Rundong Group) each. Pursuant to a shareholders' resolution of Rundong Group dated February 10, 2001, the registered capital of Rundong Group was increased from RMB2 million to RMB11 million in March 2001 with capital contributions of RMB8 million, RMB500,000 and RMB500,000 from Mr. Yang Peng, Mr. Cao and Mr. Yang Shouming (as a nominee of Mr. Yang Peng), respectively. After such transfer and capital contributions, Rundong Group was owned as to 78.1%, 9.18%, 6.36% and 6.36% by Mr. Yang Peng, Yangyang Maofang, Mr. Yang Shouming (as a nominee of Mr. Yang Peng) and Mr. Cao, respectively.

## HISTORY AND REORGANIZATION

In July 2001, Yangyang Maofang transferred its 9.18% equity interests in Rundong Group to Mr. Yang Peng for a consideration of RMB0.9 million (which was determined based on arm's length negotiations between the parties with reference to the net asset of the target). After such transfer, Rundong Group was owned as to 87.28%, 6.36% and 6.36% by Mr. Yang Peng, Mr. Yang Shouming (as a nominee of Mr. Yang Peng) and Mr. Cao, respectively.

In 2005, the registered capital of Rundong Group was increased from RMB11 million to RMB50 million by several rounds of capital contributions in the aggregate amount of RMB31.1 million and RMB7.9 million by Mr. Yang Peng and Mr. Yang Shouming (as a nominee of Mr. Yang Peng), respectively. As a result of such capital contributions, Rundong Group was owned as to 81.4%, 17.2% and 1.4% by Mr. Yang Peng, Mr. Yang Shouming (as a nominee of Mr. Yang Peng) and Mr. Cao, respectively.

In 2006, Mr. Cao transferred his 1.4% equity interests in Rundong Group to Mr. Yang Peng for a consideration of RMB700,000 (which was determined based on 1.4% of the then registered capital of Rundong Group). After such transfer and up to the commencement of our Reorganization in September 2010, Rundong Group was owned as to 82.8% and 17.2% by Mr. Yang Peng and Mr. Yang Shouming (as a nominee of Mr. Yang Peng), respectively.

### *Xuzhou Rundong Jiaoguang*

Xuzhou Rundong Jiaoguang was established in the PRC in June 2008 with a registered capital of RMB10 million and commenced its business operation on June 10, 2008. Shanghai Huijing and Mr. Tang Aping (唐亞平) (an Independent Third Party) (“**Mr. Tang**”), made capital contributions of RMB8 million and RMB2 million and owned 80% and 20% equity interests, respectively, in Xuzhou Rundong Jiaoguang. Further details on the background of Shanghai Huijing is set out in the paragraph headed “Information on Jiangsu Qirun, Shanghai Weichen and Shanghai Huijing” in this section of the prospectus.

Pursuant to the equity transfer agreements dated January 7, 2010 and September 7, 2010, Mr. Tang and Shanghai Huijing transferred their respective 20% and 80% equity interests in Xuzhou Rundong Jiaoguang to Rundong Group for a consideration of RMB2 million and RMB8 million, which were determined based on 20% and 80% of the then registered capital of Xuzhou Rundong Jiaoguang, respectively. Pursuant to a shareholder's resolution dated September 26, 2010, the registered capital of Xuzhou Rundong Jiaoguang was increased from RMB10 million to RMB52.5 million as a result of the capital contribution by Rundong Group. After such transfers and the increase of the registered capital and up to the commencement of our Reorganization in September 2010, Xuzhou Rundong Jiaoguang was wholly-owned by Rundong Group.

### *Xuzhou Rundong*

Xuzhou Rundong was established in the PRC in 2003 with a registered capital of RMB500,000 and commenced its business operation on June 20, 2003. Mr. Si Changyun (司長雲) (“**Mr. Si**”) (as nominee of Mr. Yang Peng), who is an employee of Rundong Group, and Mr. Yang Peng made capital contributions of RMB50,000 and RMB450,000 and owned 10% and 90% equity interests, respectively, in Xuzhou Rundong.

## HISTORY AND REORGANIZATION

Pursuant to an equity transfer agreement dated November 10, 2005, Mr. Yang Peng and Mr. Si (as nominee of Mr. Yang Peng) transferred their respective 80% and 10% equity interests in Xuzhou Rundong to Rundong Group for a consideration of RMB400,000 and RMB50,000, which were determined based on 80% and 10% of the then registered capital of Xuzhou Rundong, respectively. After such transfer, Xuzhou Rundong was owned as to 90% and 10% by Rundong Group and Mr. Yang Peng, respectively.

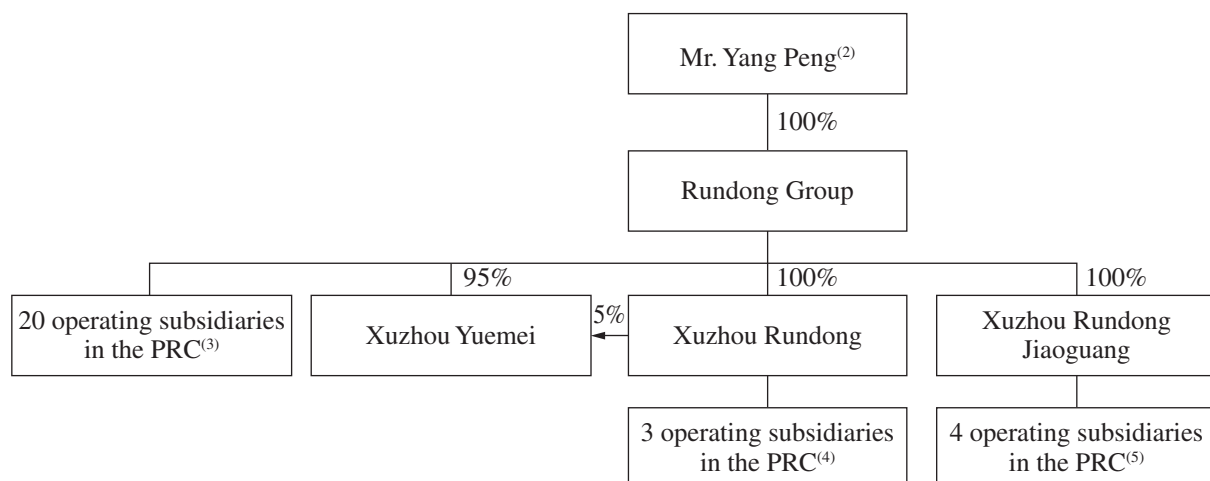
In 2007, the registered capital of Xuzhou Rundong was increased from RMB500,000 to RMB100 million by several rounds of capital contributions in the aggregate amount of RMB98.55 million and RMB950,000 by Rundong Group and Mr. Yang Peng, respectively. As a result of such capital contributions, Xuzhou Rundong was owned as to 99% and 1% by Rundong Group and Mr. Yang Peng, respectively.

Pursuant to an equity transfer agreement dated September 7, 2010, Mr. Yang Peng transferred his 1% equity interests in Xuzhou Rundong to Rundong Group for a consideration of RMB1 million (which was determined based on 1% of the then registered capital of Xuzhou Rundong). After such transfer and up to the commencement of our Reorganization in September 2010, Xuzhou Rundong was wholly-owned by Rundong Group.

### *Xuzhou Yuemei*

Xuzhou Yuemei was established in September 2010 in the PRC with a registered capital of RMB50 million and commenced its business operation on September 20, 2010. Rundong Group and Xuzhou Rundong subscribed capital contributions of RMB47.5 million and RMB2.5 million and owned, up to the commencement of our Reorganization in September 2010, 95% and 5% equity interests, respectively, in Xuzhou Yuemei.

Immediately prior to the commencement of the Reorganization, our operating subsidiaries in the PRC at that time were indirectly controlled by Mr. Yang Peng and Mr. Yang Shouming (as a nominee of Mr. Yang Peng) through our key subsidiaries in the PRC, Rundong Group, Xuzhou Yuemei, Xuzhou Rundong and Xuzhou Rundong Jiaoguang as shown in the following chart<sup>(1)</sup>:



## HISTORY AND REORGANIZATION

Notes:

- (1) Other than the Disposed Companies and the two companies disposed under the Other Disposals.
- (2) Mr. Yang Shouming (the father of Mr. Yang Peng) held 17.2% equity interests in Rundong Group as a nominee of Mr. Yang Peng.

(3)

Company	Equity interests held by our Group	Holder of the minority equity interests
1 Huai'an Rundong Huifeng . . .	Rundong Group (65.2%)	Huai'an Kaifa <sup>#</sup> (34.8%)
2 Huai'an Rundong Renheng . . .	Rundong Group (73.23%)	Huai'an Kaifa <sup>#</sup> (26.77%)
3 Huai'an Rundong Shidai . . . .	Rundong Group (100%)	N/A
4 Huai'an Rundong Zhifu . . . . .	Rundong Group (65.2%)	Huai'an Kaifa <sup>#</sup> (34.8%)
5 Lianyungang Fengtian . . . . .	Rundong Group (70%, which was held by Lianyungang Tianlan as a nominee)	Lianyungang Tianlan (30%, held as a nominee for Mr. Huang Yuandong <sup>#</sup> (黃元東))
6 Lianyungang Rundong . . . . .	Rundong Group (51%)	Zhou Shimin (周時民 <sup>#</sup> ) (49%)
7 Lianyungang Tianlan . . . . .	Rundong Group (87%, which was held by Mr. Liu Jian, our Director, as a nominee)	Zhang Dan (張丹 <sup>#</sup> ) (10%); Liu Jian (劉健 <sup>▲</sup> ) (3%)
8 Xuzhou Dongchen . . . . .	Rundong Group (70%)	Xuzhou Transport <sup>#</sup> (30%)
9 Xuzhou Rongchuang . . . . .	Rundong Group (100%)	N/A
10 Xuzhou Rundong Guangben . . .	Rundong Group (100%)	N/A
11 Xuzhou Rundong Huijing . . . .	Rundong Group (64%) Xuzhou Rundong Guangben (36%)	N/A
12 Xuzhou Rundong Huitong . . . .	Rundong Group (90%)	Xuzhou Transport <sup>#</sup> (10%)
13 Xuzhou Rundong Jiahua . . . . .	Rundong Group (70%)	Xuzhou Investments <sup>#</sup> (30%)
14 Xuzhou Rundong Pre-owned Auto . . . . .	Rundong Group (100%)	N/A
15 Xuzhou Rundong Yifeng . . . . .	Rundong Group (70%)	Shanghai Suqi Industrial Company Limited* (上海蘇企實業有限公司 <sup>#</sup> ) (30%)
16 Xuzhou Rundong Zhouji . . . . .	Rundong Group (70%)	Xuzhou Investments <sup>#</sup> (30%)
17 Xuzhou Rundong Zhitian . . . . .	Rundong Group (70%)	Shanghai Runmei Investment Management Company Limited* (上海潤美投資管理有限公司 <sup>#</sup> ) (30%)
18 Xuzhou Rundong Zhifeng . . . .	Rundong Group (51%)	Xuzhou Furunda Investment and Management Services Company Limited* (徐州福潤達投資管理服務有限公司 <sup>#</sup> ) (44%); Li Fumin (李複民 <sup>#</sup> ) (5%)
19 Xuzhou Rundong Ruijing . . . . .	Rundong Group (100%)	N/A
20 Suqian Rundong . . . . .	Rundong Group (100%)	N/A

<sup>#</sup> an Independent Third Party

<sup>▲</sup> Our Director

(4)

Company	Equity interests held by our Group	Holder of the minority equity interests
1 Huzhou Baojing . . . . .	Xuzhou Rundong (90%) Xuzhou Baojing (10%)	N/A
2 Lianyungang Zhibao . . . . .	Xuzhou Rundong (90%) Xuzhou Baojing (10%)	N/A
3 Xuzhou Huifeng . . . . .	Xuzhou Rundong (100%)	N/A

## HISTORY AND REORGANIZATION

(5)	<u>Company</u>	<u>Equity interests held by our Group</u>	<u>Holder of the minority equity interests</u>
1	Xuzhou Baojing . . . . .	Xuzhou Rundong Jiaoguang (100%)	N/A
2	Huai'an Baojing . . . . .	Xuzhou Baojing (100%)	N/A
3	Nantong Runbaohang . . . . .	Xuzhou Rundong Jiaoguang (90%) Shanghai Baojing (10%)	N/A
4	Shanghai Baojing . . . . .	Xuzhou Rundong Jiaoguang (100%, 10% of which was held by Shanghai Runbao New Energy Automobile Company Limited* (上海潤寶新能源汽車有限公司) as a nominee)	N/A

### PRE-IPO INVESTMENT

For the benefit of our long-term business development and expansion of our Group, we entered into the Pre-IPO Investment Agreements between 2010 and 2011 with KKR Auto to provide financial resources to our Group. Under the Pre-IPO Investment, KKR Auto, as the pre-IPO investor, injected funds to our Group, directly or indirectly, by way of a series of investments as follows:

	<u>Relevant Agreements</u>	<u>Total Investment Amount</u>	<u>Use of Proceeds</u>	<u>Payment Date</u>
First Round Investment . . . . .	Rundong Subscription Agreement dated September 25, 2010, Xuzhou Rundong Jiaoguang Subscription Agreement dated October 8, 2010, Xuzhou Rundong Subscription Agreement dated October 9, 2010 and Xuzhou Yuemei Transfer Agreement dated October 12, 2010	US\$30,322,530	Subscription of 999,999 shares in Rundong Holding by KKR Auto, the proceeds of which were utilized for the acquisition of equity interests in Rundong Group, Xuzhou Rundong, Xuzhou Rundong Jiaoguang and Xuzhou Yuemei through Rundong Holding and its investment holding subsidiaries and the proceeds of which were ultimately fully utilized for the expansion of our business and the general working capital of our Group <sup>1</sup>	December 10, 2010



## HISTORY AND REORGANIZATION

	<u>Relevant Agreements</u>	<u>Total Investment Amount</u>	<u>Use of Proceeds</u>	<u>Payment Date</u>
Second Round Investment . . . .	Second Round Subscription Agreement dated December 28, 2010	US\$19,677,470	Subscription of 1 share in Rundong Holding by KKR Auto, the proceeds of which were utilized for the Onshore Second Round Investment and, ultimately, fully for the expansion of our business and the general working capital of our Group <sup>2</sup>	August 2, 2011
Third Round Investment . . . .	Third Round Subscription Agreement dated July 19, 2011	US\$20 million	Subscription of 15,405 shares in Rundong Holding by KKR Auto, the proceeds of which were utilized for the Onshore Third Round Investment and, ultimately, fully for the expansion of our business and the general working capital of our Group <sup>3</sup>	September 6, 2011
Fourth Round Investment . . . .	Fourth Round Subscription Agreement dated October 26, 2011	US\$30 million	Subscription of 111,111,111 shares in Rundong Holding by KKR Auto and acquisition of 222,222,222 shares in Rundong Holding by KKR Auto from East Rain, the proceeds of which were utilized for the Onshore Fourth Round Investment and, ultimately, fully for the expansion of our business and the general working capital of our Group <sup>4</sup>	November 14, 2011

*Notes:*

- Further details of the First Round Investment are set out in the paragraph headed “Reorganization—2. Issue of shares in Rundong Holding to KKR Auto, capital increases of Rundong Group, Xuzhou Rundong and Xuzhou Rundong Jiaoguang and equity interests transfer of Xuzhou Yuemei” of this section of the prospectus.

## HISTORY AND REORGANIZATION

2. Further details of the Second Round Investment and Onshore Second Round Investment are set out in the paragraphs headed “Reorganization—3. Issue of shares in Rundong Holding to KKR Auto and East Rain” and “Reorganization—4. Further capital increase and equity interests transfer of Rundong Group” of this section of the prospectus.
3. Further details of the Third Round Investment and Onshore Third Round Investment are set out in the paragraph headed “Reorganization—5. Further issue of shares in Rundong Holding to KKR Auto and East Rain and capital increase and equity interests transfer of Rundong Group” of this section of the prospectus.
4. Further details of the Fourth Round Investment and Onshore Fourth Round Investment are set out in the paragraphs headed “Reorganization—6. Subdivision of shares of Rundong Holding and further issue and transfer of shares in Rundong Holding to KKR Auto” and “Reorganization—7. Acquisition of equity interests in Rundong Group by Spring Oasis Cayman” of this section of the prospectus.

In connection with the Pre-IPO Investment, KKR Auto entered into the Shareholders’ Agreement in relation to Rundong Holding, pursuant to which KKR Auto was granted certain rights customary to financial investors as set out below. Further to the Reorganization, KKR Auto entered into the Supplemental Shareholders’ Agreement, pursuant to which all the rights of KKR Auto as set out below will be terminated upon the Underwriting Agreements becoming unconditional and effective, other than that Rundong Fortune and Rundong Smart will be subject to similar transfer restrictions and KKR Auto will be entitled to similar tag-along rights (except in respect of open market sales by Rundong Fortune or Rundong Smart after Listing) and valuation adjustment rights under the Shareholders’ Agreement as set out below in respect of the Shares. The Directors, based on a legal opinion to our Company, are of the view that the Supplemental Shareholders’ Agreement does not constitute a new agreement among the relevant parties to the Shareholders’ Agreement.

- Transfer Restrictions: Rundong Fortune and Rundong Smart (together, the “**Majority Shareholder**”) shall not, other than in accordance with the terms of the Shareholders’ Agreement or the Supplemental Shareholders’ Agreement (as the case may be), dispose of, create any encumbrance over or grant (i) any shares in Rundong Holding before an initial public offering and listing of the shares of the relevant company in our Group holding substantially all the equity interests in each member of our Group (“**IPO**”) (and such time limit is applicable during the term of the Shareholders’ Agreement only); or (ii) any Shares after Listing.
- Right of First Refusal: If any of the Majority Shareholder proposes to transfer any of the shares in Rundong Holding held by it to a third party purchaser, KKR Auto shall have a right of first refusal to purchase such shares.
- Tag-along Rights: If any of the Majority Shareholder proposes to make a transfer of the shares in Rundong Holding (or, the Shares after completion of the Reorganization) to a third party, KKR Auto shall have the right to require the proposed transferee to purchase a pro rata portion of the shares held by KKR Auto.
- Pre-emptive Rights: Rundong Holding shall not issue any securities (other than in connection with an IPO or a management incentive plan) unless Rundong Holding offers the same securities to each party to the Shareholders’ Agreement on a pro rata basis.

## HISTORY AND REORGANIZATION

- Anti-dilution Protection: If the proposed issue price for any new issue of shares by Rundong Holding (other than in connection with an IPO or a management incentive plan) is less than the average price paid by KKR Auto for shares in Rundong Holding held by it (the “Investor Price”), Rundong Holding shall issue additional number of shares to KKR Auto at par value such that the Investor Price is adjusted to be equal to the proposed issue price.
- Board Rights: KKR Auto is entitled to appoint two out of seven directors of Rundong Holding.
- Information Rights: KKR Auto is entitled to inspect the books and accounting records of Rundong Holding and its subsidiaries.
- Share Redemption Rights: KKR Auto is entitled to require Rundong Holding to redeem all or part of the shares in Rundong Holding held by KKR Auto at a price that is the higher of (i) the fair market value of the shares in Rundong Holding; or (ii) an amount that would yield a total internal rate of return of 25% to KKR Auto if:
- a. a majority of the directors of Rundong Holding appointed by KKR Auto vote in favor of a board resolution to approve an IPO but any director of Rundong Holding appointed by the Majority Shareholder does not vote in favor of such resolution;
  - b. the directors of Rundong Holding resolve to revoke or rescind a board resolution that approved an IPO when a majority of the directors of Rundong Holding appointed by KKR Auto vote against such rescission;
  - c. any of Mr. Yang Peng, the Majority Shareholder or any member of the management of the Group stops work leading to, or fails to use best effort to implement, an IPO approved by the board of directors of Rundong Holding;
  - d. the Group fails to follow a reasonable timetable to consummate an IPO and such failure is attributable to the Majority Shareholder, any Director appointed by them, Mr. Yang Peng or the management of the Group; or
  - e. a material breach of the Shareholders’ Agreement, the Fourth Round Subscription Agreement, the memorandum of association or the bye-laws of Rundong Holding or the Share Charge II by the Majority Shareholder, Rundong Holding or Mr. Yang Peng.

## HISTORY AND REORGANIZATION

KKR Auto is entitled to require Rundong Holding to redeem all or part of its shares in Rundong Holding at a price that is the higher of (i) the fair market value of the shares in Rundong Holding; or (ii) an amount that would yield a total internal rate of return of 10% to KKR Auto if:

- x. an IPO on an internationally recognized stock exchange does not take place on or before December 31, 2014; or
- y. Mr. Yang Peng ceases to work full time for the Group.

By an acknowledgement dated March 6, 2014, under which the parties to the Shareholders' Agreement did not amend any terms of the Shareholders' Agreement nor enter into any new agreement among them, parties to the Shareholders' Agreement acknowledged their consensus in respect of the original terms of the Shareholders' Agreement that the share redemption rights are exercisable upon occurrence of any of the triggering events described above only if such event will fundamentally result in failure to consummate an IPO. Therefore, in addition to the occurrence of the triggering event described under sub-paragraph (x) above, KKR Auto's share redemption rights will be triggered only if an IPO does not take place due to (i) lack of approval by the board of directors of the relevant Group company for an IPO (as in the case of the occurrence of the triggering events described under sub-paragraph (a) or (b) above); (ii) failure by the essential participants of our Group to implement an IPO (as in the case of the occurrence of the triggering events described under sub-paragraph (c) or (d) above); or (iii) circumstances that would lead to the inability of our Company to meet the criteria for Listing under the Listing Rules (as in the case of the occurrence of the triggering events described under sub-paragraph (e) or (y) above). The share redemption rights will be terminated upon Listing and similar rights will not be granted to KKR Auto under the Supplemental Shareholders' Agreement. Therefore, the share redemption rights will not survive upon or be exercisable after Listing. As of the Latest Practicable Date, no such share redemption rights had been exercised by KKR Auto.

## HISTORY AND REORGANIZATION

Valuation adjustment  
Rights:

KKR Auto has the right to require the Majority Shareholder to transfer additional shares in Rundong Holding (or the corresponding number of Shares after the Reorganization) to KKR Auto at no consideration if neither Target A nor Target B (each, a “**Target**”) below are fully met:

“**Target A**” means

**Financial Year  
of the Group**

**Net Profit<sup>(1)</sup>**

For each of the  
financial years of  
2011, 2012, 2013  
and 2014

- (i) not less than RMB 600 million;
- (ii) at least 10% higher than the Net Profit for the previous financial year of the Group; and
- (iii) the Net Profit for next financial year of the Group at least 10% higher than the Net Profit for the relevant financial year of the Group

“**Target B**” means both (a) and (b),

**Financial Year  
of the Group**

**Net Profit<sup>(2)</sup>**

(a) 2015

Not less than the higher of:

- (i) RMB 600 million; and
- (ii) 110% of the actual Net Profit for the 2014 financial year of the Group; and

(b) 2016

Not less than 110% of the actual Net Profit for the 2015 financial year of the Group.

“**Net Profit**” means the consolidated net income of Rundong Holding or the Company (as the case may be) excluding (a) all extraordinary, one-off or non-recurring gains or losses incurred outside the ordinary course of business of the Group; (b) all gains or profits derived from any business operations other than the principal business of the Group; and (c) all interest income derived from proceeds raised in an IPO. The Company will disclose its Net Profit for the financial years of 2014, 2015 and 2016 in its annual reports for these respective financial years.

## HISTORY AND REORGANIZATION

The Target and the underlying Net Profit thresholds were determined after arm's length negotiations between KKR Auto and the Majority Shareholder after taking into account, among other things, (i) the outlook for the rapid growth in the luxury and ultra-luxury passenger vehicle market in the PRC; (ii) the prospects of our Group to achieve higher sales volume and profit under our business strategy in this market; and (iii) the long investment period of the Pre-IPO Investment and our Group's potential to expand and achieve the Targets during such period. On this basis, the Majority Shareholder, at the time they entered into the Shareholders' Agreement, expected that our Group would be able to achieve the Targets. The Majority Shareholder agreed to grant the valuation adjustment rights to KKR Auto under the commercial considerations that the Pre-IPO Investment could provide financial resources to our Group for its business development while the valuation adjustment rights could confer an element of protection to KKR Auto to control its investment risks arising from any future changes to the financial performance of our Group.

Based on the financial results of the Group for the 2011, 2012 and 2013 financial years as set out in "Appendix I — Accountants' Report" to this prospectus, Target A would not be met and whether the valuation adjustment rights will be triggered will depend on whether Target B is met. If the valuation adjustment rights are triggered, the Majority Shareholder shall transfer such number of Shares to KKR Auto based on (i) the target for the 2015 financial year of the Group under Target B (in the case that the target Net Profit for the 2015 financial year of the Group is not met under Target B) or (ii) the target for the 2016 financial year of the Group under Target B (in the case that, under Target B, the target Net Profit for the 2015 financial year of the Group is met but the target Net Profit for the 2016 financial year of the Group is not met), such that its percentage shareholding interest in the Company after completion of such transfer on a fully diluted basis shall be not less than:

**T/P\*K**, where

**T** = the relevant target Net Profit for the 2015 or 2016 financial year of the Group under Target B (as the case may be), in RMB

**P** = the actual Net Profit for the corresponding 2015 or 2016 financial year of the Group (as the case may be), in RMB; and

## HISTORY AND REORGANIZATION

**K** = the percentage shareholding interest immediately prior to completion of the transfer of additional shares under the valuation adjustment, on a fully-diluted basis, represented by shares in Rundong Holding acquired by KKR Auto under the Pre-IPO Investment (or the corresponding number of Shares after the Reorganization)

KKR Auto is entitled to exercise the valuation adjustment rights at any time after publication of the audited financial statements of the Company for the 2015 financial year. The Majority Shareholder shall complete the transfer of shares to KKR Auto under the valuation adjustment right within 30 days after delivery of a notice by KKR Auto to the Majority Shareholder.

If Rundong Holding (or, the Company after the Reorganization) issues equity securities (other than Excluded IPO Shares), each Target after such issuance shall be adjusted by multiplying such Target by:

$$\frac{A}{B}, \text{ where}$$

A = The total number of shares in Rundong Holding (other than Excluded IPO Shares) in issue, on a fully-diluted basis, immediately after such issuance (or the corresponding number of Shares).

B = The number of shares in Rundong Holding in issue, on a fully-diluted basis immediately after completion of the Pre-IPO Investment (or the corresponding number of Shares).

“**Excluded IPO Shares**” means shares in Rundong Holding (or the corresponding number of Shares after the Reorganization) issued pursuant to an IPO, to the extent that such shares do not constitute more than 25% of the total number of shares in issue immediately following the completion of such IPO.

## HISTORY AND REORGANIZATION

The earliest time that KKR Auto is entitled to exercise the valuation adjustment rights is after publication of the audited consolidated financial statements of the Company for the 2015 financial year (in the case if the Group is unable to meet the target Net Profit for the 2015 financial year of the Group under Target B), and the shareholding structure of the Group will not be affected by the valuation adjustment mechanism before such time. In the event that KKR Auto exercises the valuation adjustment rights after the publication of the audited consolidated financial statements of the Company for the 2015 or 2016 financial year and depending on the extent of any shortfall between the actual Net Profit for the relevant financial year of the Group and the relevant Target, the shareholding structure of the Group may change and the Majority Shareholder may be required to transfer a number of Shares to KKR Auto such that (i) Rundong Fortune would own less than 30% of the then total issued share capital of our Company; and (ii) Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng would cease to be Controlling Shareholders, after completion of such transfer in the 2016 or 2017 financial year of the Group. In the event that KKR Auto's shareholding interests and voting rights in our Company increase to more than 30% as a result of the exercise of the valuation adjustment rights, (i) KKR Auto may become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers; (ii) the potential resulting change in ownership and control of our Company could have implications on the management structure and operations of our Group; and (iii) our Group could be required to seek the approval of the relevant automobile manufacturers for change in shareholding structure of the Company in accordance with the terms of the relevant dealership authorization agreements that impose such approval requirements for indirect change in shareholders of our subsidiaries authorized to operate automobile dealership stores or for effective change in control of those subsidiaries. Failure to obtain such approval could constitute a breach of the relevant dealership authorization agreements and trigger the relevant automobile manufacturers' rights to terminate the dealership authorization agreements, unless waivers are granted by the relevant automobile manufacturers. Further details of the impact of such to our Group are set out in the risk factor "*We rely on automobile manufacturers for the rights to open and operate all of our store*" in the section headed "*Risk factor—Risk Relating to Our Business*" of the prospectus.



## HISTORY AND REORGANIZATION

For illustrative purposes only and assuming (A) the Over-allotment Option is not exercised; (B) there is no change to the total number of issued Shares of 1,074,474,000 Shares after Listing; (C) there is no change to the respective shareholding interests in the Company of the Majority Shareholder and KKR Auto after Listing; (D) Target A is not met; (E) KKR Auto exercises the valuation adjustment rights; and (F) the bridging loan is fully repaid and the second lien intercreditor deed is terminated (further details of the bridging loan and the second lien intercreditor deed are set out in the section headed “Relationship with our Controlling Shareholders-Bridging Loan” of this prospectus):

- (1) (i) the Majority Shareholder would be required to transfer all of its 520,000,000 Shares to KKR Auto, which, after such transfer, would hold 800,000,000 Shares representing 74.5% of the then total issued share capital of the Company if:
  - a. the actual Net Profit for the 2015 financial year of the Group is RMB210.0 million<sup>(2)</sup>, such that the Group is unable to meet the target Net Profit for the 2015 financial year under Target B; or
  - b. (assuming that the actual Net Profit for the 2015 financial year of the Group is RMB600.0 million<sup>(2)</sup> and the Group is able to meet the target Net Profit for the 2015 financial year under Target B) the actual Net Profit for the 2016 financial year of the Group is RMB231.0 million<sup>(2)</sup>, such that the Group is unable to meet the target Net Profit for the 2016 financial year under Target B; or
- (ii) the Majority Shareholder would be required to transfer 42,342,200 Shares to KKR Auto which, after such transfer, would hold 322,342,200 Shares representing approximately 30% of the then total issued share capital of the Company if:
  - a. the actual Net Profit for the 2015 financial year of the Group is RMB521.2 million<sup>(2)</sup>, such that the Group is unable to meet the target Net Profit for the 2015 financial year under Target B; or
  - b. (assuming the actual Net Profit for the 2015 financial year of the Group is RMB600.0 million<sup>(2)</sup> and the Group is able to meet the target Net Profit for the 2015 financial year under Target B), the actual Net Profit for the 2016 financial year of the Group is RMB573.3 million<sup>(2)</sup>, such that the Group is unable to meet the target Net Profit for the 2016 financial year under Target B;

## HISTORY AND REORGANIZATION

- (2) (i) (assuming that the actual Net Profit for the 2014 financial year of the Group is not higher than RMB545.4 million<sup>(2)</sup>) if the Group is unable to meet the target Net Profit for the 2015 financial year under Target B, the number of Shares that the Majority Shareholder would be required to transfer to KKR Auto (the “**Transfer Shares**”) at various amounts of actual Net Profit of the Group for the 2015 financial year are set out below:

2015 target Net Profit RMB'000,000	2015 actual Net Profit <sup>(2)</sup> RMB'000,000	Number of Transfer Shares	Resulting shareholding interests of Majority Shareholder in the Company	Resulting shareholding interests of KKR Auto in the Company
600	210.0	520,000,000	0	74.5%
600	300	280,000,000	22.3%	52.1%
600	400	140,000,000	35.4%	39.1%
600	500	56,000,000	43.2%	31.3%

- (ii) (assuming the actual Net Profit for the 2015 financial year of the Group is RMB600 million<sup>(2)</sup> and the Group is able to meet the target Net Profit for the 2015 financial year under Target B), if the Group is unable to meet the target Net Profit for the 2016 financial year under Target B, the number of Transfer Shares at various amounts of actual Net Profit of the Group for the 2016 financial year are set out below:

2016 target Net Profit RMB'000,000	2016 actual Net Profit <sup>(2)</sup> RMB'000,000	Number of Transfer Shares	Resulting shareholding interests of Majority Shareholder in the Company	Resulting shareholding interests of KKR Auto in the Company
660	231.0	520,000,000	0	74.5%
660	300	336,000,000	17.1%	57.3%
660	400	182,000,000	31.5%	43.0%
660	500	89,600,000	40.1%	34.4%
660	600	28,000,000	45.8%	28.7%

*Notes:*

- (1) The Target referred to above only represents the expectation on the part of KKR Auto, in terms of consolidated net income of the Company to be achieved by the Group, taking into account the timing of the investment, the circumstances of the Group and other internal considerations. Such amount does not in any way represent a profit forecast of the Company nor does it provide an indication or inference of what the Company is able to achieve.
- (2) Such figure is for illustrative purposes only and does not in any way represent a profit forecast of the Company nor does it provide an indication or inference of the expected financial performance of the Group for the relevant financial year.

## HISTORY AND REORGANIZATION

Other than the transfer restrictions, tag-along rights (except in respect of open market sales by Rundong Fortune or Rundong after Listing) and valuation adjustment rights under the Supplemental Shareholders' Agreement (all of which are contractual rights between Shareholders and not in the nature of special rights granted by our Company), all of the above rights, including the share redemption rights, will be terminated upon Listing. To secure the obligations and liabilities of East Rain, Cheerful Autumn, Rue Feng, Mr. Yang Peng and Ms. Cao Weijing under the Shareholders' Agreement, the Fourth Round Subscription Agreement and the Memorandum of Association, East Rain pledged all of its rights, title and interests in 1,300,000,000 shares in Rundong Holding and any proceeds derived therefrom to KKR Auto by the Share Charge. In connection with the Share Transfer, East Rain and KKR Auto entered into the Deed of Release and the Share Charge was replaced with the Share Charge II by Rundong Fortune and Rundong Smart, as the pledgor, in favour of KKR Auto, as the secured party. Under the terms of the Share Charge II, the pledgor is entitled to exercise the voting rights attached to the pledged shares in Rundong Holding and to receive all dividends, distributions and other payments made in respect of such shares. On April 15, 2014, the Share Charge II was released and replaced with a second lien charge by the Majority Shareholder in favour of KKR Auto, which in turn will be released upon the Underwriting Agreements becoming unconditional and effective (further details of which are set out in the section headed "Relationship with our Controlling Shareholders—Bridging Loans" of this prospectus).

Upon completion of the Pre-IPO Investment, KKR Auto held 700,000,000 shares in Rundong Holding, representing 35% of the then total issued share capital of Rundong Holding. After completion of the Reorganization and the Share Consolidation and upon Listing, KKR Auto will hold 280,000,000 Shares, representing approximately 26.1% of the then total issued share capital of the Company (assuming the Over-allotment Option is not exercised). On such basis, at the time of Listing, the effective cost per Share paid by KKR Auto is approximately HK\$2.77, which represents a discount of approximately 22.6% to the low end of the stated Offer Price range of HK\$3.58, a discount of approximately 26.7% to the mid-point of the stated Offer Price range of HK\$3.78 and a discount of approximately 30.4% to the high end of the stated Offer Price range of HK\$3.98. The consideration payable by KKR Auto for the Pre-IPO Investment was determined based on arm's length negotiation between the parties to the relevant agreements by reference to the then financial performance, the valuation and growth potential of the business of our Group. Details of the shareholding interests of KKR Auto in our Company immediately following completion of the Reorganization and Global Offering (assuming the Over-allotment Option is not exercised) is set out in the paragraph headed "Shareholding structure upon completion of the Global Offering" of this section of the prospectus.

### **Information regarding KKR Auto**

KKR Auto is a wholly-owned subsidiary of KKR China Auto Retail Holding Ltd I (a company incorporated in the Cayman Islands). KKR China Auto Retail Holding Ltd I is a subsidiary of KKR China Growth Fund L.P.. The general partner of KKR China Growth Fund L.P. is KKR Associates China Growth L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands) and the general partner of KKR Associates China Growth L.P. is KKR China Growth Limited (a company incorporated in the Cayman Islands) which is wholly-owned by KKR Fund Holdings L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). The general partners of KKR Fund Holdings L.P. are KKR Fund Holdings GP Limited (a company incorporated in the Cayman Islands) and KKR Group Holdings L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). KKR Fund Holdings GP

## HISTORY AND REORGANIZATION

Limited is wholly-owned by KKR Group Holdings L.P. The general partner of KKR Group Holdings L.P. is KKR Group Limited (a company incorporated in Delaware), which is wholly-owned by KKR & Co. L.P.

KKR China Growth Fund L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on growth investment opportunities in Greater China, is advised by Kohlberg Kravis Roberts & Co., L.P., a Delaware limited partnership and subsidiary of KKR & Co. L.P., whose common units are traded on the New York Stock Exchange. Other than its shareholding interest in the Company as disclosed in this prospectus and the Directors nominated by KKR Auto, namely Mr. Liu Haifeng David and Mr. Zhao Fu, KKR Auto and its ultimate beneficial owner are independent from our Group and connected persons of our Company.

### **Benefits of the Pre-IPO Investment**

Our Directors are of the view that the Pre-IPO Investment has strengthened our capital, enlarged our shareholder base and provided financial resources for our business development.

### **Confirmation from the Joint Sponsors**

The Joint Sponsors have confirmed that the Pre-IPO Investment by KKR Auto is in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Listing Committee of the Stock Exchange as the consideration for the Pre-IPO Investment was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing; (ii) the Guidance Letter HKEx-GL43-12 as the Special Rights granted to KKR Auto will terminate upon Listing; and (iii) the requirements under the Guidance Letter HKEx-GL44-12 as the Pre-IPO Investment did not involve convertible instruments.

### **Lock-up and Public Float**

The terms of the Pre-IPO Investment Agreements did not impose any lock-up obligations over the Shares held by KKR Auto upon Listing. Pursuant to a lock-up undertaking dated on the same date as the Hong Kong Underwriting Agreement, all the Shares held by KKR Auto shall be subject to a lock-up period ending on the date which is six months from the Listing Date and 50% of the Shares held by KKR Auto shall be subject to another six-month lock-up period commencing from the date which is six months from the Listing Date. In addition, since KKR Auto will be holding more than 10% of the total issued share capital of our Company immediately following the completion of the Global Offering, KKR Auto will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by KKR Auto shall not be counted towards the public float after Listing for the purposes of Rule 8.08 of the Listing Rules.

## HISTORY AND REORGANIZATION

### REORGANIZATION

In preparation for the Pre-IPO Investment and Listing, our Group underwent the Reorganization which involved the following steps:

#### 1. Establishment of the offshore holdings structure

In anticipation of the Pre-IPO Investment and Listing, the following offshore holding structure was established:

##### *Rundong Holding*

On September 14, 2010, Rundong Holding was incorporated in the Cayman Islands as a exempted company with limited liability. The then authorized share capital of Rundong Holding was US\$50,000 divided into 500,000,000 shares of US\$0.0001 each. On the date of its incorporation, one subscriber share was transferred to KKR Auto at par value (representing the then entire issued share capital of Rundong Holding).

##### *BVI Investment Holding Companies*

On September 14, 2010, Schnell International, Allegro Auto, Fresca International, Presto Auto and Vivace Auto were incorporated in the BVI. Rundong Holding then acquired one share in each of these companies at par value (representing the then entire issued share capital of each of these companies). Each of these BVI companies was authorized to issue a maximum of 50,000 ordinary shares with a par value of US\$0.0001 each.

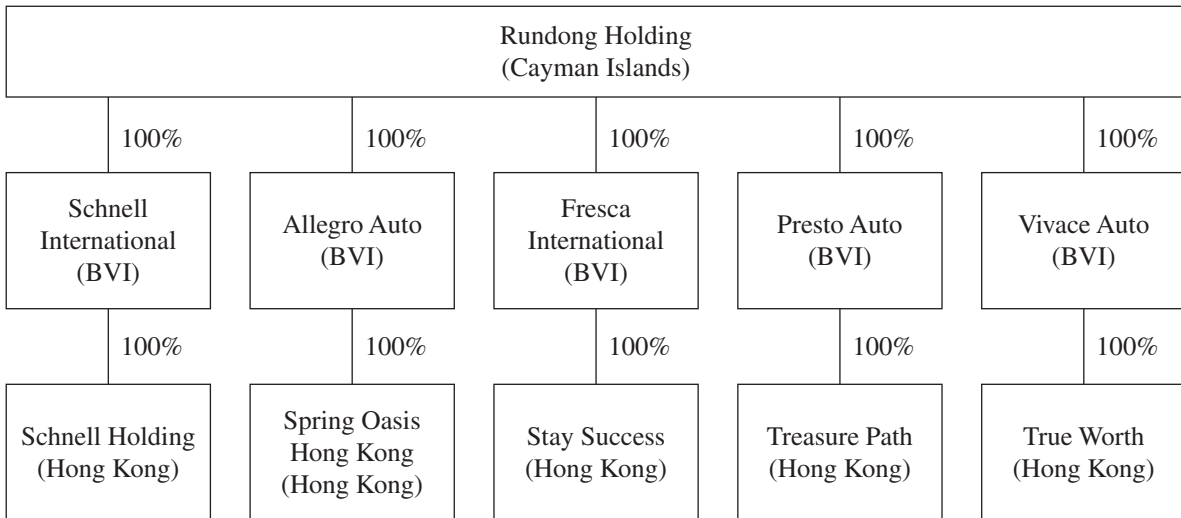
##### *Hong Kong investment holding companies*

On September 13, 2010, Spring Oasis Hong Kong, Stay Success, Treasure Path and True Worth were incorporated in Hong Kong. Allegro Auto, Fresca International, Presto Auto and Vivace Auto subsequently acquired one share in Spring Oasis Hong Kong, Stay Success, Treasure Path and True Worth, respectively (representing the then entire issued share capital of each of these companies). The then authorized share capital of each of Spring Oasis Hong Kong, Stay Success, Treasure Path and True Worth was HK\$10,000 divided into 10,000 shares of HK\$1 each.

On October 29, 2010, Schnell Holding was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. On the date of its incorporation, one share was issued to Schnell International (representing the then entire issued share capital of Schnell Holding).

## HISTORY AND REORGANIZATION

The following depicts the offshore holding structure established immediately after completion of the above steps:



### **2. Issue of shares in Rundong Holding to KKR Auto, capital increases of Rundong Group, Xuzhou Rundong Jiaoguang and Xuzhou Rundong and equity interests transfer of Xuzhou Yuemei**

Pursuant to a board resolution of Rundong Holding dated December 9, 2010, Rundong Holding allotted and issued 999,999 shares to KKR Auto on December 15, 2010 at an aggregate subscription price of US\$30,322,530, which was settled in full by KKR Auto as the First Round Investment under the Pre-IPO Investment (the details of which are set out in the paragraph headed “Pre-IPO Investment” in this section of this prospectus) on December 10, 2010.

The proceeds of the First Round Investment were utilized to inject capital, through the offshore holding structure set out above, into our Group through (i) a series of capital increases of Rundong Group, Xuzhou Rundong Jiaoguang and Xuzhou Rundong; and (ii) acquisition of equity interests in Xuzhou Yuemei as follows:

#### *Rundong Group*

Pursuant to the Rundong Subscription Agreement, Rundong Group increased its registered capital from RMB50 million to RMB66.67 million and Spring Oasis Hong Kong made a corresponding capital contribution of RMB16.67 million in cash (representing 25% of the increased total registered capital of Rundong Group) to Rundong Group. As a result of such capital contribution, Rundong Group was owned as to 25%, 62.1% and 12.9% by Spring Oasis Hong Kong, Mr. Yang Peng and Mr. Yang Shouming (as a nominee of Mr. Yang Peng), respectively. The capital contribution was completed on December 24, 2010.

## HISTORY AND REORGANIZATION

### *Xuzhou Rundong Jiaoguang*

Pursuant to the Xuzhou Rundong Jiaoguang Subscription Agreement, Xuzhou Rundong Jiaoguang increased its registered capital from RMB52.5 million to RMB107.15 million and Treasure Path made a corresponding capital contribution of RMB54.65 million in cash (which was determined based on 51% of the then increased total registered capital of Xuzhou Rundong Jiaoguang) to Xuzhou Rundong Jiaoguang. As a result of such capital contribution, Xuzhou Rundong Jiaoguang was owned as to 51% and 49% by Treasure Path and Rundong Group, respectively. The capital contribution was completed on December 24, 2010.

### *Xuzhou Rundong*

Pursuant to the Xuzhou Rundong Subscription Agreement, Xuzhou Rundong increased its registered capital from RMB100 million to RMB204.09 million and Stay Success made a corresponding capital contribution of RMB104.09 million in cash (representing 51% of the increased total registered capital of Xuzhou Rundong) to Xuzhou Rundong. As a result of such capital contribution, Xuzhou Rundong was owned as to 51% and 49% by Stay Success and Rundong Group, respectively. The capital contribution was completed on December 24, 2010.

### *Xuzhou Yuemei*

Pursuant to the Xuzhou Yuemei Transfer Agreement, (i) Rundong Group transferred its 46% equity interests in Xuzhou Yuemei to True Worth for a consideration of RMB23 million (which was determined based on 46% of the then registered capital of Xuzhou Yuemei) and (ii) Xuzhou Rundong transferred its 5% equity interests in Xuzhou Yuemei to True Worth at a consideration of RMB2.5 million (which was determined based on 5% of the then registered capital of Xuzhou Yuemei). As a result of such transfers, Xuzhou Yuemei was owned as to 51% and 49% by True Worth and Rundong Group, respectively. The above transfers were completed on December 28, 2010.

### **3. Issue of shares in Rundong Holding to KKR Auto and East Rain**

On December 28, 2010:

- (i) Rundong Holding and East Rain entered into a subscription agreement, pursuant to which Rundong Holding allotted and issued 2,369,281 shares to East Rain at an aggregate subscription price of US\$236.93 (being the then par value of the shares), which was settled in full by East Rain on December 29, 2010; and
- (ii) Rundong Holding, East Rain, KKR Auto and Ms. Cao Weijing entered into the Second Round Subscription Agreement, pursuant to which Rundong Holding allotted and issued one share to KKR Auto at the aggregate subscription price of US\$19,677,470, which was settled in full by KKR Auto as part of the Second Round Investment on August 2, 2011.

As a result of the above transactions, East Rain and KKR Auto held approximately 70.32% and 29.68% shareholding interests in Rundong Holding, respectively.

## HISTORY AND REORGANIZATION

East Rain was incorporated in the BVI on September 17, 2010 and it was wholly-owned by Ms. Cao Weijing from its incorporation until October 24, 2011, when Ms. Cao Weijing transferred her entire shareholding interest in East Rain to Cheerful Autumn. East Rain was an indirect wholly-owned subsidiary of the Family Trust Trustee until the completion of the Share Transfer. See “—Reorganization—8. Transfer of shares in Rundong Holding to the Wisdom Trust” in this prospectus for further information on the Family Trust.

#### **4. Further capital increase and equity interests transfer of Rundong Group**

On December 30, 2010:

- (i) Rundong Group, Mr. Yang Peng, Mr. Yang Shouming (as the nominee of Mr. Yang Peng), Spring Oasis Hong Kong and Schnell Holding entered into the Second Round Rundong Subscription Agreement pursuant to which Rundong Group increased its registered capital from RMB66.67 million to RMB158.67 million. Spring Oasis Hong Kong and Schnell Holding made corresponding capital contributions of RMB25.38 million (representing 16% of the increased total registered capital of Rundong Group) and RMB66.62 million (representing 41.99% of the increased total registered capital of Rundong Group), respectively, to Rundong Group. The capital contributions were completed on February 11, 2011; and
- (ii) Mr. Yang Peng, Mr. Yang Shouming (as a nominee of Mr. Yang Peng) and Schnell Holding entered into the Second Round Rundong Transfer Agreement pursuant to which Mr. Yang Peng and Mr. Yang Shouming (as a nominee of Mr. Yang Peng) transferred their respective 15.38% and 5.42% equity interests in Rundong Group to Schnell Holding for a consideration of RMB24.40 million (which was determined based on 15.38% of the then total registered capital of Rundong Group) and RMB8.60 million (which was determined based on 5.42% of the then total registered capital of Rundong Group), respectively. The consideration for the equity interest transfer was fully settled on August 9, 2011.

As a result of the above transactions, Rundong Group was owned as to 62.79%, 26.5% and 10.71% by Schnell Holding, Spring Oasis Hong Kong and Mr. Yang Peng, respectively.

#### **5. Further issue of shares in Rundong Holding to KKR Auto and East Rain and capital increase and equity interests transfer of Rundong Group**

On July 19, 2011:

- (i) Rundong Holding, KKR Auto, East Rain and Ms. Cao Weijing entered into the Third Round Subscription Agreement, pursuant to which Rundong Holding allotted and issued 15,405 shares to KKR Auto at the aggregate subscription price of US\$20 million, which was settled in full by KKR Auto as part of the Third Round Investment under the Pre-IPO Investment as at the completion of this subscription on September 8, 2011;
- (ii) Rundong Group, Mr. Yang Peng and Schnell Holding entered into the Third Round Rundong Transfer Agreement, pursuant to which Mr. Yang Peng transferred his 10.71% equity interests in Rundong Group to Schnell Holding for a consideration of RMB98



## HISTORY AND REORGANIZATION

million. The consideration for the equity interests transfer, which was derived from the Third Round Investment under the Pre-IPO Investment, was fully settled by Schnell Holding on September 8, 2011; and

- (iii) Rundong Group, Mr. Yang Peng, Spring Oasis Hong Kong and Schnell Holding entered into the Third Round Rundong Subscription Agreement pursuant to which Rundong Group increased its registered capital from RMB158.67 million to RMB188.67 million. Spring Oasis Hong Kong and Schnell Holding made corresponding capital contributions of RMB14.55 million (representing 7.71% of the increased total registered capital of Rundong Group) and RMB15.45 million (representing 8.19% of the increased total registered capital of Rundong Group), respectively, to Rundong Group. The capital contributions were completed on September 23, 2011.

As a result of the above transactions, (i) East Rain and KKR Auto held approximately 70% and 30% shareholding interests in Rundong Holding, respectively; and (ii) Rundong Group was owned as to 70% and 30% by Schnell Holding and Spring Oasis Hong Kong, respectively.

### **6. Subdivision of shares of Rundong Holding and further issue and transfer of shares of Rundong Holding to KKR Auto**

Pursuant to the shareholders' resolution of Rundong Holding dated October 25, 2011, each share of Rundong Holding of the then par value of US\$0.0001 was subdivided into 500 shares of a par value of US\$0.0000002 each, and immediately after such sub-division of shares of Rundong Holding, the authorized share capital of Rundong Holding became US\$50,000 divided into 250,000,000,000 shares of a par value of US\$0.0000002 each.

On November 10, 2011, Rundong Holding allotted and issued 137,581,722 shares and 58,963,667 shares to East Rain and KKR Auto at an aggregate subscription price of US\$28 and US\$12 (being approximately the then par value of the shares), respectively.

On October 26, 2011, Rundong Holding, East Rain, KKR Auto, Cheerful Autumn, Rue Feng, Mr. Yang Peng and Ms. Cao Weijing entered into the Fourth Round Subscription Agreement, pursuant to which,

- (i) Rundong Holding allotted and issued 111,111,111 shares to KKR Auto at an aggregate subscription price of US\$25 million, which was settled in full by KKR Auto as part of the Fourth Round Investment under the Pre-IPO Investment as at the completion of this subscription on November 14, 2011; and
- (ii) East Rain transferred 22,222,222 shares in Rundong Holding to KKR Auto at a consideration of US 5 million, which was settled in full by KKR Auto as part of the Fourth Round Investment under the Pre-IPO Investment as at the completion of this transfer of shares in Rundong Holding on November 14, 2011.

Immediately after the above subdivision, East Rain and KKR Auto held 1,300,000,000 shares in Rundong Holding and 700,000,000 shares in Rundong Holding, representing approximately 65% and 35% of the then total issued share capital of Rundong Holding, respectively.

## HISTORY AND REORGANIZATION

### **7. Acquisition of equity interests in Rundong Group by Spring Oasis Cayman**

Spring Oasis Cayman was incorporated in the Cayman Islands on October 28, 2011 by Spring Oasis Hong Kong. On the date of its incorporation, one subscriber share of Spring Oasis Cayman was transferred to Spring Oasis Hong Kong (representing the then entire issued share capital of Spring Oasis Cayman).

Pursuant to the written resolutions of the sole director of Spring Oasis Cayman dated November 14, 2011:

- (i) Spring Oasis Cayman allotted and issued one further share to Spring Oasis Hong Kong at the subscription price of US\$24,246,897.23, which was settled in full as part of the Fourth Round Investment under the Pre-IPO Investment as at the completion of this subscription on November 14, 2011; and
- (ii) Spring Oasis Cayman provided a loan of RMB153,330,000 (being the then RMB equivalence of the subscription price of US\$24,246,897.23 received by Spring Oasis Cayman) to Rundong Group on November 11, 2011 under the Loan Agreement.

On March 1, 2012, Rundong Group, Spring Oasis Cayman, Spring Oasis Hong Kong and Schnell Holding entered into the Loan Exchange Agreement, pursuant to which Rundong Group increased its registered capital from RMB188.67 million to RMB341.9998 million and Spring Oasis Cayman made a corresponding capital contribution of RMB153.3298 million (representing approximately 44.83% of the increased total registered capital of Rundong Group) to Rundong Group by way of off-setting the then outstanding amount under the Loan Agreement. As a result of such capital contribution, Rundong Group was owned as to approximately 44.83%, 38.62% and 16.55% by Spring Oasis Cayman, Schnell Holding and Spring Oasis Hong Kong, respectively. The capital contribution was completed on June 20, 2012.

### **8. Transfer of shares in Rundong Holding to the Wisdom Trust**

The Family Trust implemented the following steps to transfer 89,960,000 shares in Rundong Holding (representing 4.5% of the then total issued share capital of Rundong Holding) to the Wisdom Trust:

- (1) Rundong Fortune was incorporated in the BVI on November 18, 2013 as a wholly-owned subsidiary of Cheerful Autumn.
- (2) On December 20, 2013, Cheerful Autumn transferred one share in East Rain (representing its then entire issued share capital) to Rundong Fortune in consideration of the allotment and issue by Rundong Fortune of one share in its capital to Cheerful Autumn. Immediately after such transfer, East Rain was wholly-owned by Rundong Fortune.

## HISTORY AND REORGANIZATION

- (3) On December 20, 2013, East Rain allotted and issued (i) 9,307 shares to Rundong Fortune at the aggregate subscription price of US\$0.9307 (being the par value of the shares); and (ii) 692 shares to Rundong Smart, which is wholly-owned by Rundong Wisdom (the trustee of the Wisdom Trust) at an aggregate subscription price of US\$0.0692 (being the par value of the shares). Immediately after such issues of shares, East Rain was owned as to approximately 93.08% and 6.92% by Rundong Fortune and Rundong Smart, respectively.
- (4) Pursuant to a members' resolution of East Rain dated December 20, 2013, East Rain distributed its entire holding of 1,300,000,000 shares in Rundong Holding (representing 65% of the then total issued share capital of Rundong Holding) to Rundong Fortune and Rundong Smart by way of distribution in specie according to the proportion of their respective shareholding interests in East Rain. Immediately after such distribution in specie, Rundong Fortune (as the indirect wholly-owned subsidiary of the Family Trust Trustee), KKR Auto and Rundong Smart (as the wholly-owned subsidiary of the trustee of the Wisdom Trust) held 1,210,040,000 shares, 700,000,000 shares and 89,960,000 shares in Rundong Holding, representing 60.5%, 35% and 4.5% of the then total issued share capital of Rundong Holding, respectively.

In connection with the Share Transfer, each of Rundong Fortune and Rundong Smart entered into (i) a deed of adherence with Rundong Holding in respect of the Shareholders' Agreement; and (ii) the Share Charge II with KKR Auto to replace the Share Charge, the details of which are set out in the paragraph headed "Pre-IPO Investment" in this section of this prospectus.

### **9. Incorporation of our Company**

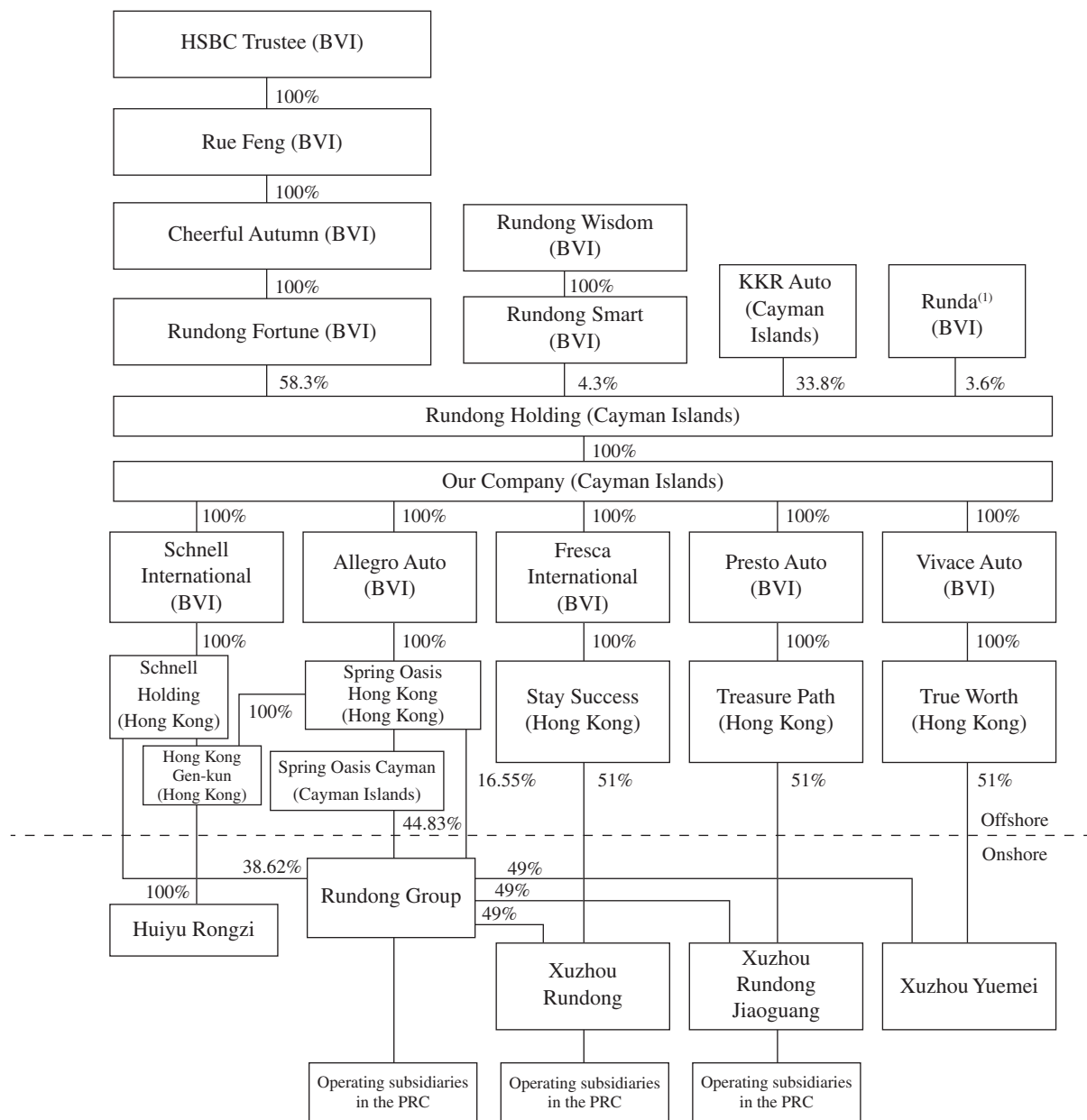
On January 15, 2014, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The then authorized share capital of our Company was US\$50,000 divided into 250,000,000,000 ordinary shares of US\$0.0000002 each. On the date of its incorporation, one subscriber Share was transferred to Rundong Holding at par value (representing the then entire issued share capital of our Company).

### **10. Transfer of shares in the BVI Investment Holding Companies by Rundong Holding to our Company**

On January 22, 2014, Rundong Holding entered into a sale and purchase agreement with our Company pursuant to which our Company acquired all of the issued share capital in each of the BVI Investment Holding Companies held by Rundong Holding. In consideration, our Company allotted and issued 1,999,999,999 Shares at nominal value to Rundong Holding. Immediately after this transfer, our Company held all of the issued share capital in each of the BVI Investment Holding Companies.

## HISTORY AND REORGANIZATION

The following chart sets out our shareholding structure after completion of the above steps of the Reorganization:



*Note:*

- (1) Runda holds 73,750,000 unpaid shares in Rundong Holding in trust for the Relevant Grantees as beneficiaries of those shares. For further information of the Rundong Holding Option Shares, please refer to the paragraph headed “Establishment of the Employee Pre-IPO Trust” of this section of the prospectus.

## HISTORY AND REORGANIZATION

### **11. Repurchase by Rundong Holding of its shares from its shareholders in consideration of our Shares**

On July 24, 2014, Rundong Holding, Rundong Fortune, Rundong Smart and KKR Auto entered into a conditional share repurchase agreement pursuant to which Rundong Holding agreed to repurchase from each of Rundong Fortune, Rundong Smart and KKR Auto their 1,210,039,999 shares, 89,960,000 shares and 700,000,000 shares (representing 58.3%, 4.3% and 33.8% of the then total issued shares) in Rundong Holding, respectively. In consideration of the repurchase, Rundong Holding agreed to transfer to Rundong Fortune, Rundong Smart and KKR Auto 1,210,040,000 Shares, 89,960,000 Shares and 700,000,000 Shares (representing 60.5%, 4.5% and 35.0% of the then total issued shares of our Company), respectively.

Further to the exercise of the Rundong Holding Options (further details of which are set out in the paragraph headed “Establishment of the Employee Pre-IPO Trust-Exercise of the Rundong Holding Options” in this section of this prospectus), the relevant grantees of the Rundong Holding Options, the Company, Rundong Holding and Runda entered into an agreement on July 24, 2014 pursuant to which (i) Rundong Holding agreed to repurchase 73,750,000 shares in Rundong Holding held by Runda at the consideration of US\$14.75 (being the par value of those shares); and (ii) our Company agreed to allot and issue 73,750,000 Shares (before the Share Consolidation) as unpaid Shares to Runda at the subscription price of US\$0.1429 per Share.

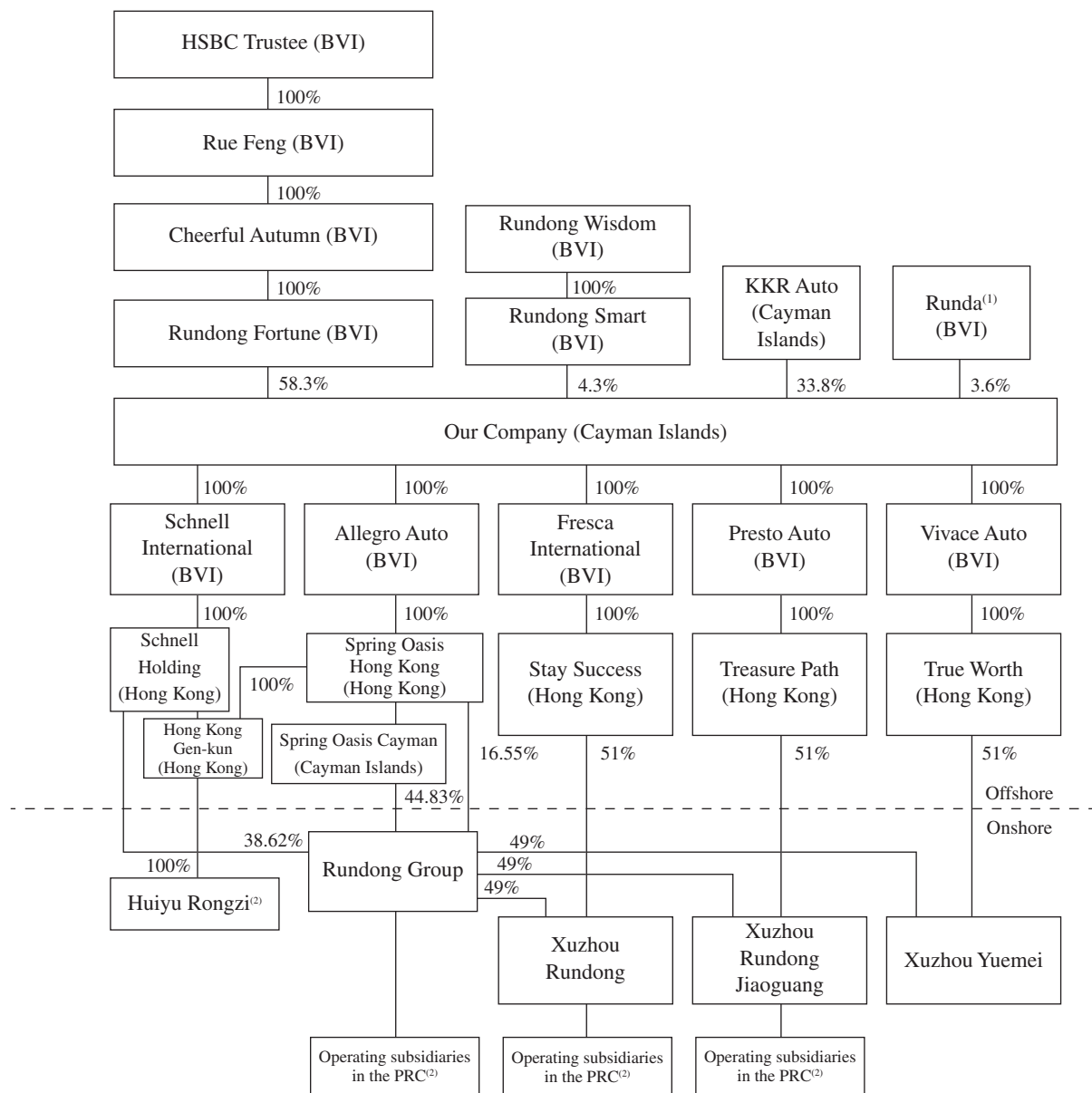
The above repurchases of the shares of Rundong Holding and issue of Shares are expected to be completed upon the Underwriting Agreements becoming unconditional and effective but before Listing. Immediately upon completion of the above share repurchases and issue of Shares, Rundong Fortune, Rundong Smart, KKR Auto and Runda will cease to hold any shares in Rundong Holding and will hold 58.3%, 4.3%, 33.8% and 3.6% of the total issued Shares of our Company, respectively immediately prior to the Global Offering.

### **12. Share Consolidation**

Pursuant to the resolutions of shareholders of the Company dated July 23, 2014, conditional upon the Underwriting Agreements becoming unconditional and effective but before the Listing, every ten ordinary shares in the capital of the Company of US\$0.0000002 each are to be consolidated into four ordinary shares of the Company of US\$0.0000005 each. Immediately after completion of the Share Consolidation, (i) the authorized and issued share capital of the Company, comprising 250,000,000,000 and 2,073,750,000 ordinary shares of US\$0.0000002 each, respectively, will be consolidated and divided into 100,000,000,000 ordinary shares and 829,500,000 ordinary shares of US\$0.0000005 each, respectively; and (ii) Rundong Fortune, Rundong Smart, KKR Auto and Runda will hold 484,016,000 Shares, 35,984,000 Shares, 280,000,000 Shares and 29,500,000 Shares, representing 58.3%, 4.3%, 33.8% and 3.6% of the total issued Shares of our Company, respectively, immediately prior to the Global Offering.

## HISTORY AND REORGANIZATION

The following chart sets out our shareholding structure after completion of the Reorganization and immediately before the completion of the Global Offering:



*Notes:*

- (1) Runda holds 29,500,000 Scheme Shares (after the Share Consolidation) in trust for the Relevant Grantees as beneficiaries of those shares. For further information of the Rundong Holding Option Shares, please refer to the paragraph headed “Establishment of the Employee Pre-IPO Trust” of this section of the prospectus.
- (2) See “—Acquisitions of Onshore Companies” in the prospectus for more information on changes and development of our operating subsidiaries in the PRC during the Reorganization and Track Record Period. See “—Disposals to Jiangsu Qirun” and “—Other Disposals” in this section of this prospectus for more information on disposals of onshore companies by our Group during the Track Record Period. We established an operating subsidiary in the PRC for each of our stores to comply with the automobile manufacturers’ arrangements that most of the automobile dealership authorization agreements shall be entered into by a separate legal entity of our Group, so that most of our

## HISTORY AND REORGANIZATION

operating subsidiaries in the PRC do not operate stores for more than one automobile manufacturers in the same geographical area. Details of our operating subsidiaries in the PRC as of the Latest Practicable Date are set out in the following table:

Name of Subsidiary	Date of Incorporation	Registered Capital	Principal Business	Ownership
Huai'an Baojing . . . . .	January 20, 2010	RMB10 million	Sale and service of automobiles (BMW)	Xuzhou Baojing (100%)
Huai'an Baotielong . . . . .	February 25, 2011	RMB15 million	Sale and service of automobiles (Land Rover and Jaguar)	Rundong Group (100%)
Huai'an Runbaohang . . . . .	July 11, 2013	RMB20 million	Service of automobiles (under construction)	Rundong Group (100%)
Huai'an Rundong Huifeng . . . . .	September 24, 2007	RMB10 million	Sale and service of automobiles (Dongfeng Honda)	Rundong Group (100%)
Huai'an Rundong Renheng . . . . .	March 29, 2007	RMB13 million	Sale and service of automobiles (Buick)	Rundong Group (100%)
Huai'an Rundong Shidai . . . . .	August 1, 2005	RMB10 million	Sale and service of automobiles (Hyundai)	Rundong Group (100%)
Huai'an Rundong Zhifu . . . . .	April 6, 2006	RMB10 million	Sale and service of automobiles (Ford)	Rundong Group (100%)
Huiyu Rongzi . . . . .	September 30, 2013	USD10 million	Automobile financing and leasing	Hong Kong Gen-kun (100%)
Huzhou Baojing . . . . .	May 26, 2010	RMB30 million	Sale and service of automobiles (BMW)	Xuzhou Rundong (90%) Xuzhou Baojing (10%)
Huzhou Rundong . . . . .	May 18, 2011	RMB20 million	Sale and service of automobiles (Cadillac)	Rundong Group (100%)
Huzhou Runzhiyi . . . . .	June 9, 2011	RMB10 million	Sale and service of automobiles (MINI)	Rundong Group (100%)
Jialun Insurance . . . . .	May 23, 2012	RMB3 million	Automobile insurance	Rundong Group (100%)
Jinan Runzhiyi . . . . .	July 23, 2013	RMB30 million	Sale and service of automobiles (under construction) (Maserati and Ferrari)	Rundong Group (100%, 0.03% of which is held by Mr. Yang Peng as a nominee) <sup>(b)</sup>
Lianyungang Fengtian . . . . .	April 25, 2006	RMB12 million	Sale and service of automobiles (FAW-Toyota/Toyota)	Rundong Group (70%, which is held by Lianyungang Tianlan as a nominee) <sup>(b)</sup>  Lianyungang Tianlan (as nominee for Mr. Huang Yuan Dong <sup>(a)(b)</sup> ) (30%)

## HISTORY AND REORGANIZATION

<u>Name of Subsidiary</u>	<u>Date of Incorporation</u>	<u>Registered Capital</u>	<u>Principal Business</u>	<u>Ownership</u>
Lianyungang Rundong .	January 10, 2008	RMB10 million	Sale and service of automobiles (Dongfeng Honda)	Rundong Group (100%)
Lianyungang Runhe . .	August 10, 2012	RMB10 million	Sale and service of automobiles (Cadillac)	Rundong Group (100%)
Lianyungang Runjie . .	April 25, 2013	RMB10 million	Sale and service of automobiles (under construction) (Land Rover and Jaguar)	Rundong Group (100%)
Lianyungang Tianlan . .	July 1, 2004	RMB10 million	Sale and service of automobiles (Dongfeng Nissan)	Rundong Group (87%) Lianyungang Gangya <sup>(a)</sup> (13%)
Lianyungang Zhibao . .	April 22, 2009	RMB10 million	Service of automobiles (BMW)	Xuzhou Rundong (90%) Xuzhou Baojing (10%)
Linyi Aofeng . . . . .	May 18, 2011	RMB10 million	Sale and Service of automobiles (Audi)	Rundong Group (100%)
Linyi Baojing . . . . .	April 14, 2011	RMB10 million	Sale and service of automobiles (BMW)	Rundong Group (51%) Xuzhou Rundong (49%)
Linyi Jinhua . . . . .	November 29, 2002	RMB10 million	Sale and Service of automobiles (Audi)	Rundong Group (100%)
Ma'anshan Baojing . . .	December 10, 2010	RMB10 million	Sale and service of automobiles (BMW)	Shanghai Baojing (100%)
Nanjing Baojing . . . . .	May 25, 2012	RMB10 million	Sale and service of automobiles (BMW)	Rundong Group (100%)
Nanjing Runzhiyi . . . .	March 4, 2014	RMB50 million	Sale and service of automobiles (under construction) (Maserati)	Rundong Group (100%)
Nantong Runbaohang . .	June 28, 2010	RMB12 million	Sale and service of automobiles (BMW)	Xuzhou Rundong Jiaoguang (90%) Shanghai Baojing (10%)
Qingdao Baojing . . . . .	September 16, 2011	RMB10 million	Sale and service of automobiles (under construction) (BMW/MINI)	Rundong Group (100%)
Rizhao Baojing . . . . .	March 12, 2012	RMB10 million	Sale and service of automobiles (BMW)	Rundong Group (51%) Xuzhou Rundong (49%)



## HISTORY AND REORGANIZATION

Name of Subsidiary	Date of Incorporation	Registered Capital	Principal Business	Ownership
Shanghai Baojing . . . .	July 6, 2010	RMB20 million	Sale and service of automobiles (BMW)	Xuzhou Rundong Jiaoguang (100%)
Shanghai Baojing Xingcheng . . . . .	November 26, 2010	RMB10 million	Sale and service of automobiles (BMW)	Shanghai Baojing (100%)
Shanghai Baojing Yuejie . . . . .	December 13, 2011	RMB0.5 million	Automobile rental	Shanghai Baojing (100%)
Shanghai Jierun . . . . .	September 19, 2011	RMB40 million	Sale and service of automobiles (Land Rover and Jaguar)	Rundong Group (100%)
Shanghai Jingbao . . . .	May 12, 2014	RMB5 million	Service of automobiles (under construction)	Shanghai Baojing Xingcheng (100%)
Suqian Rundong . . . . .	July 31, 2006	RMB3 million	Ceased operation and in process of de-registration	Rundong Group (100%)
Suqian Runkai . . . . .	August 15, 2011	RMB12 million	Sale and service of automobiles (under construction) (Land Rover and Jaguar)	Rundong Group (100%)
Suzhou Baojing . . . . .	November 24, 2011	RMB10 million	Sale and service of automobiles (BMW)	Rundong Group (80%) Suzhou Qiwei Vision System Engineering Company Limited* (蘇州企威視覺系統工程有限公司 <sup>(a)</sup> ) (20%)
Suzhou Runbaohang . .	February 27, 2014	RMB3 million	Service of automobiles (under construction) (BMW)	Rundong Group (100%)
Taizhou Baojing . . . . .	March 1, 2011	RMB21 million	Sale and service of automobiles (under construction) (BMW)	Xuzhou Rundong (100%)
Xuzhou Baojing . . . . .	March 6, 2007	RMB20 million	Sale and service of automobiles (BMW/MINI)	Xuzhou Rundong Jiaoguang (100%)
Xuzhou Baojing Runbao . . . . .	April 12, 2011	RMB10 million	Sale and service of automobiles (under construction) (BMW)	Rundong Group (100%)
Xuzhou Dongchen . . .	September 13, 2002	RMB13 million	Sale and service of automobiles (Dongfeng Nissan/ Zhengzhou Nissan)	Rundong Group (70%) Xuzhou Transport <sup>(a)</sup> (30%)

## HISTORY AND REORGANIZATION

<u>Name of Subsidiary</u>	<u>Date of Incorporation</u>	<u>Registered Capital</u>	<u>Principal Business</u>	<u>Ownership</u>
Xuzhou Hezhong . . . . .	January 28, 2011	RMB15.5 million	Sale and service of automobiles (Shanghai Volkswagen)	Rundong Group (100%)
Xuzhou Huifeng . . . . .	February 28, 2006	RMB25 million	Sale and service of automobiles (Lexus)	Rundong Group (66.67%) Xuzhou Rundong (33.33%)
Xuzhou Jierun . . . . .	July 27, 2011	RMB16 million	Sale and service of automobiles (Land Rover and Jaguar)	Rundong Group (100%)
Xuzhou Rongchuang . . . . .	March 16, 2010	RMB1 million	Consulting services for automobile purchase financing	Rundong Group (100%)
Xuzhou Rundong Guangben . . . . .	July 13, 2001	RMB13 million	Sale and service of automobiles (GAC-Honda)	Rundong Group (100%)
Xuzhou Rundong Huijing . . . . .	September 26, 2002	RMB5 million	Sale and service of automobiles (Kia)	Rundong Group (100%)
Xuzhou Rundong Huitong . . . . .	June 12, 2003	RMB10 million	Sale and service of automobiles (Buick)	Rundong Group (90%) Xuzhou Transport <sup>(a)</sup> (10%)
Xuzhou Rundong Jiahua . . . . .	May 25, 2004	RMB12 million	Sale and service of automobiles (Ford)	Rundong Group (100%)
Xuzhou Rundong Pre-owned Auto . . . . .	June 19, 2009	RMB3 million	Facilitation of the trading of pre-owned automobiles	Rundong Group (100%)
Xuzhou Rundong Ruijing . . . . .	November 24, 2004	RMB10 million	Sale and service of automobiles (Chevrolet)	Xuzhou Rundong Jiaoguang (100%)
Xuzhou Rundong Yifeng . . . . .	April 14, 2006	RMB15 million	Sale and service of automobiles (FAW-Toyota/Toyota)	Rundong Group (70%) Shanghai Suqi Industrial Company Limited* (上海蘇企實業有限公司 <sup>(a)</sup> ) (30%)

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Name of Subsidiary	Date of Incorporation	Registered Capital	Principal Business	Ownership
Xuzhou Rundong Zhifeng . . . . .	July 1, 2005	RMB12 million	Sale and service of automobiles (Dongfeng Honda)	Rundong Group (51%)  Xuzhou Furunda Investment and Management Services Company Limited* (徐州福潤達投資管理服務有限公司 <sup>(a)</sup> ) (25%)  Xuzhou Ruihesheng Trading Company Limited* (徐州瑞禾盛商貿有限公司 <sup>(a)</sup> ) (10%)  Xuzhou Qingwei Automobile Services Company Limited* (徐州慶偉汽車服務有限公司 <sup>(a)</sup> ) (9%)  Xuzhou Fupengshun Trading Company Limited* (徐州福鵬舜商貿有限公司 <sup>(a)</sup> ) (5%)
Xuzhou Rundong Zhitian . . . . .	December 4, 2005	RMB15 million	Sale and service of automobiles (GAC-Toyota/Toyota)	Rundong Group (70%)  Nanjing Xuanda Investment and Management Company Limited* (南京軒達投資管理有限公司 <sup>(a)</sup> ) (30%)
Xuzhou Rundong Zhouji . . . . .	March 29, 2004	RMB12 million	Sale and service of automobiles (Hyundai)	Rundong Group (100%)
Xuzhou Runzhiyi . . . .	June 26, 2013	RMB20 million	Sale and service of automobiles (Maserati)	Rundong Group (100%)
Yancheng Baojing . . .	August 1, 2012	RMB20 million	Sale and service of automobiles (BMW)	Rundong Group (100%)
Yantai Runjie . . . . .	September 16, 2011	RMB10 million	Sale and service of automobiles (Land Rover and Jaguar)	Rundong Group (100%)
Zaozhuang Aowei . . . .	May 5, 2008	RMB10 million	Sale and Service of automobiles (Audi)	Rundong Group (100%)
Zaozhuang Baojing . . .	April 14, 2011	RMB10 million	Sale and service of automobiles (BMW)	Rundong Group (51%)  Xuzhou Rundong (49%)

Notes:

(a) An Independent Third Party.

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- (b) As advised by our PRC counsel, Haiwen & Partners, the nominee arrangement was legally effective and binding, did not violate any applicable PRC laws and regulations and there are no other governmental approvals required under the PRC laws and regulations for the Nominee Arrangement.

### ACQUISITIONS OF ONSHORE COMPANIES

During the Reorganization and Track Record Period, we acquired equity interests in the following operating subsidiaries in the PRC to (i) expand our brand portfolio and store network with Audi dealership stores in the case of acquisitions of Linyi Aofeng, Zaozhuang Aowei and Linyi Jinhua; (ii) diversify our value added services with automobile insurance agency services in the case of acquisition of Jialun Insurance; and (iii) complete our 100% ownership interests in the other subsidiaries that operate stores for sales and services of automobiles or sale of spare parts and accessories. Details of such acquisitions are set out below:

Company	Transferor(s)	Principal Business	Transferee (Equity Interests Acquired)	Consideration RMB' million	Basis of Consideration	Registration Date	Equity Interests held by our Group after the Acquisition
Xuzhou Rundong Jiahua . . .	Xuzhou Investment <sup>(a)</sup>	Sale and service of automobiles (Ford)	Rundong Group (30%)	Part of an aggregate consideration of RMB14.2 million	Independent valuation of the Company	March 18, 2011	100%
Xuzhou Rundong Zhouji. . . .	Xuzhou Investment <sup>(a)</sup>	Sale and service of automobiles (Hyundai)	Rundong Group (30%)	under a sale and purchase agreement for Xuzhou Rundong Jiahua, Xuzhou Rundong Zhouji and Xuzhou Rundong Zhicheng (30%)	Independent valuation of the Company	March 1, 2011	100%
Xuzhou Rundong Zhicheng . . .	Xuzhou Investment <sup>(a)</sup>	Sale and Service of automobiles (Peugeot)	Rundong Group (30%)		Independent valuation of the Company	April 8, 2011	100%
Xuzhou Rundong Zhicheng . . .	Xuzhou High-way Construction Material Supply Station <sup>(a)</sup> (徐州高速公路建設物資供應服務站)	Sale and Service of automobiles (Peugeot)	Rundong Group (10%)	1.2	Independent valuation of the Company	April 8, 2011	100%
Huai'an Rundong Renheng. . . .	Huai'an Kaifa <sup>(a)</sup>	Sale and service of automobiles (Buick)	Rundong Group (26.77%)	3.48	Registered capital	April 1, 2011	100%
Huai'an Rundong Huifeng . . . .	Huai'an Kaifa <sup>(a)</sup>	Sale and service of automobiles (Honda)	Rundong Group (34.8%)	3.48	Registered capital	April 8, 2011	100%
Huai'an Rundong Zhifu . . . .	Huai'an Kaifa <sup>(a)</sup>	Sale and service of automobiles (Ford)	Rundong Group (34.8%)	3.48	Registered capital	April 8, 2011	100%
Huai'an Rundong Jiahe Automobile Sales and Services Company Limited* (淮安潤東嘉合汽車銷售服務有限公司) . . . .	Huai'an Kaifa <sup>(a)</sup>	Sales of spare parts and accessories	Rundong Group (42.03%)	3.48	Registered Capital	April 8, 2011	100%
Huai'an Rundong Yutian Automobile Sales and Services Company Limited (淮安潤東裕田汽車銷售服務有限公司) . . . . .	Huai'an Kaifa <sup>(a)</sup>	Sales of spare parts and accessories	Rundong Group (42.03%)	3.48	Registered Capital	April 8, 2011	100%

## HISTORY AND REORGANIZATION

Company	Transferor(s)	Principal Business	Transferee (Equity Interests Acquired)	Consideration RMB' million	Basis of Consideration	Registration Date	Equity Interests held by our Group after the Acquisition
Huai'an Baotielong . . . . .	Lu Bingdong <sup>(a)</sup> (陸炳東) (as to 49% equity interests) and Xu Weibao <sup>(a)</sup> (許維寶) (as to 41% equity interests)	Sale and service of automobiles (Land Rover and Jaguar)	Rundong Group (90%)	9	Registered capital	July 20, 2012	100%
Linyi Aofeng . . . . .	Sun Shujun <sup>(a)</sup> (孫樹軍)	Sale and service of automobiles (Audi)	Rundong Group (100%)	Part of an aggregate consideration of RMB420 million	Arm's length negotiation based on net asset value and	October 21, 2013	100%
Zaozhuang Aowei . . . . .	Linyi Jialun <sup>(a)</sup>	Sale and service of automobiles (Audi)	Rundong Group (100%)	under a purchase agreement for Linyi Aofeng, and Linyi Jin Hua)	(for Linyi Aofeng, Zaozhuang dealership and Linyi Jin Hua) authorization granted or to be granted to the relevant company	December 4, 2013	100%
Linyi Jinhua . . . . .	Sun Shujun <sup>(a)</sup> (孫樹軍)	Sale and service of automobiles (Audi)	Rundong Group (100%)	Zaozhuang Aowei, Linyi Jinhua and		October 17, 2013	100%
Jialun Insurance . . . . .	Linyi Jialun <sup>(a)</sup>	Automobile insurance	Rundong Group (100%)	Jialun Insurance		May 30, 2014	100%

*Note:*

(a) An Independent Third Party.

### *Compliance with PRC laws and regulations*

Our PRC legal counsel, Haiwen & Partners, has confirmed that, except for the antitrust filings in connection with our acquisition of Linyi Aofeng, Linyi Jinhua, Zaozhuang Aowei and Jialun Insurance as set out in the section headed “Risk Factors” in this prospectus, the Reorganization and the acquisitions of equity interests in subsidiaries in the PRC, Tongshanxian Credit, Jiangsu Bank and Xuzhou Huaihai Bank during the Track Record Period and all nominee arrangements as stated in this prospectus which are involved in holding of equity interests in any PRC subsidiaries of our Group were carried out in accordance with the relevant PRC laws and regulations in material respect and there are no other governmental approvals required under the PRC laws and regulations for the Reorganization, the said acquisitions of equity interests and nominee arrangements.

SAFE Circular No. 37 requires a PRC Resident to register with the local SAFE branch before he or she contributes assets or equity interests in an Offshore SPV that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division. Failure to comply with

## HISTORY AND REORGANIZATION

the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's PRC subsidiary to distribute dividends to its overseas parent.

As advised by our PRC legal counsel, Haiwen & Partners, as each of the Family Trust Beneficiaries is non-PRC citizen and the Wisdom Trust is discretionary in nature, the Family Trust Beneficiaries and the beneficiaries of the Wisdom Trust are not subject to the registration process under SAFE Circular No. 37.

### DISPOSALS TO JIANGSU QIRUN

Due to the rapid growth in the luxury and ultra-luxury passenger vehicles market in the PRC, we undertook a strategic assessment of each of the stores in our network based on their respective location, brand management capability, customer base and past performance in 2011. Based on this assessment, we devised our business strategy to (a) primarily focus our resources on expanding and developing stores for a selected number of key luxury and ultra-luxury brands; and (b) continue to operate those stores for mid- to high-end brands with stable financial performances and revenue contributions to our Group. Based on this strategy and as part of the Disposals, we disposed of (i) one store for each of the luxury brands of Mercedes-Benz multi-purpose vehicles, Infiniti, Acura and imported Volkswagen, all of which no longer form part of our remaining portfolio of automobile brands; (ii) a group of stores for mid- to high-end brands that are not in line with our business strategy after taking into account their compatibility with our brand portfolio, the geographic location of these stores relative to the other stores within our network and whether the relevant stores are in operation or still under construction; and (iii) all of the stores for low-end brands.

We believe that the luxury and ultra-luxury segments of the PRC automobile market have greater growth potential, more stable sales volume, higher turnover rate and premium customer base than in the low-end or mid- to high-end market segments. We believe that as a result of the Disposals, we will be able to optimize our use of financial resources and human resources to generate better returns from our network of stores operated under our business strategy.

We disposed of 34 subsidiaries (including Shanghai Weichen) during the Track Record Period, among which 14 were operating stores and eight were stores under construction at the effective completion date of disposals. The eight stores under construction included one that was proposed for the luxury brand of Mercedes-Benz and seven that were proposed for mid- to high-end brands; they were disposed of by us further to our strategy set out above. We had also disposed of 100% equity interest in Xuzhou Rundong Huijing to Jiangsu Qirun for a consideration of RMB6.52 million effective on December 31, 2011 (the "**Xuzhou Rundong Huijing Transaction**") and subsequently acquired back the same for a consideration of RMB8.54 million with an effective completion date of March 31, 2013 pursuant to an agreement dated March 25, 2013. The consideration was determined based on arm's length negotiation between our Group and Jiangsu Qirun, taking into account the net asset value of Xuzhou Rundong Huijing at the relevant time of transactions.

## HISTORY AND REORGANIZATION

### The Disposals 2011

On December 29, 2011, Rundong Group entered into an equity transfer agreement with Jiangsu Qirun, an Independent Third Party (as the purchaser), in relation to the disposal by our Group of the entire equity interests in two companies in the PRC with an effective completion date (the “**Effective Completion Date**”) of December 31, 2011. Under the terms of such agreement, after the Effective Completion Date:

- i. Jiangsu Qirun (as the purchaser) shall be the owner of the equity interests in the relevant Disposed Companies with all the rights attached to such equity interests (including the rights to receive dividends and distributions and the rights to appoint directors and members of management of the relevant Disposed Companies);
- ii. the profits and losses, as the case may be, of the relevant Disposed Companies shall be attributed to Jiangsu Qirun; and
- iii. the relevant transferors within our Group no longer had any equity interests in the relevant Disposed Companies nor any rights to receive dividends or distributions in respect of those equity interests.

The details of the relevant Disposed Companies and the date of completion of the required filings and registrations with the relevant administration of industry and commerce of the PRC for the change in equity holder of the relevant disposed company (“**Registration**”) under the equity transfer agreement dated December 29, 2011 are set out below:

<u>Disposed Company</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>	<u>Registered Capital (RMB'000)</u>	<u>Date of Registration</u>
Xuzhou Rundong Haohua . . . . .	May 21, 2003	Investment holding	8,000 (90% of which was held and transferred by Rundong Group)	December 31, 2011
Xuzhou Rundong Zhicheng . . . . .	February 25, 2004	Store for Peugeot	10,000	December 30, 2011

The aggregate consideration of RMB17,039,000 in respect of the above disposal was settled as of December 31, 2013. The sale price for each of the Disposed Companies under the above disposal was determined based on arm’s length negotiation between our Group and Jiangsu Qirun, taking into account the then net asset value of the relevant Disposed Companies.

On December 30, 2011, Mr. Yang Peng, as the representative of the relevant transferors within our Group, entered into a verbal agreement with Jiangsu Qirun (as the purchaser) to dispose of the entire equity interests in another 22 companies in the PRC. On January 1, 2012 and August 15, 2013, Mr. Yang Peng and Jiangsu Qirun entered into a memorandum of understanding and an equity transfer agreement, respectively, in relation to such disposal. The equity transfer agreement in relation to such disposal has an Effective Completion Date of December 31, 2011 and contains similar terms as the equity transfer agreement dated December 29, 2011 as set out above, save that the relevant transferor within our Group shall hold the equity interests in the relevant Disposed Companies as a nominee of Jiangsu Qirun (the “**Nominee Arrangement**”) from December 31, 2011 to the date of the relevant Registrations were completed. A nominee agreement was entered into on January 1, 2012 for this

## HISTORY AND REORGANIZATION

purpose. Pursuant to the shareholders' resolutions dated December 31, 2011 of each of these 22 Disposed Companies, all of the board members and supervisors of each of these companies who were effectively nominated by the Group were dismissed on the Effective Completion Date. On the same date, our Group also handed over all the authorizations, official seals, financial records and powers of appointment in respect of each of these companies to Jiangsu Qirun. Furthermore, the operation and management of these 22 Disposed Companies were also handed over to Jiangsu Qirun as at the Effective Completion Date. As a result, the Group no longer had any control, power or rights over any of these 22 Disposed Companies as at the Effective Completion Date. In accordance with the HKFRS 10 "Consolidated Financial Statements", these 22 Disposed Companies were excluded from the consolidated financial statements of the Company with effect from the Effective Completion Date of December 31, 2011 as a result of the loss of control and power of the Group over each of these 22 Disposed Companies as at the same date.

As advised by our PRC counsel, Haiwen & Partners, the verbal agreement, the memorandum of understanding and the Nominee Arrangement were legally effective, irrevocable and binding, did not violate any applicable PRC laws and regulations and there are no other governmental approvals required under the PRC laws and regulations for these arrangements.

The details of the relevant Disposed Companies under the equity transfer agreement dated August 15, 2013 are set out below:

<u>Disposed Company</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>	<u>Registered Capital (RMB'000)</u>	<u>Date of Registration</u>
Pizhou Rundong Ruijing Automobile Sales and Services Company Limited* (邳州潤東瑞景汽車銷售服務有限公司) . . . . .	May 10, 2010	Store for Chevrolet	5,000	July 17, 2013
Pizhou Rundong Huijing Automobile Sales and Services Company Limited* (邳州潤東匯景汽車銷售服務有限公司) . . . . .	September 3, 2010	Store for Kia	5,000	September 30, 2013
Bengbu Rundong Zhifeng Automobile Sales and Services Company Limited* (蚌埠潤東之風汽車銷售服務有限公司) . . . . .	January 10, 2011	Store for Dongfeng Honda	10,000	July 25, 2013
Bengbu Runlong Automobile Sales and Services Company Limited* (蚌埠潤龍汽車銷售服務有限公司) . . . . .	July 14, 2011	Store under construction <sup>(1)</sup>	8,000	July 25, 2013



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<u>Disposed Company</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>	<u>Registered Capital (RMB'000)</u>	<u>Date of Registration</u>
Huai'an Rundong Jiahe Automobile Sales and Services Company Limited* (淮安潤東嘉合汽車銷售服務有限公司) . . . . .	November 27, 2007	Investment holding	8,280	July 26, 2013
Huai'an Rundong Yutian Automobile Sales and Services Company Limited* (淮安潤東裕田汽車銷售服務有限公司) . . . . .	November 9, 2007	Sales of spare parts and accessories	8,280	July 26, 2013
Huai'an Guangda Automobile Trade Company Limited* (淮安市廣達汽車貿易有限公司) . . . . .	August 13, 2003	Store for Citroen	10,500	November 14, 2013
Lianyungang Hailan Automobile Sales Company Limited* (連雲港海瀾汽車銷售有限公司) . . . . .	September 15, 2011	Store under construction <sup>(1)</sup>	10,000	July 15, 2013
Nantong Rundong Infiniti Automobile Sales and Services Company Limited* (南通潤東英菲尼迪汽車銷售服務有限公司) . . . . .	August 18, 2010	Store for Infiniti	12,000	November 18, 2013
Pizhou Huitong Automobile Sales and Services Company Limited* (邳州匯通汽車銷售服務有限公司) . . . . .	September 15, 2011	Store under construction <sup>(1)</sup>	5,000	July 26, 2013
Shanghai Runbao New Energy Automobile Company Limited* (上海潤寶新能源汽車有限公司) . . . . .	July 6, 2010	Investment holding	8,000	September 9, 2013
Shanghai Rundong Automobile Sales and Services Company Limited* (上海潤東汽車銷售服務有限公司) . . . . .	September 8, 2010	Investment holding	20,000	July 23, 2013
Xinyi Rundong Ruijing Automobile Sales and Services Company Limited* (新沂潤東瑞景汽車銷售服務有限公司) . . . . .	November 20, 2009	Store for Chevrolet	2,000	July 29, 2013

## HISTORY AND REORGANIZATION

<u>Disposed Company</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>	<u>Registered Capital (RMB'000)</u>	<u>Date of Registration</u>
Xuzhou Runda Automobile Sales and Services Company Limited* (徐州潤達汽車銷售服務有限公司) . . . . .	October 8, 2007	Store for Skoda	10,000	November 15, 2013
Xuzhou Rundong Suqi Automobile Sales and Services Company Limited* (徐州潤東蘇企汽車銷售服務有限公司) . . . . .	June 24, 2008	Store for Hyundai	10,000	November 15, 2013
Xuzhou Runhe Automobile Sales and Services Company Limited* (徐州潤和汽車銷售服務有限公司) . . . . .	July 7, 2010	Store for ChuanQi* (傳祺)	10,000	November 15, 2013
Xuzhou Rundong Jiazheng Automobile Sales and Services Company Limited* (徐州潤東嘉正汽車銷售服務有限公司) . . . . .	June 8, 2011	Store under construction <sup>(1)</sup>	10,000	July 30, 2013
Xuzhou Rundong Meishi Automobile Sales and Services Company Limited* (徐州潤東美時汽車銷售服務有限公司) . . . . .	May 27, 2008	Store under construction <sup>(1)</sup>	7,000	July 30, 2013
Huzhou Xujie Automobile Sales and Services Company Limited* (湖州旭捷汽車銷售服務有限公司) . . . . .	August 2, 2011	Investment holding	2,000	November 14, 2013
Suzhou Rundong Suxin Automobile Sales and Services Company Limited* (宿州潤東蘇信汽車銷售服務有限公司) . . . . .	September 16, 2011	Store under construction <sup>(1)</sup>	2,000	August 26, 2013
Xuzhou Runsheng Automobile Sales and Services Company Limited* (徐州潤升汽車銷售服務有限公司) . . . . .	August 26, 2010	Store for Acura	20,000	November 15, 2013
Xuzhou Rundong Jiachi Automobile Sales Company Limited* (徐州潤東嘉馳汽車銷售服務有限公司) . . . . .	November 30, 2010	Store under construction <sup>(1)</sup>	10,000	November 15, 2013

## HISTORY AND REORGANIZATION

*Note:*

- (1) We disposed of seven Disposed Companies under the Disposals 2011 with stores that were still under construction or had not obtained automobile dealership authorization as of the relevant Effective Completion Date.

The aggregate consideration of RMB198,287,000 under the equity transfer agreement dated August 15, 2013 was settled as of December 31, 2013. The sale price for each of the Disposed Companies under this agreement was determined based on arm's length negotiation between our Group and Jiangsu Qirun, taking into account the then net asset value of the relevant Disposed Companies and the appreciation on the book value of the land held by them respectively.

With respect to the 22 Disposed Companies set out above, our Group agreed to first enter into a verbal agreement with Jiangsu Qirun in December 2011 with full settlement of the consideration as of December 2013 and the Nominee Arrangement until the date of the Registrations mainly because (i) the aggregate consideration involved in the disposal was substantial and Jiangsu Qirun required a reasonable period of time to arrange for funding; (ii) due to the number of automobile dealership authorizations involved in the relevant Disposed Companies, we had to engage in extended negotiations with the relevant automobile manufacturers to seek their respective consents for the transfer of these automobile dealership authorizations to Jiangsu Qirun; and (iii) before such disposal, the equity interests in a number of Disposed Companies under the disposal were charged in favour of certain banks as securities, and we required time to obtain the relevant banks' agreement to release such charges during that period and proceed with the Registrations in respect of these Disposed Companies in November 2013.

### The Disposal 2012

On April 26, 2012, Xuzhou Rundong Jiaoguang entered into an equity transfer agreement with Jiangsu Qirun (as the purchaser) in relation to the disposal by our Group of the entire equity interests in Pizhou Rundong Kailong for a consideration of RMB7.61 million.

The details of the relevant Disposed Company under the Disposal 2012 is set out below:

<u>Disposed Company</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>	<u>Registered Capital (RMB'000)</u>	<u>Date of Registration</u>
Pizhou Rundong Kailong. . . .	August 4, 2010	Store for Hyundai	8,000	May 21, 2012

The equity transfer agreement in relation to the Disposal 2012 contains similar terms as the equity transfer agreement dated December 29, 2011 under the Disposals 2011 as set out above, save that the Effective Completion Date is May 31, 2012.

The consideration of RMB7.61 million under the Disposal 2012 was settled as of December 31, 2013. The sale price for Pizhou Rundong Kailong was determined based on arm's length negotiation between our Group and Jiangsu Qirun, taking into account the then net asset value of Pizhou Rundong Kailong.

### The Disposals 2013

On June 30, 2013, Mr. Yang Peng, as the representative of the relevant transferors within our Group, entered into an equity transfer agreement with Jiangsu Qirun (as the purchaser) in relation to the disposal by our Group of the entire equity interests in six companies in the PRC as set out below.

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The equity transfer agreement in relation to the Disposals 2013 contains similar terms as the equity transfer agreement dated December 29, 2011 under the Disposals 2011 as set out above, save that the Effective Completion Date is June 30, 2013.

The details of the relevant Disposed Companies under the Disposals 2013 are set out below:

<u>Disposed Company</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>	<u>Registered Capital (RMB'000)</u>	<u>Date of Registration</u>
Lianyungang Meiyue Automobile Sales Company Limited* (連雲港美悅汽車銷售有限公司) . . . . .	September 15, 2011	Store for Qichen	10,000	July 15, 2013
Yancheng Runjie Automobile Sales and Services Company Limited* (鹽城潤捷汽車銷售服務有限公司) . . . . .	August 14, 2012	Investment holding	500	July 19, 2013
Xuzhou Jiacheng Automobile Sales and Services Company Limited* (徐州嘉誠汽車銷售服務有限公司) . . . . .	April 16, 2012	Investment holding	500	July 24, 2013
Xuzhou Runjia Automobile Sales and Services Company Limited* (徐州潤嘉汽車銷售服務有限公司) . . . . .	April 16, 2012	Investment holding	500	July 24, 2013
Xuzhou Rundong Ruichen Automobile Sales and Services Company Limited* (徐州潤東瑞辰汽車銷售服務有限公司) . . . . .	January 13, 2012	Store under construction <sup>(1)</sup>	10,000	November 15, 2013
Xuzhou Runteng Automobile Sales and Services Company Limited* (徐州潤騰汽車銷售服務有限公司) . . . . .	April 16, 2012	Store for Imported Volkswagen	12,500	November 18, 2013

*Note:*

(1) We disposed of one Disposed Company under the Disposals 2013 with stores that were still under construction as of the Effective Completion Date of June 30, 2013.

The aggregate consideration of RMB43,294,000 under the Disposals 2013 was settled by December 31, 2013. The sale price for each of the Disposed Companies under the Disposals 2013 was determined based on arm's length negotiation between our Group and Jiangsu Qirun, taking into account the then net asset value of the relevant Disposed Companies and the appreciation on the book value of the land held by them respectively.

## HISTORY AND REORGANIZATION

### Information on Jiangsu Qirun, Shanghai Weichen and Shanghai Huijing

Shanghai Weichen was incorporated in the PRC on September 6, 2010 as an investment holding company with a total registered capital of RMB1,000,000 and was owned as to 99% and 1% by Rundong Group and Mr. Yang Peng, respectively, at the time of incorporation. On May 17, 2011, Rundong Group entered into an equity transfer agreement with Shanghai Huijing (as purchaser) in relation to the disposal by Rundong Group of its 99% equity interests in Shanghai Weichen for the consideration of RMB990,000, which was determined based on arm's length negotiation between our Group and Shanghai Huijing and the then total registered capital of Shanghai Weichen (the “**Shanghai Weichen Disposal**”). The relevant Registration was completed on August 29, 2011 and the consideration for Shanghai Weichen Disposal was settled by December 31, 2013.

On December 28, 2011, Jiangsu Qirun was incorporated in the PRC as a wholly-owned subsidiary of Shanghai Weichen, which was then owned by Shanghai Huijing and Mr. Yang Peng as to 99% and 1%, respectively. Shanghai Huijing was in turn owned by Mr. Cao, the father-in-law of Mr. Yang Peng, and Mr. Feng Bin (馮彬), an Independent Third Party, as to 33.33% and 66.67%, respectively. Mr. Yu Yong (于涌), an Independent Third Party, was interested in acquiring the Disposed Companies and acquired Shanghai Weichen, and effectively, Jiangsu Qirun, for the purpose of using Jiangsu Qirun as his primary investment holding vehicle to acquire the Disposed Companies.

On December 29, 2011, Shanghai Huijing and Mr. Yang Peng agreed to transfer their then respective equity interests (and the associated voting rights with immediate effect) in Shanghai Weichen to Mr. Yu Yong and Mr. Zhao Ruoxu (趙若旭), the general manager of the finance management department of our Group. As a result, each of Shanghai Weichen and Jiangsu Qirun became an Independent Third Party on the same day before the Disposals 2011. After these equity interest transfers, Shanghai Weichen was owned as to 70% by Mr. Yu Yong and 30% by Mr. Zhao Ruoxu, who was holding his equity interests as a nominee of Mr. Yu Yong until February 1, 2013 pursuant to a nominee agreement dated December 20, 2011. On April 26, 2013, Mr. Cao agreed to transfer his 33.33% equity interest (and the associated voting rights with immediate effect) in Shanghai Huijing to Shanghai Weichen, and Shanghai Huijing (which was owned as to 66.67% by Mr. Yu Yong as beneficial owner and 33.33% by Shanghai Weichen which in turn was wholly-owned by Mr. Yu Yong) became an Independent Third Party on the same day.

To facilitate the administration of the Disposed Companies during the transition period before the Registrations, our Group, as part of the arrangements under the Disposals, nominated Mr. Zhao Ruoxu to hold the 30% equity interests in Shanghai Weichen as a nominee of Mr. Yu Yong over the transition period. As of the Latest Practicable Date, each of Mr. Yu Yong, Shanghai Weichen and Jiangsu Qirun was an Independent Third Party.

#### *Financial information on the companies disposed by our Group*

Prior to the Disposals and up to the relevant effective completion date of the relevant disposal, Shanghai Weichen under the Shanghai Weichen Disposal, Xuzhou Rundong Huijing under the Xuzhou Rundong Huijing Transaction, the 24 relevant Disposed Companies under the Disposals 2011, Pizhou Rundong Kailong under the Disposal 2012, the six relevant Disposed Companies under the Disposals 2013, and the two companies disposed of by the Group under the Other Disposals as set out below contributed net profit of RMB2,870,000 and RMB86,000 and net loss of RMB4,423,000, respectively, to the consolidated profit of the Group for the years ended December 31, 2011, 2012 and 2013.

## HISTORY AND REORGANIZATION

See “Appendix I—Accountants’ Report—Notes to the Financial Information” to this prospectus for further details on the Disposals and Other Disposals.

### *Compliance with PRC laws and regulations*

Our PRC legal counsel, Haiwen & Partners, has confirmed that the Disposals were legally completed in accordance with the relevant PRC laws and regulations in all material respects and there are no other government approvals required under the PRC laws and regulations for the Disposals.

### **OTHER DISPOSALS**

The relevant transferors within our Group entered into an equity transfer agreement with the transferee (as set out below, and each an Independent Third Party) in relation to the disposal of the entire equity interests in each of Xuzhou Runtong and Xuzhou Lanrun on May 2, 2013 and May 15, 2013, with an Effective Completion Date of May 31, 2013 and May 15, 2013, respectively.

In line with our Group’s strategy to focus our resources on the development of stores in the luxury and ultra-luxury markets of the PRC, we disposed of the proposed automobile inspection centre business of Xuzhou Runtong and the automobile accessories wholesale supply business operated by Xuzhou Lanrun because they were not in line with our Group’s long-term strategy.

The details of the disposals of Xuzhou Runtong and Xuzhou Lanrun are set out below:

Disposed Company	Date of Incorporation	Principal Business	Registered Capital (RMB’000)	Transferee(s)	Consideration (RMB’000)	Date of Registration
Xuzhou Runtong . . . . .	August 23, 2010	Automobile inspection center under construction	1,000	Guo Jihong (郭繼宏) <sup>(1)</sup>	50	June 12, 2013
Xuzhou Lanrun . . . . .	December 6, 2007	Wholesale of automobile accessories	10,000	Shanghai Huijing <sup>(1)</sup>	16,000	May 30, 2013

*Note:*

- (1) An Independent Third Party. See “Disposals to Jiangsu Qirun—Information on Jiangsu Qirun, Shanghai Weichen and Shanghai Huijing” in this prospectus for further information on Shanghai Huijing.

The consideration in respect of each of the disposals of Xuzhou Runtong and Xuzhou Lanrun were settled in full as of December 31, 2013. The sale price for each of these companies was determined based on arm’s length negotiation between our Group and the relevant transferees.

### *Compliance with PRC laws and regulations*

Our PRC legal counsel, Haiwen & Partners, has confirmed that the disposals of Xuzhou Runtong and Xuzhou Lanrun were legally completed in accordance with the relevant PRC laws and regulations in all material respects and there are no other governmental approvals required under the PRC laws and regulations for the disposals of Xuzhou Runtong and Xuzhou Lanrun.

## HISTORY AND REORGANIZATION

### OTHER ACQUISITIONS BY OUR GROUP

On August 28, 2010, Rundong Group entered into an equity transfer agreement with Mr. Yang Peng, pursuant to which Rundong Group agreed to transfer 5 million shares in Tongshanxian Credit, 10 million shares in Jiangsu Bank and 10.2 million shares in Xuzhou Huaihai Bank to Mr. Yang Peng for considerations of RMB5,000,000, RMB12,000,000 and RMB10,200,000, respectively (which were determined based on the consideration then paid by Rundong Group in acquiring the relevant shares). Further to the request of Tongshanxian Credit, Jiangsu Bank and Xuzhou Huaihai Bank (together, the “**Banks**”) in relation to their preference for their shares to be held by a corporate entity rather than an individual, Mr. Yang Peng, as the purchaser under the sale and purchase agreement, appointed Xuzhou Dianrun, which is wholly-owned by the brother-in-law of Mr. Yang Peng, as the transferee of the relevant shares of the Banks pursuant to the terms of the sale and purchase agreement with beneficial interest in such shares.

Our Group disposed of shares in these companies, which are principally engaged in the banking or credit business, to prepare a portfolio of assets focused on our principal business of automobile dealerships. After entering into the equity transfer agreement, our Group continued to hold these shares as a nominee (with (i) Xuzhou Baojing (an indirect wholly owned subsidiary of our Company) holding 13.26 million shares (including script dividend) in Xuzhou Huaihai Bank after an intra-Group transfer of those shares from Rundong Group to Xuzhou Baojing in 2012 and (ii) Rundong Group holding 5 million Shares in Tongshanxian Credit and 10 million Shares in Jiangsu Bank) because some of these shares were pledged as security for bank loans of our Group.

However, our Group subsequently decided to reacquire shares in the Banks since: (i) our Group has been transacting with the Banks for corporate financing on a long-term basis and we consider that holding the shares of the Banks could further enhance our relationship with the Banks which is a benefit that Xuzhou Dianrun could not utilize as Xuzhou Dianrun had not established any banking relationship with the Banks; (ii) some of the shares of the Banks had been pledged as security for bank loans of our Group and we would like to avoid such financial assistance provided by an affiliate of the controlling shareholder post the Listing; and (iii) Mr. Yang Peng owed a net debt to the Group and the Group agreed with Mr. Yang Peng and Xuzhou Dianrun that the consideration payable by the Group to Xuzhou Dianrun for the purchase of the shares in the Banks shall be used to partially settle the amount due from Mr. Yang Peng. On December 31, 2013:

- (i) Rundong Group entered into two equity transfer agreements, each with Mr. Yang Peng and Xuzhou Dianrun, pursuant to which Rundong Group was released from holding 5 million shares in Tongshanxian Credit and 10 million shares in Jiangsu Bank as nominee of Xuzhou Dianrun (the beneficial owner of these shares), and Xuzhou Dianrun agreed to transfer these shares to Rundong Group at a consideration of RMB9,000,000 and RMB53,000,000, respectively (which were determined based on the valuations of these shares conducted by an independent valuer); and
- (ii) Xuzhou Baojing entered into an equity transfer agreement with Mr. Yang Peng and Xuzhou Dianrun, pursuant to which Xuzhou Baojing was released from holding 13.26 million shares (including script dividends) in Xuzhou Huaihai Bank as a nominee of Xuzhou Dianrun (the beneficial owner of these shares), and Xuzhou Dianrun agreed to transfer these shares to Xuzhou Baojing at a consideration of RMB40,000,000 (which was determined based on a valuation of these shares conducted by an independent valuer).

Under each of the above equity transfer agreements (the “**ETA**”), Xuzhou Dianrun and Mr. Yang Peng have jointly provided an undertaking to Rundong Group and Xuzhou Baojing (each, as purchaser), that if (a) the purchaser sells all or part of its shares acquired under the ETA to any independent third party under normal commercial terms within three years of the date of ETA (the “**Relevant Sale**”); and (b) the average sale price per share to the independent third party is lower than the average price per

## HISTORY AND REORGANIZATION

share under the relevant ETA (the “**Price Difference**”), Xuzhou Dianrun and Mr. Yang Peng shall jointly indemnify the relevant purchaser for all the losses suffered by the purchaser arising from the Price Difference in the Relevant Sale. The above transactions were effectively completed on December 31, 2013.

All of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit are financial institutions based in Jiangsu province providing financial services to corporate and individual clients. They have provided corporate loans to our Group from time to time and are considered as our business partners in Jiangsu province. We acquired a minority interest in each of them, representing 0.11%, 2.55% and 0.71% of the total issued equity interests of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit, respectively, based on our long term business relationship. It is not part of our investment strategy, and neither do we have any current intention, to make further investments in any financial institutions.

### ESTABLISHMENT OF THE EMPLOYEE PRE-IPO TRUST

In recognition of the contributions of the employees of the Group, our Group implemented a share option scheme and Rundong Holding established the Employee Pre-IPO Trust under a trust deed dated September 27, 2011. On November 15, 2011, Rundong Holding, at no consideration, granted options to subscribe for a total of up to 100,000,000 shares in Rundong Holding, representing 5% of the then-issued share capital of Rundong Holding (the “**Rundong Holding Options**”), to Runda acting as the trustee to the Employee Pre-IPO Trust. Runda held the Rundong Holding Options for the benefit of the beneficiaries of the Employee Pre-IPO Trust, which comprise of our Group’s employees (including the Directors), former employees and their respective family members as selected by the protector of the Employee Pre-IPO Trust which has the power to add any beneficiaries, exclude any person to be a beneficiary and extinguish or restrict any powers of the trustee.

Each of the grantees of the Rundong Holding Options entered into an agreement (the “**Rundong Holding Option Agreement**”) with Rundong Holding, under which Rundong Holding, the then protector of the Employee Pre-IPO Trust, agreed to nominate the relevant grantee as a beneficiary of the Employee Pre-IPO Trust. The governing law of the Employee Pre-IPO Trust is the laws of the BVI. Runda was wholly-owned by Rundong Holding.

On March 24, 2014, out of the Rundong Holding Options granted to 108 grantees (which comprise of our Group’s employees, including the Directors) to subscribe for 97,000,000 shares in Rundong Holding, 13 grantees exercised their rights to subscribe for 73,750,000 shares in Rundong Holding. Further details of the early exercise of the Rundong Holding Options are set out in the paragraph headed “Establishment of the Employee Pre-IPO Trust—Exercise of the Rundong Holding Options” in this section of the prospectus.

Further to the Reorganization:

- (i) Rundong Holding transferred its 100% shareholding interests in Runda to our Company on January 22, 2014;
- (ii) on July 24, 2014, each of the 95 grantees of the Rundong Holding Options that remained to be exercised entered into a supplemental agreement to the Rundong Holding Option Agreement with Rundong Holding and our Company pursuant to which each of these grantees agreed that, conditional upon the Underwriting Agreements becoming unconditional and effective, their respective Rundong Holding Options held by Runda shall be cancelled in consideration for options granted by our Company to be held by Runda under the Employee



## HISTORY AND REORGANIZATION

Pre-IPO Trust to subscribe for an equivalent number of Shares as the number of shares in Rundong Holding that they were entitled to subscribe for under their respective Rundong Holding Options (the “**Pre-IPO Scheme Options**”); and

- (iii) Rundong Holding, as the then protector of the Employee Pre-IPO Trust, appointed our Company as the protector of the Employee Pre-IPO Trust effective upon the Underwriting Agreements becoming unconditional and effective.

Under the trust deed of the Employee Pre-IPO Trust, upon completion of the Reorganization and the appointment of our Company as the protector of the Employee Pre-IPO Trust, our Company shall procure Runda to hold and deal with the Pre-IPO Scheme Options according to the instructions of our Company acting through the Board. Immediately upon completion of the Global Offering, the Employee Pre-IPO Trust will hold Pre-IPO Scheme Options granted to 95 participants to subscribe for 9,300,000 Shares (after the Share Consolidation), representing approximately 0.87% of the issued share capital of the Company and assuming the Over-allotment Option is not exercised. Further details on the terms of the Pre-IPO Share Option Agreement and the Pre-IPO Scheme Options are set out in “Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme” in this prospectus.

### *Exercise of the Rundong Holding Options*

On March 24, 2014, 13 grantees of Rundong Holding Options (the “**Relevant Grantees**”) entered into supplemental agreements (each, a “**Supplemental Agreement**”) to their respective Rundong Holding Option Agreement with Rundong Holding and Runda pursuant to which:

- Rundong Holding, as the then protector of the Employee Pre-IPO Trust, agreed to (a) procure Runda to exercise the Rundong Holding Options to which each of these Relevant Grantees were entitled to; and (b) upon such exercise, issue 73,750,000 shares in Rundong Holding (the “**Rundong Holding Option Shares**”) to Runda as unpaid shares to hold them in trust for the Relevant Grantees as beneficiaries of those shares; and
- the Relevant Grantees shall settle the exercise price of the relevant Rundong Holding Options of US\$0.1429 per Rundong Holding Option Share (the “**Rundong Holding Option Exercise Price**”) before certain time, or Rundong Holding is entitled to procure Runda to offer to sell the relevant Rundong Holding Option Shares and use the proceeds to settle the outstanding Rundong Holding Option Exercise Price.

Further to the Reorganization:

On July 24, 2014, each of the Relevant Grantees entered into a further supplemental agreement to the Supplemental Agreement (the “**Further Supplemental Agreement**”) with Rundong Holding, Runda and our Company, pursuant to which, (i) Runda agreed to, conditional upon and immediately after the Underwriting Agreements becoming unconditional and effective, pay US\$14.75 to Rundong Holding to pay up the par value of all the Rundong Holding Option Shares in full and Rundong Holding agreed to repurchase immediately thereafter all of the Rundong Holding Option Shares held by Runda at the consideration of US\$14.75 (being the par value of those shares) and the relevant Rundong Holding Option Exercise Price was no longer outstanding; and (ii) our Company agreed to, conditional upon the Underwriting Agreements becoming unconditional and effective, allot and issue 73,750,000 Shares (before the Share Consolidation, being 29,500,000 Shares after the Share Consolidation) as unpaid Shares (the “**Scheme Shares**”) to Runda as trustee of the Employee Pre-IPO Trust at the subscription price of US\$0.1429 per Share (which is equivalent to the Rundong Holding Option Exercise Price) (the

## HISTORY AND REORGANIZATION

“Scheme Share Price”), and our Company, as protector of the Employee Pre-IPO Trust, will procure Runda to offer to sell a relevant number of Scheme Shares (after taking into account the effect of the Share Consolidation) in the International Offering and use the proceeds to settle the unpaid Scheme Share Price.

Runda is expected to offer to sell in the International Offering 23,645,000 Scheme Shares (after the Share Consolidation) held in trust for the Relevant Grantees in accordance with the terms of the Further Supplemental Agreement and settle the outstanding Scheme Share Price simultaneously with completion of the International Offering. The details of the 13 Relevant Grantees, the number of Scheme Shares beneficially owned by each of them before Listing, the number of Sale Shares to be sold for each of them and the number of Scheme Shares beneficially owned by each of them after Listing are set out below.

<u>Relevant Grantee</u>	<u>Number of Scheme Shares before the Share Consolidation</u>	<u>Number of Scheme Shares after Share Consolidation and immediately before Listing</u>	<u>Number of Sale Shares after the Share Consolidation</u>	<u>Number of Scheme Shares after Listing</u>
Liu Dongli (柳東麗) . . . .	14,900,000	5,960,000	4,777,092	1,182,908
Zhao Zhongjie (趙忠階) . .	17,900,000	7,160,000	5,738,922	1,421,078
Liu Jian (劉健) . . . . .	10,990,000	4,396,000	3,523,506	872,494
Li Xiang (李祥) . . . . .	2,100,000	840,000	673,281	166,719
Yan Sujian (燕蘇建) . . . .	14,900,000	5,960,000	4,777,092	1,182,908
Hao Yong (郝勇) . . . . .	3,000,000	1,200,000	961,831	238,169
Jiang Xiaofei (姜曉飛) . . .	3,000,000	1,200,000	961,831	238,169
Zhu Lidong (朱立東) . . . .	3,000,000	1,200,000	961,831	238,169
Zhou Jian (周健) . . . . .	600,000	240,000	192,366	47,634
Zhao Ruoxu (趙若旭) . . . .	1,560,000	624,000	500,152	123,848
Zhang Zhiyong (張志勇) . .	600,000	240,000	192,366	47,634
Gu Chundong (顧春棟) . . .	600,000	240,000	192,366	47,634
Si Changyun (司長雲) . . . .	600,000	240,000	192,366	47,634

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### ESTABLISHMENT OF THE FAMILY TRUST

On March 2, 2011, Rue Feng was incorporated in the BVI, and one share (representing its then entire issued share capital) was issued to Ms. Cao Weijing at issue price of US\$1 per share. On February 17, 2011, Cheerful Autumn was incorporated in the BVI, and one share (representing the then entire issued share capital of Cheerful Autumn) was issued to Rue Feng at par value of US\$1 per share on September 30, 2011. Pursuant to an instrument of transfer dated September 30, 2011, Ms. Cao Weijing transferred one share in East Rain (representing its then entire issued share capital) to Cheerful Autumn by way of gift at no consideration.

On September 30, 2011, Ms. Cao Weijing, as the settlor, established the Family Trust as an irrevocable discretionary trust and transferred one share in Rue Feng (representing its then entire issued share capital) at no consideration to the Family Trust Trustee. The transfer of one share in East Rain by Ms. Cao Weijing to Cheerful Autumn was completed on October 24, 2011, and immediately after such transfer, (i) East Rain became wholly-owned by Cheerful Autumn, which in turn was wholly-owned by Rue Feng, which in turn was wholly-owned by the Family Trust Trustee; and (ii) the Family Trust Trustee indirectly held 30% shareholding interest in Rundong Holding through Rue Feng, Cheerful Autumn, and East Rain for the benefit of the Family Trust Beneficiaries, which comprise of Ms. Cao Weijing and Mr. Yang Zhiqing (the son of Mr. Yang Peng and Ms. Cao Weijing). The proper law of the Family Trust is the laws of the BVI and the provisions of the Family Trust are subject to, and enforceable under, the laws of the BVI.

Under the Family Trust, the Family Trust Trustee has the trust administration and trust fund management powers customarily granted to a trustee, including:

- holding the capital and income of the trust fund upon trust for the benefit of the Family Trust Beneficiaries; and
- accumulating the income of the trust fund by investing it in any investments authorized by the Family Trust and paying or applying any accumulated income.

The Family Trust Trustee may also exercise the following powers with the written consent of the Protector:

- paying or applying the capital of the trust fund to the Family Trust Beneficiaries;
- determining the termination date of the Family Trust;
- changing the proper law of the Family Trust; and
- varying the provisions of the Family Trust.

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Under the Family Trust, the protector, Mr. Yang Peng, has the following powers:

- adding any Family Trust Beneficiaries;
- excluding any person as a Family Trust Beneficiary;
- appointing another person to be the protector;
- extinguishing or restricting the powers of the Family Trust Trustee; and
- removing any trustee from office.

As a result of the Share Transfer, Rundong Fortune became a wholly-owned subsidiary of Cheerful Autumn. Further details of the Share Transfer are set out in the paragraph headed “Transfer of shares in Rundong Holding to the Wisdom Trust” in this section of this prospectus. As of the Latest Practicable Date, HSBC Trustee acted as the Family Trust Trustee, and Mr. Yang Peng was the sole director of each of Rue Feng, Cheerful Autumn and Rundong Fortune.

### THE WISDOM TRUST

Rundong Wisdom was incorporated in the BVI on November 18, 2013, and one share of Rundong Wisdom with no par value (representing its then entire issued share capital) was issued to Mr. Chen Xiao (a friend of Mr. Yang Peng and an Independent Third Party) at the issue price of US\$1 per share on December 2, 2013. On November 18, 2013, Rundong Smart was incorporated in the BVI, and one share with no par value (representing the then entire issued share capital of Rundong Smart) was issued to Rundong Wisdom at the issue price of US\$1 per share on December 2, 2013.

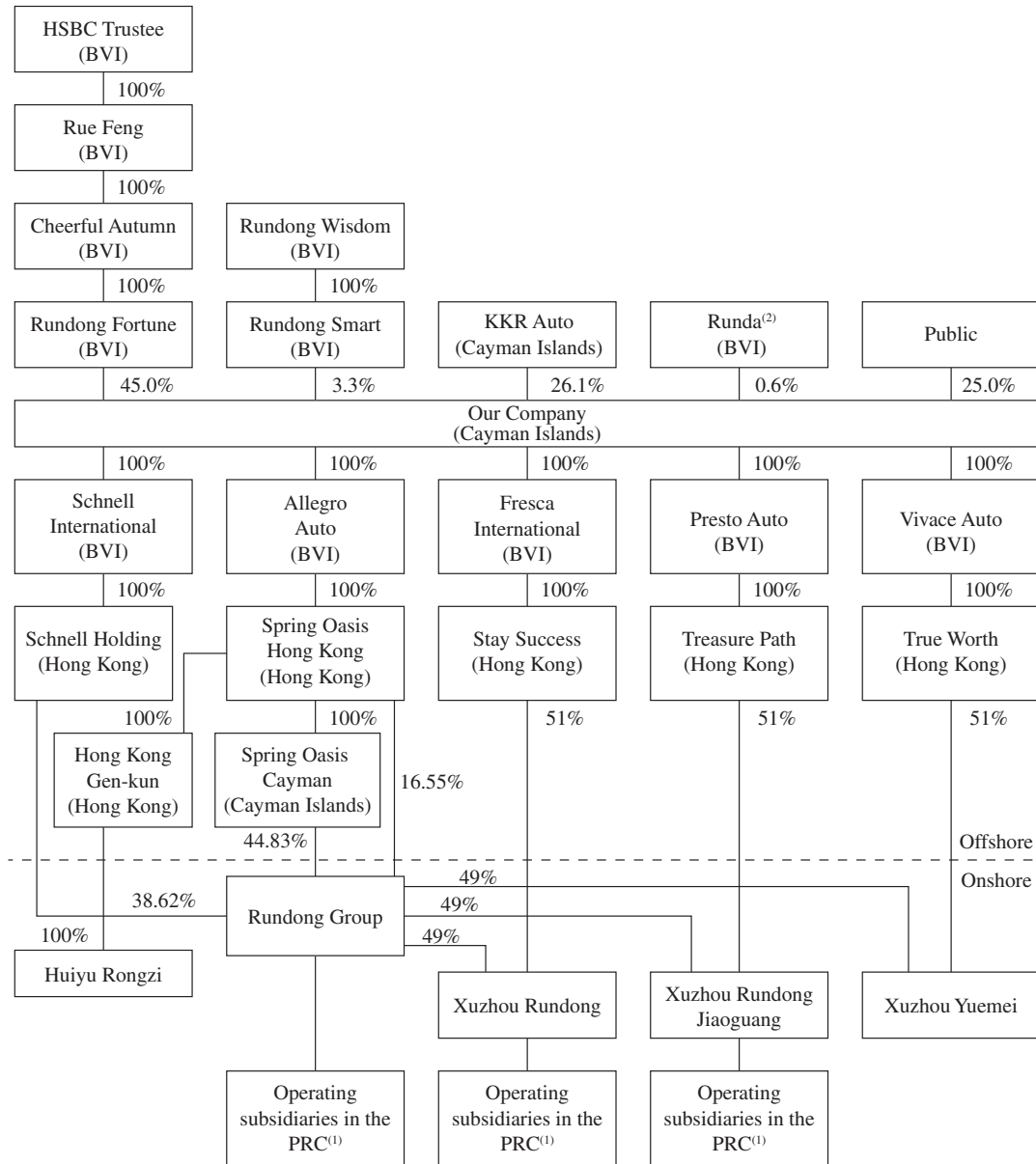
By a declaration of trust dated December 2, 2013, Rundong Wisdom established the Wisdom Trust as a discretionary trust and was appointed as the trustee of the Wisdom Trust which holds one share of Rundong Smart (representing its then entire issued share capital) for the benefit of the beneficiaries of the Wisdom Trust, which comprise of Ms. Cao Weining (曹維寧) (the sister of Ms. Cao Weijing), her parents, and the legitimate and adopted children of Ms. Cao Weining. The protector of the Wisdom Trust as of the Latest Practicable Date was Ms. Cao Weining. The proper law of the Wisdom Trust is the laws of the BVI and the provisions of the Wisdom Trust are subject to, and enforceable under, the laws of the BVI.

Immediately after the Share Transfer, Rundong Wisdom, as the trustee of the Wisdom Trust, indirectly held 89,960,000 shares in Rundong Holding (representing 4.5% of the then total issued share capital of Rundong Holding) through Rundong Smart for the benefit of the beneficiaries of the Wisdom Trust.

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## SHAREHOLDING STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

The following chart sets out the shareholding structure of our Group immediately following completion of the Global Offering (after the Share Consolidation and assuming the Over-allotment Option is not exercised):



Notes:

- (1) Details of our operating subsidiaries in the PRC as of the Latest Practicable Date are set out in the table under the paragraph headed “Reorganization—Repurchase by Rundong Holding of its Shares from its Shareholders in Consideration of our Shares” in this section of the prospectus.
- (2) Runda holds 5,855,000 Shares (after the Share Consolidation) in trust for the Relevant Grantees as beneficiaries of those shares. See “—Establishment of the Employee Pre-IPO Trust” in the prospectus for more information.

## **OVERVIEW**

We are one of the largest luxury automobile dealership groups in the regions where we operate in China in terms of number of luxury automobile dealership stores and showrooms in operation as of December 31, 2013, according to ACMR. Our operations focus on the affluent coastal regions of Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province, which collectively have China's largest luxury and ultra-luxury passenger vehicle market. We have a well-balanced portfolio of luxury and ultra-luxury brands as well as mid- to high-end brands. Our brand portfolio as of the Latest Practicable Date included the seven luxury brands of BMW, MINI, Land Rover and Jaguar, Audi, Lexus and Cadillac; the two ultra-luxury brands of Maserati and Ferrari; and the 13 mid- to high-end brands of Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan and Zhengzhou Nissan.

We opened our first automobile dealership store in Xuzhou, Jiangsu province in September 2001. We focus on the Second-, Third- and Fourth-tier Cities in China, in particular the affluent coastal regions of Eastern China, and have deployed a high density automobile dealership network in these regions. As of the Latest Practicable Date, we operated 51 stores and had obtained automobile manufacturers' authorizations or non-binding LOIs to open another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao. All of these new stores will be dedicated to luxury and ultra-luxury brands, including BMW, MINI, Land Rover and Jaguar, Maserati and Ferrari.

As a result of our strong operating capabilities and selected regional focus strategy, we have established strong brand reputation and leading market position in our focused regions in China. According to ACMR, as of December 31, 2013, we are:

- the largest BMW dealership group in Jiangsu and Shandong provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation
- the fifth largest BMW dealership group in China in terms of number of automobile dealership stores in operation
- the largest luxury and ultra-luxury automobile dealership group headquartered in Jiangsu province in terms of number of luxury and ultra-luxury automobile dealership stores and showrooms in operation
- one of the largest Land Rover and Jaguar dealership groups in Jiangsu and Shandong provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation
- the largest Audi dealership group in Shandong province in terms of the number of automobile dealership stores in operation

Our strong operating capabilities and young automobile dealership network have enabled us to achieve quick ramp-up of sales at our new stores and high same-store sales growth in the key regions where we operate. We recorded significant growth in the revenue from our luxury and ultra-luxury dealership stores during the Track Record Period. In addition, we have a young automobile dealership network: 21 out of our 28 luxury and ultra-luxury stores had been in operation for less than three years

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as of the Latest Practicable Date. According to ACMR, it usually takes at least three years for a newly-established automobile dealership store to ramp up its new automobile sales and after-sales services. Given our ability to quickly ramp up sales at our new stores and the growth potential of our newly-established stores, we believe that we are well-positioned to grow at a faster pace than the overall industry in the near future.

We strategically focus on luxury and ultra-luxury brands. As of the Latest Practicable Date, 28 out of 51, or 54.9%, of our stores were dedicated to luxury and ultra-luxury brands. As of the Latest Practicable Date, we operated 16 stores for BMW and MINI, and had obtained authorizations or non-binding LOIs to establish another 10 BMW and MINI stores.

We have a customer-oriented business philosophy and strive to provide tailor-made services throughout the entire automobile-related spending cycle. We have implemented an advanced CRM system and established a dedicated CRM sales team. We use our CRM system to collect, analyze and filter customer information, and to generate marketing leads based on customer profiling and targeting, which in turn enables us to effectively allocate our resources, tailor our selling efforts and fully utilize the high density of our network layout. Our CRM sales team normally solicits customers through both traditional sales and marketing channels and innovative online and offline sales and marketing channels, such as marketing platforms leveraging a cloud-based database.

Apart from automobile sales, we have diversified our revenue sources by offering after-sales services and automobile-related value-added services. Leveraging our comprehensive service offerings and our high quality customer services, we recorded significant growth of our revenue and commission income from these services during the Track Record Period.

During the Track Record Period, we recorded significant growth in our business and results of operation. Our revenue increased by 55.9% from RMB6,017.4 million in 2011 to RMB9,383.8 million in 2012, by 23.5% from 2012 to RMB11,587.8 million in 2013, and by 62.5% from RMB2,395.0 million in the three months ended March 31, 2013 to RMB3,891.3 million in the same period of 2014. Our sales of luxury and ultra-luxury automobiles accounted for increasing proportions of 29.3%, 67.8%, 70.0% and 73.7%, respectively, of our revenue from automobile sales in 2011, 2012, 2013 and the three months ended March 31, 2014. Our net profit increased by 0.9% from RMB90.4 million in 2011 to RMB91.2 million in 2012, by 172.3% from 2012 to RMB248.4 million in 2013, and by 243.7% from RMB29.2 million in the three months ended March 31, 2013 to RMB100.2 million in the same period of 2014.

### OUR COMPETITIVE STRENGTHS

We believe that our market-leading position and rapid-growth profile are principally attributable to the following competitive strengths:

***A market leader in the affluent coastal regions of Eastern China, which have China's largest luxury and ultra-luxury passenger vehicle market***

We are one of the largest luxury automobile dealership groups in the regions where we operate in China in terms of number of luxury automobile dealership stores and showrooms in operation as of December 31, 2013, according to ACMR. We deployed a high density network in the affluent coastal

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regions of Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province. According to ACMR, as of December 31, 2013, we are:

- the largest BMW dealership group in Jiangsu and Shandong provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation
- the fifth largest BMW dealership group in China in terms of number of automobile dealership stores in operation
- the largest luxury and ultra-luxury automobile dealership group headquartered in Jiangsu province in terms of number of luxury and ultra-luxury automobile dealership stores and showrooms in operation
- one of the largest Land Rover and Jaguar dealership groups in Shandong and Jiangsu provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation
- the largest Audi dealership group in Shandong province in terms of the number of automobile dealership stores in operation

The regions that we have strategically focused on, namely Jiangsu and Shandong provinces, Shanghai and Zhejiang province, collectively accounted for 30.4% of China's nominal GDP in 2013 according to China's National Bureau of Statistics. Approximately 37.4% of China's multimillionaires with net assets of at least RMB10 million are residents of these regions according to Hurun China Wealth Report 2013. Moreover, according to ACMR, the number of new luxury and ultra-luxury passenger vehicles registered in these regions accounted for 33.8% of the total number of new luxury and ultra-luxury passenger vehicles registered in China in 2012. We believe that our market-leading position in the affluent coastal regions of Eastern China has well positioned us to capture the high growth potential of the automobile market in these regions, particularly the luxury and ultra-luxury automobile market.

We have strategically focused on the Second-, Third- and Fourth-tier Cities in China with a focus on the affluent coastal regions of Eastern China and have deployed a high density network of automobile dealership stores in these regions. According to ACMR, in recent years, given the high passenger vehicle penetration rates in the First- and Second-tier Cities, growth in China's automobile sales network has been migrating to the Third- and Fourth-tier Cities, where the economy has been developing rapidly. From 2009 to 2012, the number of new passenger vehicles registered in Third- and Fourth-tier Cities increased at CAGRs of 9.6% and 8.7%, respectively, higher than the CAGRs of 2.0% and 7.5% recorded for First- and Second-tier Cities, respectively, during the same period. We believe that our strategy of regional focus and our leading market position in the regions where we operate enable us to benefit from the fast growth of automobile sales and after-sales services in Second-, Third- and Fourth-tier Cities. In addition, our high density automobile dealership network provides us with a strong and loyal customer base for both automobile sales and after-sales services across adjacent cities within the areas in which we operate. Furthermore, the growing automobile penetration rate in these regions generates higher demand for after-sales services, particularly for the luxury and ultra-luxury automobile market. According to ACMR, the after-sales services market of the regions where we focus



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accounted for 28.8% of China's overall after-sales services market in 2012. We believe that our strong presence in the regions also well positions us to capture the strong growth potential for the after-sale value-added services market.

***Solid operating capabilities and a young automobile dealership network that enable us to achieve strong same-store sales growth and market-leading operating performance***

We have achieved a quick ramp-up of sales at our new stores and strong same-store sales growth by leveraging our strong operating capabilities and expertise, our strategically located high density automobile dealership network and our market-leading positions in the regions where we operate. We generally have been able to ramp up sales at our new automobile dealership stores and generate profit within the first two years of commencement of operation.

Our strong sales capabilities are evident from the short time-frame for our new stores to ramp up sales. Our luxury and ultra-luxury dealership stores that commenced operation in 2011, with an average operating period of two months in 2011, achieved average per-store revenue from after-sales and other services of approximately RMB4 million, RMB18 million and RMB34 million in 2011, 2012 and 2013, respectively. Our BMW dealership stores that commenced operation in 2011, with an average operating period of approximately three months in 2011, achieved an average per-store sales volume of approximately 220 units in 2011 and 1,034 units in 2012. Our BMW dealership stores that commenced operation in 2012, with an average operating period of approximately nine months in 2012, achieved an average per-store sales volume of approximately 1,409 units in 2012. In particular, our two Shanghai BMW dealership stores, both of which commenced operation in March 2012, sold an aggregate of 3,857 units of automobiles, with an average per-store sales volume of 1,929 units, from March through December 2012 after their commencement of operation. Our BMW dealership store in Nantong, Jiangsu province, which commenced operation in September 2011, achieved sales volume of 1,484 units in 2012. Our BMW dealership store in Huzhou, Zhejiang province, which commenced operation in July 2011, achieved sales volume of 1,037 units in 2012. Based on our past experience, we believe that we are able to achieve higher average per-store sales revenue than the other dealerships that operate the same brands in the regions where we focus, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province.

Moreover, our strong operating capabilities have enabled us to achieve market-leading operating performance during the Track Record Period. The table below sets forth the same-store growth at our Comparable Stores for 2013 compared with 2012 and for the three months ended March 31, 2014 compared with the same period in 2013:

	2013 compared with 2012									
	Automobile Sales Volume	Revenue per-Store from Automobile Sales			Revenue per-Store from After-sales and Other Services			Total Revenue		
		2012		2013		2012			2013	
		Growth Rate	Amount	Amount	Growth Rate	Amount	Amount		Growth Rate	Growth Rate
%	RMB million	RMB million	%	RMB million	RMB million	%	%			
Luxury and ultra-luxury brands . . . . .	6.1	446.6	474.4	6.2	29.7	44.9	51.6	9.1		
All brands . . . . .	6.9	255.6	271.5	6.2	25.3	31.3	23.6	7.8		

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Three-month period ended March 31, 2014 compared with three-month period ended March 31, 2013

Automobile Sales Volume	Revenue per-Store from Automobile Sales		Growth Rate	Revenue per-Store from After-sales and Other Services			Total Revenue	
	2013	2014		2013	2014	Growth Rate		
	Amount	Amount		Amount	Amount	Growth Rate		
	%	%		%	%	%		
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
Luxury and ultra-luxury brands . . . . .	17.9	104.5	126.7	21.3	8.9	14.0	57.0	24.1
All brands . . . . .	18.1	60.8	74.4	22.4	6.8	9.2	36.0	23.8

In particular, we have recorded strong same-store sales growth in revenue for BMW, Land Rover and Jaguar as follows:

- *BMW same-store sales growth.* The same-store sales growth, measured as the growth in per-store revenue of our BMW Comparable Stores, was 7.5% from approximately RMB519.2 million in 2012 to approximately RMB558.1 million in 2013, and was 17.6% from approximately RMB121.5 million in the three months ended March 31, 2013 to approximately RMB142.9 million in the same period of 2014
- *Land Rover and Jaguar same-store sales growth.* The same-store sales growth, measured as the growth in per-store revenue of our Land Rover and Jaguar Comparable Stores, was 26.3% from approximately RMB529.3 million in 2012 to approximately RMB668.5 million in 2013, and was 51.3% from approximately RMB154.2 million in the three months ended March 31, 2013 to approximately RMB233.3 million in the same period of 2014

In addition, we have a young automobile dealership network. The table below sets forth an aging analysis of our luxury and ultra-luxury stores that have been in operation as of the Latest Practicable Date:

	Number of Stores in Operation for				Total number of stores
	≥ five years	< five year	< three years	< one year	
<b>Number of luxury and ultra-luxury stores</b>					
Maserati and Ferrari . . . . .	—	1	1	1	1
Maserati . . . . .	—	1	1	1	1
BMW . . . . .	—	13	10	3	13
BMW/MINI . . . . .	2	—	—	—	2
MINI . . . . .	—	1	1	—	1
Land Rover and Jaguar . . . . .	—	4	4	1	4
Audi . . . . .	2	1	1	—	3
Lexus . . . . .	—	1	1	—	1
Cadillac . . . . .	—	2	2	—	2
<b>Total . . . . .</b>	<b>4</b>	<b>24</b>	<b>21</b>	<b>6</b>	<b>28</b>

According to ACMR, it usually takes at least three years for a newly-established store to ramp up its new automobile sales and after-sales services. With our strong track record of rapidly ramping up sales at new stores, and our relatively young store portfolio, we believe that we are well-positioned to grow at a fast pace. In addition, as our new stores continue to ramp up their operations, we expect the growing customer base for after-sales services to further increase our gross profit margins over time.

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### *Well-balanced brand portfolio with a strategic focus on luxury and ultra-luxury brands*

We have a well-balanced portfolio of luxury and ultra-luxury brands as well as mid- to high-end brands. Our brand portfolio includes the seven luxury brands of BMW, MINI, Land Rover and Jaguar, Audi, Lexus and Cadillac and the two ultra-luxury brands of Maserati and Ferrari. The aggregate number of new passenger vehicles registered of these luxury and ultra-luxury brands in China accounted for 65.4% and 68.4% of the total number of new passenger vehicles registered of all luxury and ultra-luxury brands in China in 2011 and 2012, respectively, according to ACMR. Our 13 mid- to high-end brands are Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan and Zhengzhou Nissan, and the aggregate number of new passenger vehicles registered of these mid- to high-end brands accounted for 74.0% and 71.6% of the total number of new passenger vehicles registered of all mid- to high-end brands in China in 2011 and 2012, respectively, according to ACMR. We believe that our wide variety of brand offerings allow us to capture a broad scope of customers in different demographic groups and income brackets. Our wide brand coverage also increases our chance to secure vehicle upgrade demand from our existing customers, especially customers upgrading from mid- to high-end brands to luxury and ultra-luxury brands. As the economy continues to develop and the per capita disposable income continues to increase in these regions, we expect there to be fast growing vehicle upgrade demand.

Our strategic focus on luxury and ultra-luxury brands will enable us to capture future growth opportunities in the luxury and ultra-luxury automobile markets. ACMR expects the sales volume of luxury and ultra-luxury passenger vehicle market to grow at a CAGR of 18.8% from 2012 to 2018, compared to the CAGR of 11.0% for the overall passenger vehicle market for the same period. As of the Latest Practicable Date, 28 out of 51, or 54.9%, of our stores were dedicated to luxury and ultra-luxury brands. Our focus on luxury and ultra-luxury brands complements the strategic deployment of our automobile dealership network in the affluent coastal regions of Eastern China. We have established strong relationships with, and have become an important business partner for, various leading global automobile manufacturers, especially for luxury and ultra-luxury brands.

According to ACMR, as of December 31, 2013, we are the largest BMW dealership group in Jiangsu and Shandong provinces and Shanghai in terms of the aggregate number of automobile dealership stores in operation. We are the fifth largest BMW dealership group in China in terms of number of automobile dealership stores in operation as of December 31, 2013, according to the same report. As of the Latest Practicable Date, we operated 16 stores for BMW and MINI and had obtained authorizations or non-binding LOIs to establish another 10 BMW and MINI stores. We are also continuing to expand the variety of our luxury and ultra-luxury brand offerings. In addition to BMW and MINI stores, as of the Latest Practicable Date, we operated four Land Rover and Jaguar dealership stores, three Audi dealership stores, one Lexus dealership store, two Cadillac dealership stores, one Maserati dealership store and one Maserati and Ferrari showroom. We had also obtained authorizations or non-binding LOIs from the automobile manufacturers to open another three Land Rover and Jaguar dealership stores and two Maserati and Ferrari stores.

***Customer-oriented business philosophy supported by our customer relationship management infrastructure, providing us with effective target marketing and multiple innovative sales channels***

Our customer-oriented business philosophy enables us to better understand and anticipate customer needs and to provide tailor-made services throughout the entire automobile-related spending cycle. In particular, our CRM system, in combination with our ERP system and dedicated CRM sales team, enables us to develop a multi-channel sales and marketing network for our customers, with an aim to enhance the efficiency of our sales and marketing.

We have developed, and are continuing to expand, the customer database of our CRM system, which has comprehensive information on both existing and potential customers. We have adopted sound internal control measures to ensure the safety of the customer data in our CRM system. We collect, analyze, filter and categorize customer information through our CRM system according to customers' value, their spending propensity and purchasing histories. We deploy an automated sales and marketing process by generating marketing leads and targets through establishing a hierarchy of potential customers based on their willingness to spend on our products and services. Furthermore, with the help of our high density automobile dealership network, we can increase the likelihood of retaining our existing customers and attracting new customers. In addition, our targeted selling and marketing initiatives, supported by our CRM system, have also been recognized by automobile manufacturers. We and BMW are in cooperation on a sales funnel pilot project and a pilot project named "Profit xDrive" by leveraging our CRM capability.

We have developed a multi-channel sales platform to extend our interaction with customers while minimizing sales expenses by leveraging our integrated CRM system. We not only use traditional sales channels such as automobile dealership stores and automobile exhibitions to reach customers, but also use new sales and marketing channels extensively, such as marketing platform leveraging a cloud-based database, call centers, instant messaging or SMS, online sales platforms including Bitauto.com, Autohome.com.cn, Pcauto.com.cn and Xcar.com, and social networking and microblogging services such as Weibo and WeChat. We also offer iOS and Android Apps, "潤東行", to our customers. We believe that our extensive use of social media tools and online marketing platforms helps us to attract young customers, which we expect to represent an increasing proportion of our customer base. Our use of social media tools and online marketing platforms also allows us to incur lower advertisement and marketing expenses compared with traditional marketing channels. By leveraging data analysis through our CRM system and operation management through our ERP system, we are able to effectively allocate our sales resources to meet the market demand and optimize the utilization of our personnel and capital resources within our network. We aim to increase customer "stickiness", by leveraging our CRM system, and we have established a service system covering the entire spending cycle of automobile ownership. We are also able to adjust our products and services mix to cater to the market demand based on the real-time customer information collected through our CRM system through our efficient management mechanics. With the effective implementation of our CRM system, our existing customers who have purchased our products or used our services increased from approximately 146,000 as of December 31, 2012 to approximately 186,000 as of December 31, 2013, and further to approximately 283,000 as of the Latest Practicable Date. The total number of customer visits to our stores that were registered in our system has increased from approximately 184,000 in 2012 to approximately 275,000 in 2013.

***Strong revenue growth from after-sales services and automobile-related value-added services supported by our efficient customer management***

We believe that our comprehensive service offerings have been a key factor to our success, particularly in the luxury and ultra-luxury automobile market, in which customers generally are less price-sensitive and place more value on comprehensive and high quality services. Our after-sales services encompass not only conventional services such as automobile repairs and maintenance and sales of automobile spare parts, accessories and other automobile-related products, but also include services such as extended warranty services, which we expect to have great growth potential.

We have also diversified our revenue sources by providing a broad range of automobile-related value-added services, including the provision of consulting services for automobile purchase financing, automobile insurance agency services and financial lease and related consulting services, as well as facilitating the trading of pre-owned automobiles. As of the Latest Practicable Date, we had set up a pre-owned automobile trading center in Xuzhou, Jiangsu province to facilitate the trading of pre-owned automobiles. In addition, Xuzhou Rongchuang, our wholly-owned subsidiary, provides consulting services for automobile purchase financing in cooperation with a variety of automobile manufacturer financial companies and commercial banks. Certain of our automobile dealership stores have cooperated with third-party financial lease service providers. We have also established our own financial leasing company in the Shanghai Pilot Free Trade Zone to provide financial lease and related consulting services to our customers. We expect the operating experience that we accumulated from our cooperation with other financial lease providers to be valuable resources for our own financial leasing company.

Leveraging our broad range of service offerings, our high quality customer services and our CRM system, we have quickly developed our after-sales services and automobile-related value-added services business. Our strong operating capabilities have resulted in the significant growth of our revenue and commission income from these services during the Track Record Period. Our revenue from after-sales and other services grew by 30.6% from RMB548.7 million in 2011 to RMB716.8 million in 2012, by 55.9% from 2012 to RMB1,117.6 million in 2013, and by 81.5% from RMB216.5 million in the three months ended March 31, 2013 to RMB393.0 million in the same period of 2014. Our commission income from consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating trading of pre-owned automobiles increased by 134.6% from RMB49.1 million in 2011 to RMB115.2 million in 2012, by 33.6% from 2012 to RMB153.9 million in 2013, and by 34.3% from RMB36.3 million in the three months ended March 31, 2013 to RMB48.7 million in the same period of 2014.

***Seasoned management team with extensive industry experience supported by a prominent institutional investor***

We have an experienced and dedicated senior management team with extensive knowledge of and management experience in China's automobile dealership industry. Our management team is led by Mr. Yang Peng, our Chairman and president, who is also the founder of our Group and has been our president since our inception. He has over 16 years of experience in China's automobile industry, and was named one of the "Top Ten Automobile Industry Leaders in China" by CADA in 2011. Members of our core management team have an average of approximately 10 years of experience in the industry. In addition to those who have been promoted internally within our Group, a number of experienced

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senior management members joined us from outside our Group, such as Mr. Liu Dongli who has approximately 14 years of experience in China's automobile industry and has held various positions in other listed companies. We believe that our management's operating experience and long history with our Group have given them in-depth knowledge of our business and customers and contributed significantly to our success.

In addition to our senior management team, Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "**KKR Group**"), has assisted us in establishing international corporate governance practices and has provided us with capital for continued growth as well as value-added operating improvements. Having a prominent institutional investor such as KKR Group has also enhanced our profile as a successful business operator in the highly competitive auto dealership market in China. KKR Group is a leading global investment firm with US\$102.3 billion in assets under management as of March 31, 2014. Its business offers a broad range of investment management services to its fund investors and provides capital markets services to its firm, its portfolio companies and other third parties. Throughout its history, KKR Group has consistently been a leader in the private equity industry, having completed more than 235 private equity investments with a total enterprise value in excess of US\$490 billion as of March 31, 2014.

### OUR STRATEGIES

We aim to strengthen our market-leading position in Eastern China and become China's leading luxury and ultra-luxury automobile full-scale services provider, by pursuing the following strategies:

***Continue to expand our automobile dealership network and brand portfolio, with a focus on luxury and ultra-luxury brands, through organic growth and selective acquisitions***

We intend to continue to strengthen our market-leading position in the affluent coastal regions of Eastern China by leveraging our high density automobile dealership network, local knowledge and relationships in these regions, as well as our operating experience. We plan to expand our automobile dealership network over the next few years through a combination of new store openings and prudent acquisitions. We also plan to acquire other automobile dealership stores that are located in regions with high growth potential and have an attractive brand portfolio and high density network layout.

We plan to pursue opportunities to cooperate with other leading automobile manufacturers, with a focus on luxury and ultra-luxury brands, to complement our geographic network and brand portfolio. We believe that our well-established relationships with leading automobile manufacturers and our successful track record in operating automobile dealership stores enable us to obtain authorizations from more leading automobile manufacturers. We believe that our addition of other market-leading luxury and ultra-luxury brands will complement our existing brand portfolio, enhance our product mix and strengthen our market position in the automobile dealership industry.

***Continue to strengthen our operating capabilities to enhance our same-store sales growth***

We will continue to seek ways to strengthen our operating capabilities in order to enhance our same-store sales growth and improve our profitability. As part of our continuing efforts to improve our performance, we will also continue to enhance our employee training programs. We plan to further grow our automobile-related value-added services, such as our financial lease and related consulting services, through proactive sales and marketing initiatives. We also plan to further upgrade our centralized ERP

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system over the next 12 months to further enhance our operating efficiency. These upgrades are designed to enhance our management of inventory purchases and resources allocation across different stores, which will in turn help us to reduce our inventory turnover days and related expenses. We will also continue to strengthen the centralized management of our capital within the Group to optimize the utilization of our capital resources as well as control over pricing.

***Continue to strengthen and optimize our customer relationship management to enlarge our customer base and develop innovative sales channels***

We will continue to optimize our customer relationship management, including continually upgrading our CRM system, to further expand our customer base and improve our operating efficiency to better support our network expansion. We aim to further strengthen our customer data management in support of lead generation and target marketing and enhance resource allocation across our network to better support our operations at the store level. We will continue to deepen our understanding of our customer needs through our analysis of the customer information in our customer database, explore new sales channels, improve our service quality and further diversify our revenue sources. We believe that an improved management planning system will enable us to better track, monitor and analyze our key operating data and achieve more efficient management and allocation of our resources.

***Continue to enhance our after-sales services and automobile-related value-added services and explore new revenue sources to achieve fast business growth***

We plan to leverage our leading operating capabilities, our leading market position and our diversified sales and marketing channels to strengthen our after-sales services and automobile-related value-added services, such as facilitating the trading of pre-owned automobile services, automobile financing services, extended warranty services and automobile financial lease services. Our after-sales services and automobile-related value-added business generate recurring revenues and relatively high profit margins for us. We believe these parts of our business have substantial growth potential and strong sustainability and stability, and are the focus of our future business development. In particular, we plan to grow our pre-owned automobile trading business through the design and implementation of a pre-owned automobile trading system. As of the Latest Practicable Date, we had set up a trading center in Xuzhou, Jiangsu province to facilitate the trading of pre-owned automobiles. In addition, we plan to build comprehensive automobile repair centers in areas with high density of existing automobile customers. Furthermore, we will continue to expand our automobile financing service offerings and extend those services to both our existing customers and new customers, which we believe will generate higher profit margin for us and provide us with access to a broader customer base.

***Continue to attract, train and retain talent to support our future growth and expansion***

We recognize that our employees are critical to our long term success, and we therefore plan to continue our focus on attracting, training and retaining talent to support our continuing growth and expansion based on our corporate culture of “influencing others by self-improvement and creating a mutual beneficial environment for our partners” (正己化人，成人達己). We will continue to focus on our comprehensive human resources development to attract talent, improve our standardized, comprehensive evaluation and promotion system across our network, and adopt effective employee incentive schemes. We plan to primarily recruit from the local market. In addition, we will continue to offer comprehensive professional and on-the-job training programs and improve the training content of

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our internal training centers, as well as expand our training channels. We will continue to devote resources to employee training and continue our cooperation with automobile manufacturers in relation to employee training, so as to provide our employees with more career development opportunities.

### OUR NETWORK

#### Overview

We are one of the largest luxury automobile dealership groups in the regions where we operate in China in terms of number of luxury dealership stores and showrooms in operation as of December 31, 2013, according to ACMR. Our operations focus on the affluent coastal regions of Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province. We have a well-balanced portfolio of luxury and ultra-luxury brands as well as mid- to high-end brands, with a strategic focus on luxury and ultra-luxury brands. Our strong brand portfolio as of the Latest Practicable Date includes the seven luxury brands of BMW, MINI, Land Rover and Jaguar, Audi, Lexus and Cadillac; the two ultra-luxury brands of Maserati and Ferrari; and the 13 mid- to high-end brands of Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan and Zhengzhou Nissan. As of the Latest Practicable Date, we operated 51 stores and had obtained authorizations or non-binding LOIs from automobile manufacturers to open another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao.

We grew from four luxury stores as of January 1, 2011 to 28 luxury and ultra-luxury stores as of the Latest Practicable Date. As of the Latest Practicable Date, 28 out of 51, or 54.9%, of our stores were dedicated to luxury and ultra-luxury brands, and all the authorizations and non-binding LOIs that we had obtained from the automobile manufactures to open new stores were dedicated to luxury and ultra-luxury brands. As of the Latest Practicable Date, we had opened 16 BMW and MINI stores, and had obtained authorizations or non-binding LOIs to establish another 10 BMW and MINI stores.

We opened our first automobile dealership store in Xuzhou, Jiangsu province in September 2001. As of the Latest Practicable Date, all of our stores were located in the affluent coastal regions of Eastern China. We have strategically deployed a majority of our stores in the Second-, Third- and Fourth-tier Cities in these regions, which have high economic and income growth. We believe that our high density automobile dealership network in our target regions and our successful operating track record, as well as effective target marketing, have enhanced our brand awareness and customer loyalty.

We engage in automobile sales and provide a comprehensive range of after-sales services, such as repair and maintenance services, sales of spare parts, accessories and other automobile-related products, and automobile recalls. The following table sets forth a breakdown of our revenue for the periods indicated:

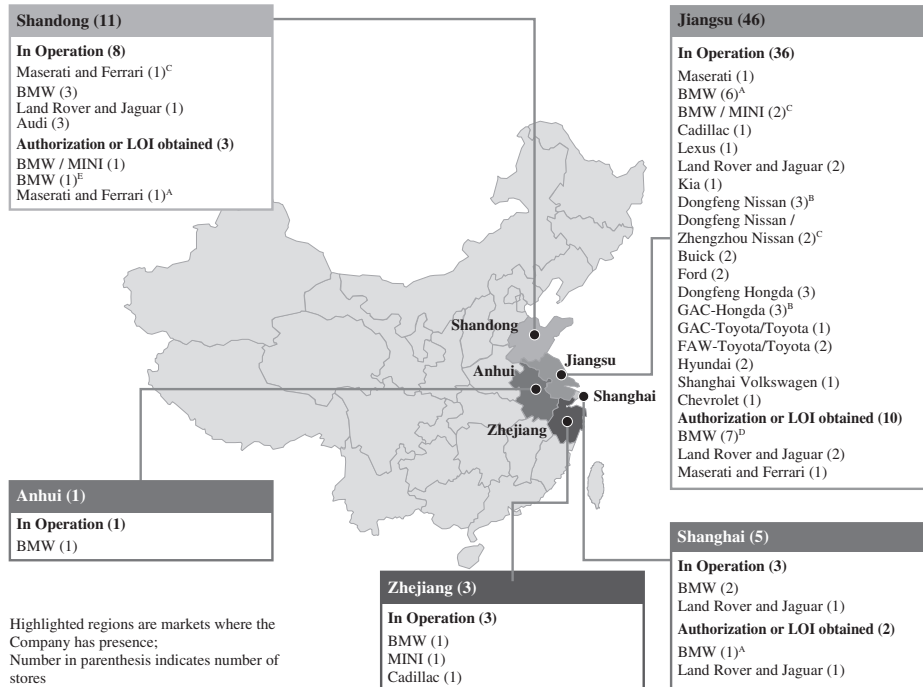
Revenue Source	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales . . . . .	5,468,680	90.9	8,667,015	92.4	10,470,268	90.4	2,178,459	91.0	3,498,235	89.9
After-sales and Other Services . . . . .	548,728	9.1	716,794	7.6	1,117,570	9.6	216,536	9.0	393,019	10.1
<b>Total . . . . .</b>	<b>6,017,408</b>	<b>100.0</b>	<b>9,383,809</b>	<b>100.0</b>	<b>11,587,838</b>	<b>100.0</b>	<b>2,394,995</b>	<b>100.0</b>	<b>3,891,254</b>	<b>100.0</b>



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We also offer automobile-related value-added services, such as consulting services for automobile purchase financing, automobile insurance agency services, facilitating the trading of pre-owned automobiles, and automobile financial lease and related consulting services.

The map below sets forth the geographic footprint of (i) our stores that were in operation as of the Latest Practicable Date and (ii) the new stores that we had obtained authorizations or non-binding LOIs from automobiles manufacturers as of the Latest Practicable Date:



**Notes**

- A. This includes a repair center
- B. This includes two showrooms
- C. This includes a showroom
- D. This includes a showroom and a fast-lane repair center
- E. This includes a pre-owned automobile trading center

As of the Latest Practicable Date, we had 51 stores in operation, with 36 stores in Jiangsu province, eight in Shandong province, three in Shanghai, three in Zhejiang province and one in Anhui province. As of the same date, our 51 stores in operation included 43 automobile dealership stores, seven showrooms and one repair center. Through our automobile dealership stores, we sell new automobiles, provide maintenance and repair services and engage in a variety of automobile-related value-added services, including consulting services for automobile purchase financing, automobile insurance agency services, and automobile financial lease and related consulting services. Our showrooms are stores authorized or approved by automobile manufacturers to display the latest models and engage in, or facilitate, the sales of new automobiles, thus offering less comprehensive services than our automobile dealership stores.

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The table below sets forth the details of our stores as of the Latest Practicable Date:

Store Name	City	Province/ Municipality	Store Type	Operation Commencement Date	Dealership Expiration Date
<b>Luxury and Ultra-luxury Brands</b>					
<b>Maserati and Ferrari</b>					
1. Jinan Runzhiyi . . . . .	Jinan	Shandong	Showroom	June 2014	N/A <sup>(1)</sup>
<b>Maserati</b>					
2. Xuzhou Runzhiyi . . . . .	Xuzhou	Jiangsu	3S dealership store	December 2013	N/A <sup>(2)</sup>
<b>BMW/MINI</b>					
3. Xuzhou Baojing . . . . .	Xuzhou	Jiangsu	4S dealership store	March 2008	December 2014
4. Xuzhou Baojing, Fortune Plaza Branch . . . . .	Xuzhou	Jiangsu	Showroom	June 2008	December 2014
<b>BMW</b>					
5. Huai'an Baojing . . . . .	Huai'an	Jiangsu	4S dealership store	December 2010	December 2014
6. Huzhou Baojing . . . . .	Huzhou	Zhejiang	4S dealership store	July 2011	December 2014
7. Nantong Runbaohang . . . . .	Nantong	Jiangsu	4S dealership store	September 2011	December 2014
8. Ma'anshan Baojing . . . . .	Ma'anshan	Anhui	4S dealership store	November 2011	December 2014
9. Shanghai Baojing . . . . .	Shanghai	Shanghai	4S dealership store	March 2012	December 2014
10. Zaozhuang Baojing . . . . .	Zaozhuang	Shandong	4S dealership store	March 2012	December 2014
11. Shanghai Baojing Xingcheng . . . . .	Shanghai	Shanghai	4S dealership store	March 2012	December 2014
12. Suzhou Baojing . . . . .	Suzhou	Jiangsu	5S dealership store	January 2013	December 2015
13. Rizhao Baojing . . . . .	Rizhao	Shandong	4S dealership store	June 2013	December 2015
14. Nanjing Baojing . . . . .	Nanjing	Jiangsu	4S dealership store	August 2013	December 2016
15. Linyi Baojing . . . . .	Linyi	Shandong	4S dealership store	September 2013	December 2016
16. Yancheng Baojing . . . . .	Yancheng	Jiangsu	4S dealership store	October 2013	December 2016
17. Lianyungang Zhibao <sup>(3)</sup> . . . . .	Lianyungang	Jiangsu	Repair center	December 2009	December 2014
<b>MINI</b>					
18. Huzhou Runzhiyi . . . . .	Huzhou	Zhejiang	4S dealership store	October 2012	December 2016
<b>Land Rover and Jaguar</b>					
19. Shanghai Jierun <sup>(4)</sup> . . . . .	Shanghai	Shanghai	4S dealership store	December 2011	March 2018
20. Yantai Runjie . . . . .	Yantai	Shandong	4S dealership store	August 2012	March 2018
21. Xuzhou Jierun . . . . .	Xuzhou	Jiangsu	4S dealership store	October 2012	March 2018
22. Huai'an Baotielong . . . . .	Huai'an	Jiangsu	4S dealership store	June 2014	March 2018
<b>Audi</b>					
23. Linyi Jinhua . . . . .	Linyi	Shandong	4S dealership store	October 2013 <sup>(5)</sup>	September 2015
24. Zaozhuang Aowei . . . . .	Zaozhuang	Shandong	4S dealership store	October 2013 <sup>(5)</sup>	September 2015
25. Linyi Aofeng . . . . .	Linyi	Shandong	4S dealership store	October 2013 <sup>(5)</sup>	September 2015
<b>Lexus</b>					
26. Xuzhou Huifeng . . . . .	Xuzhou	Jiangsu	4S dealership store	December 2011	October 2014
<b>Cadillac</b>					
27. Huzhou Rundong . . . . .	Huzhou	Zhejiang	4S dealership store	May 2012	March 2017
28. Lianyungang Runhe . . . . .	Lianyungang	Jiangsu	4S dealership store	April 2013	March 2015

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Store Name	City	Province/ Municipality	Store Type	Operation Commencement Date	Dealership Expiration Date
<b>Mid- to High-end Brands</b>					
<b>Buick</b>					
29. Xuzhou Rundong Huitong . . . . .	Xuzhou	Jiangsu	4S dealership store	November 2003	March 2017
30. Huai'an Rundong Renheng. . . . .	Huai'an	Jiangsu	4S dealership store	May 2008	March 2015
<b>Hyundai</b>					
31. Xuzhou Rundong Zhouji . . . . .	Xuzhou	Jiangsu	4S dealership store	March 2004	December 2015
32. Huai'an Rundong Shidai . . . . .	Huai'an	Jiangsu	4S dealership store	August 2005	December 2015 <sup>(6)</sup>
<b>Ford</b>					
33. Xuzhou Rundong Jiahua . . . . .	Xuzhou	Jiangsu	4S dealership store	May 2004	June 2016
34. Huai'an Rundong Zhifu . . . . .	Huai'an	Jiangsu	4S dealership store	January 2007	June 2016
<b>Chevrolet</b>					
35. Xuzhou Rundong Ruijing . . . . .	Xuzhou	Jiangsu	4S dealership store	December 2010	March 2015
<b>Shanghai Volkswagen</b>					
36. Xuzhou Hezhong . . . . .	Xuzhou	Jiangsu	4S dealership store	June 2013	December 2015
<b>Kia</b>					
37. Xuzhou Rundong Huijing . . . . .	Xuzhou	Jiangsu	4S dealership store	March 2007	January 2015
<b>Dongfeng Honda</b>					
38. Xuzhou Rundong Zhifeng . . . . .	Xuzhou	Jiangsu	4S dealership store	October 2005	N/A <sup>(7)</sup>
39. Huai'an Rundong Huifeng . . . . .	Huai'an	Jiangsu	4S dealership store	January 2008	N/A <sup>(7)</sup>
40. Lianyungang Rundong . . . . .	Lianyungang	Jiangsu	4S dealership store	October 2009	N/A <sup>(7)</sup>
<b>GAC-Honda</b>					
41. Xuzhou Rundong Guangben . . . . .	Xuzhou	Jiangsu	4S dealership store	September 2001	December 2015
42. Xuzhou Rundong Guangben, Xinyi Branch . . . . .	Xuzhou	Jiangsu	Showroom	September 2010	December 2015
43. Xuzhou Rundong Guangben, Pizhou Branch. . . . .	Xuzhou	Jiangsu	Showroom	July 2009	December 2015
<b>FAW-Toyota/Toyota</b>					
44. Xuzhou Rundong Yifeng . . . . .	Xuzhou	Jiangsu	4S dealership store	November 2006	March 2016
45. Lianyungang Fengtian. . . . .	Lianyungang	Jiangsu	4S dealership store	April 2009	March 2015
<b>GAC-Toyota/Toyota</b>					
46. Xuzhou Rundong Zhitian. . . . .	Xuzhou	Jiangsu	4S dealership store	June 2006	May 2016

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Store Name	City	Province/ Municipality	Store Type	Operation Commencement Date	Dealership Expiration Date
<b>Dongfeng Nissan</b>					
47. Lianyungang Tianlan . . . . .	Lianyungang	Jiangsu	4S dealership store	October 2004	March 2015
48. Lianyungang Tianlan, Guannan Branch. . . . .	Lianyungang	Jiangsu	Showroom	September 2012	March 2015
49. Lianyungang Tianlan, Ganyu Branch . . . . .	Lianyungang	Jiangsu	Showroom	October 2012	March 2015
<b>Dongfeng Nissan/Zhengzhou Nissan</b>					
50. Xuzhou Dongchen. . . . .	Xuzhou	Jiangsu	4S dealership store	December 2002	March 2015
51. Xuzhou Dongchen, Chengnan Branch . . . . .	Xuzhou	Jiangsu	Showroom	November 2009	March 2015

*Notes:*

- (1) The dealership authorization agreement with Ferrari is automatically renewed unless terminated by one of the parties. As of the Latest Practicable Date, Jinan Runzhiyi had received authorization from Maserati to sell its automobiles but had not entered into a dealership authorization agreement with Maserati.
- (2) The dealership authorization agreement is valid until terminated by the parties in certain circumstances. Xuzhou Runzhiyi also entered into an after-sales services agreement with Maserati, which authorizes Xuzhou Runzhiyi to carry out certain after-sales services; this agreement will expire in February 2017.
- (3) We have been authorized to upgrade this repair center into a new BMW 4S dealership store at a different location. This repair center will be closed once the new 4S dealership store commences operation.
- (4) This is a transitional 4S dealership store and will be replaced by a new Land Rover and Jaguar 4S dealership store in Shanghai. After the new 4S dealership store commences operation, the transitional 4S dealership store will be converted into showroom.
- (5) We acquired these stores in October 2013. Linyi Jinhua, Zaozhuang Aowei and Linyi Aofeng commenced operation in April 2004, May 2008 and March 2012, respectively. See “—Network Coverage and Expansion—Network expansion through acquisitions” for more information.
- (6) The dealership authorization agreement will be automatically renewed for a one-year term unless terminated by one of the parties.
- (7) The dealership authorization agreement is automatically renewed unless terminated by one of the parties.

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## Network Coverage and Expansion

Our network expansion to date has been achieved through organic growth and, to a lesser extent, selected acquisitions, and we adjusted our network during the Track Record Period in an effort to optimize our brand portfolio. The table below sets forth details of changes to the number of our stores during the Track Record Period. Between the end of the Track Record Period and the Latest Practicable Date, we opened two new stores: a 4S dealership store for Land Rover and Jaguar and a showroom for Maserati and Ferrari.

	As of January 1,			Year Ended December 31,						Three-month Period Ended March 31,			
	2011			2012			2013			2014			
	Newly added	Disposed	Year-end	Newly added	Disposed	Year-end	Newly added	Disposed	Year-end	Newly added	Disposed	Period-end	
<b>Number of Stores<sup>(1)</sup></b>													
Luxury and ultra-luxury brands													
Maserati . . . . .	—	—	—	—	—	—	1	—	1	—	—	1	
BMW . . . . .	2	3	5	3	—	8	5	—	13	—	—	13	
BMW/MINI . . . . .	2	—	2	—	—	2	—	—	2	—	—	2	
MINI . . . . .	—	—	—	1	—	1	—	—	1	—	—	1	
Land Rover and Jaguar . . . . .	—	1	1	2	—	3	—	—	3	—	—	3	
Lexus . . . . .	—	1	1	—	—	1	—	—	1	—	—	1	
Cadillac . . . . .	—	—	—	1	—	1	1	—	2	—	—	2	
Audi . . . . .	—	—	—	—	—	—	3	—	3	—	—	3	
Imported Volkswagen . . . . .	—	—	—	1	—	1	—	1	—	—	—	—	
Infiniti . . . . .	—	1	1	—	—	—	—	—	—	—	—	—	
Acura . . . . .	—	1	1	—	—	—	—	—	—	—	—	—	
<b>Subtotal . . . . .</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>8</b>	<b>—</b>	<b>17</b>	<b>10</b>	<b>1</b>	<b>26</b>	<b>—</b>	<b>—</b>	<b>26</b>
<b>Mid- to high-end brands . . . . .</b>	<b>26</b>	<b>4</b>	<b>9</b>	<b>21</b>	<b>3</b>	<b>1</b>	<b>23</b>	<b>2</b>	<b>2</b>	<b>23</b>	<b>—</b>	<b>—</b>	<b>23</b>
<b>Total . . . . .</b>	<b>30</b>	<b>11</b>	<b>11</b>	<b>30</b>	<b>11</b>	<b>1</b>	<b>40</b>	<b>12</b>	<b>3</b>	<b>49</b>	<b>—</b>	<b>—</b>	<b>49</b>

*Note:*

- (1) The number of stores in the table refers to stores that commenced operation before the end of the relevant year or period for newly added stores, or before disposal or closure in the relevant year or period. In addition to the stores disclosed in the table, we disposed of an automobile dealership store for Mercedes-Benz multi-purpose vehicles on December 31, 2011, which was before we completed its construction and entered into a dealership authorization agreement with the automobile manufacturer. Moreover, we disposed of seven automobile dealership stores for mid- to high-end brands on December 31, 2011, which was before we completed their construction or entered into dealership authorization agreements with the relevant automobile manufacturers. We closed a Dongfeng Nissan showroom in December 2013 at the request of Dongfeng Nissan because Dongfeng Nissan decided to have a 4S dealership store located in that area and given our strategic focus on luxury and ultra-luxury brands, we decided not to upgrade this showroom to a 4S dealership store. Except as described above, we did not dispose of or close any other stores during the Track Record Period and up to the Latest Practicable Date. See “History and Reorganization—Disposals to Jiangsu Qirun” in this prospectus for more information on our disposals of stores.

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### *Network expansion through organic growth*

We have relied extensively on organic growth to expand our network. Other than three Audi dealership stores we purchased in October 2013, all of the stores that we operated during the Track Record Period were established by us.

As of the Latest Practicable Date, we had received authorizations or non-binding LOIs from the automobile manufacturers to establish another 15 stores. The table below sets forth the details of these stores.

<u>Geographical Location</u>	<u>Brand</u>	<u>Store Type</u>	<u>Actual/Planned Commencement Date</u>
1. Nanjing, Jiangsu province. . . . .	Maserati and Ferrari	3S dealership store	August 2014
2. Lianyungang, Jiangsu province . .	BMW	4S dealership store	October 2014
3. Taizhou, Jiangsu province . . . . .	BMW	4S dealership store	December 2014
4. Qingdao, Shandong province. . . .	BMW/MINI	5S dealership store	December 2014
5. Xuzhou, Jiangsu province. . . . .	BMW	4S dealership store	March 2015
6. Huai'an, Jiangsu province. . . . .	BMW	4S dealership store	April 2015
7. Lianyungang, Jiangsu province . .	BMW	4S dealership store	October 2015
8. Shanghai. . . . .	Land Rover and Jaguar	4S dealership store	August 2014
9. Lianyungang, Jiangsu province . .	Land Rover and Jaguar	4S dealership store	August 2014
10. Suqian, Jiangsu province . . . . .	Land Rover and Jaguar	4S dealership store	September 2014
11. Nanjing, Jiangsu province. . . . .	BMW	Showroom	November 2014
12. Jinan, Shandong province. . . . .	Maserati and Ferrari	Repair center	August 2014
13. Shanghai. . . . .	BMW	Repair center	November 2014
14. Suzhou, Jiangsu province. . . . .	BMW	Fast-lane repair center	August 2014
15. Qingdao, Shandong province. . . .	BMW	Pre-owned automobile trading center	June 2015

As of the Latest Practicable Date, we had incorporated legal entities to hold 13 of the new stores set forth in the table above and were in the process of establishing legal entities for the remaining two stores. In addition to completing the registration and filing with the relevant administration for industry and commerce, we need to obtain the road transport license from the local transport authorities before our relevant new stores can provide the maintenance and repair services. As of the Latest Practicable Date, we were applying for the relevant licenses for our new stores that had been incorporated. During the Track Record Period, we were able to commence operations and enter into definitive dealership authorization agreements as planned for all the authorizations and non-binding LOIs that we had obtained for new stores from the automobile manufacturers. As of the Latest Practicable Date, we had purchased or leased premises (the construction of which had been completed) for two of these new stores as disclosed in the table above, and were in the process of selecting or obtaining or constructing the premises for the remaining 13 stores. When selecting or obtaining the premises for a new store, we will take into account land availability, timeline of the construction works and other specific circumstances in the local area and our business needs.

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We estimate that our capital expenditures for establishing our planned automobile dealership stores listed in the table above will range between approximately RMB30 million and RMB200 million per automobile dealership store, depending on location and other factors, such as whether the store is located on purchased or leased premises. We expect most of our capital expenditures associated with the opening of these stores will be for (i) the acquisition of land use rights, (ii) property construction, (iii) purchases of equipment and fittings and (iv) rental expenses. As of the Latest Practicable Date, we had incurred capital expenditures of approximately RMB544.9 million and expect to incur an additional RMB540.2 million in relation to these 15 new stores, as well as a 4S dealership store of Huai'an Baotielong for Land Rover and Jaguar and a showroom of Jinan Runzhiyi for Maserati and Ferrari, both of which commenced operation in June 2014. Apart from the estimated net proceeds from the Global Offering, we expect to fund our capital expenditure for establishing the planned stores by (i) cash generated from operating activities and (ii) proceeds from bank loans and other borrowings. Subject to market conditions and other factors such as location and whether the store is located on purchased or leased premises, we generally estimate our capital expenditure for establishing a luxury and ultra-luxury dealership store to range between approximately RMB30 million and approximately RMB110 million, and our capital expenditure for establishing a mid- to high-end dealership store to range between approximately RMB15 million and approximately RMB54 million.

We employ a standardized procedure for establishing new stores, which in each case also requires approval by the relevant automobile manufacturer. We select new store locations by taking into account our automobile manufacturers' expansion plans, which identify the markets they target for new stores, and other factors such as local per capita disposable income, consumption patterns and automobile ownership rates. In selecting a new store venue, we consider factors including convenience and ease of access, traffic flow, parking availability, proximity to affluent regions, distance from other automobile dealership stores, and size and floor area ratio of the site. We generally present to the automobile manufacturers our own analysis of the target market and a business plan for each new store proposal. When our new store proposal is accepted by an automobile manufacturer, we are required to complete the construction and build-out of the automobile dealership store within a prescribed time agreed by the automobile manufacturer. Each completed automobile dealership store must pass the automobile manufacturer's inspection before it can commence its operations. Our new stores receive support and guidance from personnel of our mature stores, who assist the new stores with their initial business development and supervise the execution of our internal policies and procedures. We believe that these standardized procedures enable us to effectively expand our network in new markets and to maintain consistent sale performance and service quality as we continue to expand.

Based on our historical results, we believe that the investment payback period for our automobile dealership stores generally to be approximately three years and to range from approximately one to six years after the date of commencement of operations for both luxury and ultra-luxury dealership stores and mid- to high-end dealership stores. However, given our recent rapid expansion and the time necessary to ramp up operations, actual investment payback periods may vary from this average and range.

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### *Network expansion through acquisitions*

We have a standard and effective procedure for integrating acquired dealerships into our network, and we leverage our broad business network and management expertise to improve the operation of our newly acquired stores. Before we acquire a dealership, we normally send our financial team to the dealership to assess its financial risks. Subsequent to the acquisition, we typically appoint an experienced management team to share best practices with the dealership store, inspect and resolve any existing issues, provide on-site training to the dealership store's staff and build-in our information technology systems. In October 2013, we acquired three Audi dealership stores and an insurance agency company from an Independent Third Party in Shandong province, and have paid off the considerations for the acquisition. The three Audi dealership stores represented all the Audi stores in those cities at the time we acquired them, according to ACMR. Our acquisition of these Audi dealership stores and the insurance agency company triggered a requirement for MOFCOM to approve the concentrations of business. On April 22, 2014, MOFCOM issued a decision approving our acquisition of these Audi dealership stores and the insurance agency company in accordance with the Anti-Trust Law. Our PRC counsel, Haiwen & Partners, is of the view that our operations of these Audi dealership stores and the insurance agency company prior to obtaining the required MOFCOM's approval for concentration of business constitute a violation of the procedural requirements under the relevant rules and regulations. As such, we may potentially be subject to a fine in the maximum amount of RMB500,000 for our violation of the procedural rules. However, as advised by our PRC counsel, Haiwen & Partners, our violation of procedural rules will not make our acquisition of these Audi dealership stores and insurance agency company be voidable by MOFCOM, and given that MOFCOM had approved such acquisition, the risk of MOFCOM imposing any fine on us is very low.

We intend to continue to make selective and prudent acquisitions to further complement our geographic coverage and brand portfolio. As of the Latest Practicable Date, we have not identified any acquisition target.



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### Awards and Achievements

We have received numerous awards and recognition from automobile manufacturers, industry trade association and media. The table below sets forth our notable awards received as of the Latest Practicable Date.

Awards	Store/Employees	Granting Entity	Year
Award for Outstanding Contribution to China's Automobile Dealership Industry . . . . .	Rundong Group	bitauto.com	2011, 2012, 2013
Award for National Super Automobile Marketing Group . . . . .	Rundong Group	bitauto.com	2008, 2012, 2013
Award for Excellent Contribution to the Automobile Dealership Industry . . . . .	Rundong Group	Jiangsu Automobile Trading Management Association	2013
BMW Excellent Brand Architecture . . . . .	Nanjing Baojing	BMW	2013
Top 10 Automobile Marketing Group in China	Rundong Group	cnautonews.com	2009, 2012
Top 100 Private Enterprise in China's Service Sector . . . . .	Rundong Group	China Auto Dealers Chamber of Commerce	2012
Top 10 Passenger Vehicle Dealership Group in China . . . . .	Rundong Group	cnautonews.com	2008, 2010, 2011
Best CRM Case . . . . .	Huai'an Baojing	BMW	2011
Award for Excellent Contribution to the Development of China's Automobile Dealership Industry . . . . .	Rundong Group	CADA	2010, 2011
Fifth Place (in 2010) and Top 10 (in 2009) in Operation Quality among Dealerships for BMW in China . . . . .	Xuzhou Baojing	BMW	2010, 2009
Most Influential Excellent Automobile Dealership Group in China's Automobile Dealership Industry . . . . .	Rundong Group	CADA	2008

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## OUR SERVICES

### Automobile Sales

We derive a substantial majority of our revenue from automobile sales. In 2011, 2012, 2013 and the three months ended March 31, 2014, our revenue from automobile sales accounted for approximately 90.9%, 92.4%, 90.4% and 89.9% of our total revenue, respectively. The table below sets forth our revenue, percentage revenue contribution and sales volume for automobile sales for the periods indicated.

Automobile Sales	Year Ended December 31,									Three-month Period Ended March 31,			
	2011			2012			2013			2013		2014	
	Revenue	Contribution	Sales Volume	Revenue	Contribution	Sales Volume	Revenue	Contribution	Sales Volume	Revenue	Contribution	Revenue	Contribution
RMB'000	%	unit	RMB'000	%	unit	RMB'000	%	unit	RMB'000	%	RMB'000	%	
	(unaudited)												
<b>Luxury and ultra-luxury brands</b>													
BMW and MINI	1,527,156	27.9	3,054	4,453,088	51.4	10,450	5,389,951	51.5	12,801	1,091,496	50.1	1,709,463	48.9
Land Rover and Jaguar	2,221	0.0	2	1,165,831	13.4	1,562	1,407,391	13.5	2,032	347,646	16.0	517,197	14.8
Others <sup>(1)</sup>	73,872	1.4	178	255,573	3.0	649	526,870	5.0	1,430	47,945	2.2	351,538	10.0
<b>Subtotal</b>	<b>1,603,249</b>	<b>29.3</b>	<b>3,234</b>	<b>5,874,492</b>	<b>67.8</b>	<b>12,661</b>	<b>7,324,212</b>	<b>70.0</b>	<b>16,263</b>	<b>1,487,087</b>	<b>68.3</b>	<b>2,578,198</b>	<b>73.7</b>
<b>Mid- to high-end brands</b>	<b>3,865,431</b>	<b>70.7</b>	<b>32,728</b>	<b>2,792,523</b>	<b>32.2</b>	<b>24,107</b>	<b>3,146,056</b>	<b>30.0</b>	<b>27,118</b>	<b>691,372</b>	<b>31.7</b>	<b>920,037</b>	<b>26.3</b>
<b>Total</b>	<b>5,468,680</b>	<b>100.0</b>	<b>35,962</b>	<b>8,667,015</b>	<b>100.0</b>	<b>36,768</b>	<b>10,470,268</b>	<b>100.0</b>	<b>43,381</b>	<b>2,178,459</b>	<b>100.0</b>	<b>3,498,235</b>	<b>100.0</b>

*Note:*

- (1) This includes Lexus and Cadillac, as well as (i) Infiniti and Acura, which commenced operation in 2011 and were disposed of on December 31, 2011 and (ii) Imported Volkswagen, which commenced operation in 2012 and was disposed of on June 30, 2013.

Consistent with our strategic focus on luxury and ultra-luxury brands, revenue from our automobile sales for those brands accounted for an increasing percentage of our revenue from automobile sales, from 29.3% in 2011 to 67.8% in 2012, to 70.0% in 2013, and further to 73.7% in the three months ended March 31, 2014. Our revenue from sales of luxury and ultra-luxury automobiles increased by approximately 266.4% from 2011 to 2012, by 24.7% from 2012 to RMB7,324.2 million in 2013, and by 73.4% from RMB1,487.1 million in the three months ended March 31, 2013 to RMB2,578.2 million in the same period of 2014. Our sales volume of luxury and ultra-luxury automobiles increased by 291.5% from 2011 to 2012, by 28.4% from 2012 to 2013, and by 79.7% from the three months ended March 31, 2013 to the same period of 2014.

The retail prices of our new automobiles are determined with reference to the automobile manufacturers' retail pricing guidelines. We understand that the retail prices suggested by automobile manufacturers are generally affected by the manufacturers' cost of production, brand image and projected market demand for particular models. The automobile manufacturers generally require our automobile dealership stores to conduct market surveys and report market pricing information to them, so that they can timely adjust their pricing guidelines in accordance with market changes. We understand that the automobile manufacturers generally continuously evaluate their suggested retail prices for a new model during the development and before the formal launch of the new model based on new market intelligence that they collect. We retain some flexibility in determining the retail prices of our new automobiles, which are influenced by a number of factors, including the wholesale prices, brand and model, market demand, inventory level and presence of competing dealerships. During the Track Record Period, we generally complied with the retail pricing guidelines set by the automobile

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manufacturers. We typically deliver the automobiles within a few days after a customer places an order. Occasionally for popular models that are short in supply due to strong demand the lead time could be several months. The particular lead time depends on a number of factors, including primarily the current inventory levels and the availability of the specific model at the relevant automobile dealership store and our nearby automobile dealership stores, as well as the production capacity of the relevant automobile manufacturer. Customers are allowed to return defective automotive products to us under limited circumstances. However, during the Track Record Period, we did not have any returns of defective automobiles from our customers.

Automobile manufacturers typically offer incentive rebates to us. The amount of these rebates are generally determined with reference to the number of new automobiles that we sell within a year, and further adjusted by certain performance targets set by the automobile manufacturers, including customer satisfaction, service quality and other performance indicators. The automobile manufacturers typically use a wide range of metrics to determine customer satisfaction and service quality. For example, automobile manufacturers may audit our customer costs, facilities and service processes, collect customer complaint information through their hotlines and our stores, conduct customer surveys to see how satisfied they are with our stores' handling of customer complaints and inquiries, and send unidentified evaluators to visit our stores. We believe that it is a common practice in our industry for the automobile manufacturers to determine their own rebate policies and practices, which typically cannot be negotiated by automobile dealers. From time to time, the automobile manufacturers offer special incentive rebates to us for particular automobile models. These rebate amounts are settled from time to time (typically on a quarterly or annual basis), which varies among different automobile manufacturers. In 2011, 2012, 2013 and the three months ended March 31, 2014, we recorded rebates of approximately RMB344.4 million, RMB780.6 million, RMB936.5 million and RMB289.5 million from automobile manufacturers, respectively, accounting for 75.4%, 122.8%, 93.4% and 77.3%, respectively, of our gross profit for the same periods. During the Track Record Period, our incentive rebates were typically settled by deducting the amounts from the purchase price payable by us for subsequent automobile purchase or paid in cash.

We experience seasonal fluctuations in our business and results of operations. Comparisons of our results of operations between different interim periods may not be meaningful. Please see “Risk Factors—Our business is subject to seasonal fluctuations” in this prospectus for more information.

Under the Anti-Corruption Regulations, government expenditures on automobile purchases and uses are to be strictly regulated, and the government automobiles are only to be used for prescribed and necessary purposes. However, as government purchases accounted for an insignificant portion of our automobile sales and after-sales business during the Track Record Period, we do not expect the Anti-Corruption Regulations to have material adverse effect on our operations or financial position. For more information, see “Regulations—Regulations Relating to the PRC Automobile Industry—Anti-Corruption” in this prospectus.

### **After-Sales Services**

Our automobile dealership stores provide comprehensive after-sales services to our customers. These services primarily include repair and maintenance, sales of spare parts, accessories and other automobile-related products, and automobile recalls. We also operated a BMW repair center as of the Latest Practicable Date. As of the Latest Practicable Date, we had obtained authorizations or non-

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binding LOIs to establish another one BMW repair center, one BMW fast-lane repair center and one Maserati and Ferrari repair center. In 2011, 2012, 2013 and the three months ended March 31, 2014, our revenue from after-sales and other services was RMB548.7 million, RMB716.8 million, RMB1,117.6 million and RMB393.0 million, respectively, accounting for 9.1%, 7.6%, 9.6% and 10.1%, respectively, of our total revenue for the same periods. In 2011, 2012, 2013 and the three months ended March 31, 2014, our gross profit from after-sales and other services was RMB197.0 million, RMB233.8 million, RMB457.8 million and RMB173.4 million, respectively, accounting for 43.1%, 36.8%, 45.7% and 46.3%, respectively, of our total gross profit for the same periods.

We believe that our ability to deliver high quality after-sales services to our customers in a quick and convenient manner contributes to our success in retaining existing customers and attracting new customers. Technical expertise and high quality after-sales services are critical to attracting new customers and building long term customer relationships. We place significant emphasis on recruiting, training and retaining skilled technical personnel with specialized knowledge and experience for our after-sales services business. To enhance their customer service skills and sales techniques, our after-sales technical personnel undergo regular training programs that we designed based on their job functions and the specific needs of our business, as well as training programs offered by the automobile manufacturers. The automobile manufacturers typically grant different levels of certifications to our after-sales technical personnel to confirm their skills.

Under the 3R Provisions, we as the sellers, are responsible for guaranteeing the repair, replacement and return of household automotive products, or the Three Warranties within the valid period of the Three Warranties. However, we are entitled to compensation from the automobile manufacturers or other suppliers, if the defects in the products subject to the Three Warranties occurred within the valid period of the Three Warranties and are attributable to the automobile manufacturers or other suppliers. Given that our costs for carrying out the Three Warranties as a result of defects in the automobiles have historically been reimbursed by the automobile manufacturers in a timely manner, we do not expect the 3R Provisions to have material adverse effect on our operations or financial position. For more information, see “Regulatory Overview—Regulations Relating to the PRC Automobile Industry—Repair, Replacement and Return Liability” and “Risk Factors—Risks Relating to Our Business—Product defects and automobile recalls could have a negative impact on our business” in this prospectus.

### *Repair and maintenance services*

Our automobile dealership stores and repair center provide comprehensive repair and maintenance services, including major repairs to drive-train mechanisms and post-collision automobile body restoration. We generally charge the customers (and the automobile manufacturers for in-warranty services) for our repair and maintenance services based on the prices of the spare parts (if any) used and the hourly rates of our technicians, both of which are determined by reference to the automobile manufacturers’ pricing guidelines. We estimate that our in-warranty repair and maintenance services contributed to less than 10%, and our out-of-warranty repair and maintenance services contributed to a majority, of our revenue and gross profit from after-sales and other services during the Track Record Period. The number and composition of personnel assigned to each job, and their expertise and experience, vary according to the nature and complexity of the particular job. To maintain the quality of our services, experienced technicians inspect each service task upon completion and our store managers regularly conduct random quality checks by calling our customers to gage their degree of satisfaction with our services. Our stores use the automobile manufacturers’ information technology systems to

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record, track and analyze the manpower and spare parts used in the repair and maintenance tasks completed by them. The implementation of our CRM system further boosts the growth of our after-sales services business by facilitating leads generation and target marketing. See “—Customers and Customer Services—Our Customer Relationship Management” for more information.

To make our services more convenient for our customers, we are working to shorten turnaround-time for different repair and maintenance jobs. To accommodate our customers’ busy schedules, we offer scheduled maintenance appointments, priority appointments for VIP customers, guaranteed turnaround-time, and generally offer same-day express repair services across our network. We also offer 24-hour emergency assistance services and assist customers who wish to rent temporary replacement automobiles. To further expand our after-sales service capability, meet increasing customer demand and enhance our brand awareness, we have obtained authorizations or non-binding LOIs to open one BMW repair center in Shanghai, one BMW fast-lane repair center in Suzhou, Jiangsu province, and one Maserati and Ferrari repair center in Jinan, Shandong province.

### *In-warranty repair services*

Automobile manufacturers generally offer new automobile customers warranty coverage for certain types of repairs. The terms of these warranties vary among different automobile manufacturers, and the warranty periods for new automobiles of the brands that we are authorized to sell generally range from three to six years or from 100,000 to 150,000 kilometers driven. The 3R Provisions set out the minimum warranties to repair, replace and return household automotive products that automobile dealers and manufacturers must provide to the buyers of such products. Under the 3R Provisions, the repair warranty for household automotive products must cover at least the first 36 months of vehicle ownership or the first 60,000 kilometers driven, whichever comes first, and the replacement and return warranties for household automotive products must cover at least the first 24 months of vehicle ownership or the first 50,000 kilometers driven, whichever comes first.

Automobile manufacturers offer repair warranties through us, and pay us for the in-warranty repair services that we perform and the costs of the related spare parts that we use. Our engineers and technicians are required to familiarize themselves with the scope of the relevant automobile manufacturer’s warranty coverage. When an automobile is brought to our automobile dealership stores for repairs, our qualified personnel examine the vehicle to assess and determine whether its problems fall within its warranty coverage.

### *Out-of-warranty repair services*

We also provide out-of-warranty repair services, including the replacement of parts due to wear and the repair of automobile damage resulting from collisions or other accidents. Customers pay us for out-of-warranty repairs and we charge for these services according to the prices of the spare parts and the hourly rates of the technicians required to complete the repairs.

### *Extended warranty services*

In addition to ordinary out-of-warranty services, we provide extended warranty services to our customers on a prepaid basis. These extended warranty services cover an extended warranty-period, with the scope of the warranty being similar to the automobile manufactures’ original warranty, but with extended coverage for time and mileage. We price our extended warranty services with a reference to

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the prices of the spare parts and the hourly rates of the technicians required, as well as the historical in-warranty claims data of the relevant model, and provide a range of packages for the customers to select from.

### *Maintenance*

Our maintenance services primarily include routine vehicle inspection and oil change, and, depending on the service interval and the conditions of the vehicle, may include parts replacement, such as air filters, spark plugs, brake pads, and other parts, as well as tire rotation and other adjustments. Automobiles require periodic maintenance, generally once every six to twelve months or 5,000 to 10,000 kilometers, as recommended by the relevant automobile manufacturers. In particular, BMW, Land Rover and Jaguar each recommends periodic maintenance once every twelve months or 10,000 kilometers. Based on the automobile manufacturers' maintenance guidance and our customer records, we send our customers periodic reminders of upcoming maintenance checks. We charge our customers for maintenance services provided by us, based on the prices of the spare parts used and the hourly rates of the technicians required.

### *Sale of spare parts, accessories and other automobile-related products*

Our automobile dealership stores offer spare parts as part of our repair and maintenance services business. We procure all of our spare parts from automobile manufacturers. We also sell accessories such as motor oil, additives and GPS navigation devices, as well as automobile-related products, mostly original brand merchandise such as bicycle travel cases, toy car models, bicycles and clothing. We procure substantially all of our accessories from the automobile manufacturers or their authorized suppliers, and procure other automobile-related products from both the automobile manufacturers and third-party suppliers.

### *Automobile detailing services*

Our automobile dealership stores and repair centers provide automobile detailing services to satisfy our customers' personalized needs and increase our revenue sources. Our detailing services mainly include automobile body detailing and the application of automobile heat-insulation and anti-blast filming. We charge the customers according to the cost of material used and the hourly rate of the technicians required for these services.

### *Automobile recalls*

Our automobile dealership stores assist automobile manufacturers in handling recalls by distributing information to vehicle owners and making remedial repairs. Recall procedures vary among automobile manufacturers. Prior to issuing a public recall, the automobile manufacturers will generally notify their authorized dealers and provide instructions on how to remedy the problem and respond to inquiries from vehicle owners. Upon receiving the notice, we typically contact our customers who may be affected and ask them to bring their vehicles into our stores for necessary repairs in accordance with the relevant automobile manufacturers' instructions. We service recalled vehicles sold by us and other dealers. We also make remedial repairs to recalled vehicles still in our inventory, if any, prior to their sales. Automobile manufacturers generally reimburse us for our costs relating to product recalls, primarily the repair services that we provided. We have been advised by our PRC counsel that we are not liable under PRC laws and regulations for the cost associated with vehicle recalls. See "Risk

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Factors—Risks Relating to Our Business—Product defects and automobile recalls could have a negative impact on our business” and “Regulatory Overview—Regulations relating to the PRC Automobile Industry—Automobile recalls” for more information.

The table below sets forth all recalls that we handled during the Track Record Period.

Brand	Model	Affected Component	Recall Date
<b>Luxury and Ultra-Luxury Brands</b>			
BMW . . . . .	5-Series GT	oil tank	August 2010
BMW . . . . .	2004-2010 5-Series, 2004-2010 6-Series and 2002-2008 7-Series	brakes	October 2010
BMW . . . . .	X5 3.0	engine	November 2010
BMW . . . . .	2009-2010 imported 5-Series GT, 2008-2010 imported 7-Series, 2008-2010 X5 and 2008-2010 X6	engine	November 2011
BMW . . . . .	2003–2010 5-Series, 2003–2010 6-Series and 2004–2010 5-Series	electronic appliances	March 2012
BMW . . . . .	2011 X6, 2003–2010 7-Series and 2011 X5	engine	April 2012
BMW . . . . .	2010–2011 3-Series and 2010–2011 Z4	steering system, suspension system	July 2012
BMW . . . . .	2011 3-Series, 2011 X1	steering system	July 2012
BMW . . . . .	2007–2010 X5	brakes, wheels	February 2013
BMW . . . . .	2002 imported 3-Series	electronic appliances	May 2013
BMW . . . . .	2010-2012 5-Series	steering system	August 2013
BMW . . . . .	2007-2010 5-Series	electronic appliances	September 2013
BMW . . . . .	2011 imported F12	transmission system	October 2013
BMW . . . . .	2012–2013 1-Series, 3-Series, 5-Series, X1, X3 and Z4	engine	October 2013
BMW . . . . .	2012–2013 X3	electronic appliances	November 2013
BMW . . . . .	2004–2008 7-Series	electronic appliances	March 2014
Jaguar . . . . .	2010-2011 XJ	electronic appliances	November 2010
Jaguar . . . . .	2010 XK and 2010 XF	steering oil pile	May 2011
Jaguar . . . . .	2010 XF	oil tank	November 2012
Jaguar . . . . .	2013 XF and 2013 XJ	charge air cooler	August 2013
Land Rover . . . . .	2007-2011 Defender	transfer case output shaft	January 2011
Land Rover . . . . .	2012 Freelander 2	anti-friction card buckle	July 2012
Land Rover . . . . .	2012 Range Rover	front window shields	November 2012
Land Rover . . . . .	2012 Evoque and Freelander 2	brakes, wheels	December 2012
Land Rover . . . . .	2012–2013 Evoque	steering system	December 2012
Land Rover . . . . .	2012–2013 Evoque and 2012–2013 Freelander 2	oil atomizer	August 2013
Land Rover . . . . .	2013 Evoque and Freelander 2	engine	March 2014
MINI . . . . .	2006–2010 MINI Cooper S, 2007–2010 MINI Cooper S Clubman, 2007–2010 MINI Cooper Cabrio and 2010 MINI Cooper S Countryman	engine	January 2012

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Brand	Model	Affected Component	Recall Date
MINI . . . . .	2011 MINI Cooper S, Clubman, Cabrio and Countryman	engine	April 2012
Audi . . . . .	2009–2013 A3	transmission system	April 2013
Audi . . . . .	2012 A1 and A3	transmission system	July 2013
Audi . . . . .	S6 and S7	engine	September 2013
Audi . . . . .	2013 A1 and A3	engine	November 2013
Lexus . . . . .	2003–2006 RX300 and 2003–2006 RX350	automobile body	February 2011
Lexus . . . . .	2004–2005 RX300	engine	November 2011
Lexus . . . . .	2006–2011 IS-Series	electronic appliances	January 2013
Lexus . . . . .	2006–2008 RX400h	electronic appliances	September 2013
Cadillac . . . . .	2011 SRX	steering system	December 2011
Cadillac . . . . .	2012–2013 SRX	electronic appliances	March 2013
Cadillac . . . . .	2013 SRX	brakes, wheels	May 2013
<b>Mid- to high-end Brands</b>			
Dongfeng Nissan . . . . .	2004–2006 Tiida and 2006 Sylphy	electronic appliances	November 2010
Dongfeng Nissan . . . . .	2010 Trial and Qashqai	steering system	November 2011
Dongfeng Nissan . . . . .	2011 Tiida	electronic appliances	March 2012
Dongfeng Nissan . . . . .	2005–2008 Teana	engine	July 2012
Dongfeng Nissan . . . . .	2011 Sunny	automobile body	November 2012
Dongfeng Nissan . . . . .	2006–2010 Denon	braking system	March 2013
Zhengzhou Nissan . . . . .	2011 Succe	steering system	October 2011
Zhengzhou Nissan . . . . .	2003 Paladin	electronic appliances	April 2013
Dongfeng Honda . . . . .	2010 Spiorior	transmission system	August 2011
Dongfeng Honda . . . . .	2005–2006 CR-V	electronic appliances	September 2011
Dongfeng Honda . . . . .	2012 CIVIC	steering system	December 2011
Dongfeng Honda . . . . .	2011 CR-V	electronic appliances	January 2012
Dongfeng Honda . . . . .	2009–2011 CR-V, 2009–2011 CIVIC	electronic appliances	March 2012
Dongfeng Honda . . . . .	2006 CR-V	steering system	March 2012
Dongfeng Honda . . . . .	2004 CR-V	electronic appliances	March 2012
Dongfeng Honda . . . . .	2012 CR-V	automobile body	July 2012
Dongfeng Honda . . . . .	2010–2012 CR-V	steering system	August 2013
GAC-Honda . . . . .	2009–2010 Fit and City	spring	February 2011
GAC-Honda . . . . .	2005–2010 Accord, 2005-2009 Odyssey	electronic control unit	August 2011
GAC-Honda . . . . .	2005–2008 Fit, 2006-2007 City	power window switch	September 2011
Toyota . . . . .	2005–2008 RAV4	rear suspension system	August 2012
Toyota . . . . .	2005–2008 RAV4 and 2007-2009 Highlander	power window switch	October 2012
Toyota . . . . .	2001–2003 Prius and 2004-2005 Corolla	intermediate shaft	November 2012
Toyota . . . . .	2004–2005 Prius	electric water pump	November 2012
Toyota . . . . .	2007–2013 FJ Cruiser	seatbelt retractors	March 2013
Toyota . . . . .	2001–2003 Corolla	airbag	April 2013
Toyota . . . . .	2012–2013 Venza	air conditioner	October 2013
Toyota . . . . .	2013 Prado and Hiace	engine	November 2013
FAW-Toyota . . . . .	2009 RAV4	engine	January 2010



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Brand	Model	Affected Component	Recall Date
FAW-Toyota . . . . .	2005–2006 Crown and 2005–2006 Reiz	rear brake caliper	October 2010
FAW-Toyota . . . . .	2005 Crown and 2005 Reiz	brake master pump	October 2010
FAW-Toyota . . . . .	2010 Corolla Ex	engine control unit	August 2011
FAW-Toyota . . . . .	2009–2010 RAV4	nuts	August 2012
FAW-Toyota . . . . .	2007–2010 Vios, Corolla and RAV4	master power window switch	October 2012
FAW-Toyota . . . . .	2014 Reiz	airbag, seatbelt	February 2014
GAC-Toyota . . . . .	2006–2010 Camry, Yaris, Highlander	master power window switch	October 2012
GAC-Toyota . . . . .	2013 Highlander	electronic appliances	June 2013
GAC-Toyota . . . . .	2012–2013 Venza	air conditioner	October 2013
GAC-Toyota . . . . .	2013 Prado and Hiace	engine valve springs	November 2013
GAC-Toyota . . . . .	2013–2014 Highlander	airbag, seatbelt	February 2014
Ford . . . . .	2009 Focus	engine	May 2010
Ford . . . . .	2008–2009 Mondeo and S-Max	brakes	September 2010
Ford . . . . .	2011 Mondeo	auxiliary heater	May 2011
Ford . . . . .	2008–2010 Mazda 3	electronic appliances	June 2011
Ford . . . . .	2008–2009 Mondeo and S-Max	hydraulic control unit	March 2012
Ford . . . . .	2012–2013 Kuga	steering system	December 2013
Chevrolet . . . . .	2010 Aveo	brakes	June 2011
Chevrolet . . . . .	2011 Captiva	automobile body	December 2011
Chevrolet . . . . .	2008–2010 Captiva	brakes	March 2012
Chevrolet . . . . .	2012 Aveo T300	brakes	May 2012
Chevrolet . . . . .	2010–2012 New Sail	engine	December 2013
Buick . . . . .	2011–2013 Enclave	electronic appliances	April 2012
Buick . . . . .	2011–2012 GL8	electronic appliances	December 2012
Buick . . . . .	2012–2013 Lacrosse	electronic appliances	March 2013
Buick . . . . .	2011–2013 New Lacrosse eAssist	electronic appliances	May 2013
Buick . . . . .	2006–2009 Lacrosse	brakes, wheels	June 2013
Buick . . . . .	2006–2012 Excelle	engine	December 2013
Buick . . . . .	2008–2013 Enclave	airbag, seatbelt	March 2014
Shanghai Volkswagen . . . . .	2010–2011 Touran	electronic appliances	November 2013
Hyundai . . . . .	2008–2011 Avante, Elantra, Accent, NF, Tucson, Verna, Moinca and I30	wheels	April 2011
Hyundai . . . . .	2010 Moinca	water temperature sensors of engines	June 2011
Hyundai . . . . .	2008 Avante and Elantra	airbag	June 2012
Hyundai . . . . .	2010–2011 ix35	brakes, wheels	May 2013
Hyundai . . . . .	2013 Santa Fe	power transmission system	August 2013
Hyundai . . . . .	2005–2010 NF and 2008–2010 Sonata	brakes, wheels	September 2013
Kia . . . . .	2008–2009 Cerato and 2011 Rio	brakes	April 2011
Kia . . . . .	2010–2011 Sportage R	electronic appliance	May 2013
Kia . . . . .	2012 K5, 2009–2011 Forte	brakes	September 2013

### **Automobile-related Value-Added Services**

We provide a broad range of automobile-related value-added services, including (i) consulting services for automobile purchase financing, (ii) automobile insurance agency services, (iii) facilitating the trading of pre-owned automobiles and (iv) automobile financial lease and related consulting services. Our commission income from consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles accounted for 54.3%, 126.3%, 62.0% and 48.6% of our profit in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively.

#### ***Consulting services for automobile purchase financing***

We arrange financing for our customers in connection with their purchases of new automobiles at our automobile dealership stores. This financing can come from the finance companies of certain automobile manufacturers or from commercial banks. We receive commissions from the customers and additionally, in case of financing from certain automobile manufacturers' finance companies, from those finance companies. The services that our stores provide to the customers in this context typically include assisting them in applying for the loans, completing loan agreements and registering the mortgage over the purchased automobiles as collateral for the loans. Under the cooperation agreements that we have entered into with the finance companies of automobile manufacturers, we typically facilitate the finance companies' staff in providing the financing services at our stores, promote their financing products to our customers, and assist customers in obtaining the loans. Our commissions from the customers and the automobile manufacturers' financial companies generally depend on the number of automobiles that customers purchased from us with the financing and the amount of the loans.

#### ***Automobile insurance agency services***

We work with leading insurance companies in China to promote and distribute automobile insurance products provided by insurance companies through our automobile dealership network, and receive commissions from the relevant insurance companies. We act as an insurance agent under our cooperation agreements with the insurance companies. In this context, we typically promote the insurance companies' automobile insurance products, assist customers in purchasing those products, collect insurance premiums for the insurance companies, and provide other services such as assisting with insurance claims settlement as requested by the insurance companies. Some insurance companies have agreed to recommend our repair services to their automobile insurance policy holders as part of our arrangement with them. We have also cooperated with insurance companies to provide our customers, who purchased certain luxury and ultra-luxury brand automobiles such as Land Rover and Jaguar, with prime insurance services which provide the policy holder with faster claim settlement. Our commissions are generally based on the insurance premiums of the policies that insurance companies sold through us. As advised by our PRC counsel, Haiwen & Partners, each of our automobile dealership stores providing automobile insurance agency services is required to obtain a license for concurrent-business insurance agency (保險業兼業代理業務許可證) from the CIRC. During the Track Record Period and up to the Latest Practicable Date, all of our relevant automobile dealership stores that provided such services had received the license for concurrent-business insurance agency. However, the CIRC has recently suspended granting of the concurrent-business insurance business agency license to enterprises other than financial institutions and post offices. The concurrent-business insurance business agency licenses of our existing automobile dealership stores that provide automobile insurance agency services were

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generally valid for a term of three years, and will expire from November 2014 till June 2017. We may not be able to renew this type of license for these automobile dealership stores or to obtain the license for our new dealership stores. See “Risk Factors—We operate in a highly regulated industry, and if we fail to comply with applicable laws and regulations or maintain necessary approvals, licenses and permits, our business and operations may be adversely affected” and “Regulatory Overview—Regulations Relating to the PRC Automobile Industry” for more information. We acquired an insurance agency company in Linyi, Shandong province in October 2013. This company has obtained the specialized insurance agency license (經營保險代理業務許可證), which is granted to insurance agency companies with the principal business of distributing insurance products as agents for insurance companies, and is dedicated to providing automobile insurance agency services to our customers and receives commissions from the insurance companies. As advised by our PRC counsel, Haiwen & Partners, there is no requirement under PRC laws for us to obtain the CIRC approval for acquiring the insurance agency company in Linyi; instead, filing with the CIRC suffices for the acquisition purposes. We will also consider establishing additional insurance agency companies or branches of these companies to provide specialized automobile insurance agency services. We will also consider cooperating with other insurance agency companies to distribute automobile insurance products.

### *Facilitating the trading of pre-owned automobiles*

We established a pre-owned automobile trading center in Xuzhou, Jiangsu province in June 2009. This trading center facilitates the trading of pre-owned automobiles of all brands and does not require an authorization from a particular automobile manufacturer. We receive commissions, primarily from the seller, for each automobile traded through it. We also assist our customers in conducting title transfer registration for pre-owned automobiles and we charge the buyer a fee for the services provided.

### *Automobile financial lease and related consulting services*

We have cooperation arrangements with certain third party financial leasing companies. Under these arrangements, third-party financial leasing companies will provide financial lease and related consulting services to our customers for their purchases of new automobiles from us, and will pay us a commission for the services that we provide to them such as promoting their financing products to our customers at our stores. In September 2013, we established our own financial leasing company in the newly-established Shanghai Pilot Free Trade Zone.

## CUSTOMERS AND CUSTOMER SERVICES

### **Our Customers**

As we are a dealership group focused on luxury and ultra-luxury brands, our customers are mainly affluent individuals. We have also developed corporate customers, who usually enjoy more favorable terms, including VIP customer services. However, we generally do not offer any credit term for automobile purchases. Each customer is required to pay the purchase price in cash or with an approved automobile financing loan before we can deliver the vehicle to the customer. Our customers pay us for maintenance and out-of-warranty repair services, which we charge based on the spare parts and manpower required. We do not provide any credit term for out-of-warranty repair or maintenance services that are not covered by insurance. If a customer’s out-of-warranty repair costs are covered by a valid insurance policy, we generally will seek reimbursement directly from the relevant insurance company.

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Given the retail nature of our business, our top five customers in aggregate accounted for less than 1% of our total revenue during the Track Record Period. All of our top five customers are Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our top five customers that are required to be disclosed under the Listing Rules.

### **Our Customer Relationship Management**

We have implemented an advanced CRM system, which is one of the key pillars of our ERP system. In combination with ERP and a dedicated CRM sales team, our CRM system helps us to enhance the efficiency of sales and marketing and provides us a highly automated sales and marketing process based on customer profiling and targeting as well as a multi-channel sales and marketing network.

We have built a customer database by collecting and maintaining our existing and potential customers' profiles. As of the Latest Practicable Date, we had information on approximately 283,000 existing customers who had purchased our products or used our services, including their personal information and purchasing behavior information such as purchasing histories and product preference. We also deploy a streamlined sales and marketing process by generating marketing leads and targets via customer profiling and a hierarchy of potential customers ranked by their willingness to spend. In addition, our CRM sales team solicits customers through innovative online and offline sales and marketing channels, invites customers to specific stores with products and services that match their profile, and enhances customer loyalty by maintaining relationship with the customers during the entire lifecycles of their automobiles. We also hold periodic training programs on customer service-related topics for our customer relationship managers and our sales staff, and use customer feedback as an important factor in their performance reviews.

### **Our Customer Service Initiatives**

Our stores generally maintain 24-hour hotlines to answer customer enquiries and deal with their complaints. We also provide our customers with 24-hour emergency assistance services, including towing services. In addition, we provide prime services to customers who have joined our fee-based membership club, including organizing seminars and group activities for them. Club members can purchase prepaid value-added cards from us to pay for our repair and maintenance services, enjoy priority in scheduling services and use VIP resting area in our stores. Club members also get bonus points for their spending with us that may be used to purchase certain services, automobile-related products or other gifts at our stores.

## **SALES AND MARKETING**

Our marketing, sales, after-sales and customer relationship management teams collaborate to promote our brand, generate leads and execute target marketing. Our sales platform includes multiple sales channels. We use traditional sales channels such as stores and automobile exhibitions to reach customers. We also use other non-conventional sales and marketing channels extensively, such as call centers, instant messaging or SMS, online sales platforms including Bitauto.com, Autohome.com.cn, Pcauto.com.cn and Xcar.com, and online marketing platforms based on a cloud-backed database and using social networking and microblogging services such as Weibo and WeChat. We believe that our extensive use of online interactive advertising platforms and social media tools helps us to attract

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younger customers, who we expect to represent an increasing proportion of our customer base. Our use of social media tools and online advertising platforms also incurs lower advertising and marketing expenses than traditional marketing channels, which helps to improve our profitability. We also endeavor to earn referrals from customers of our services through enhancing our sales quality.

Our sales initiatives generally include gifts, discounts and complementary service packages. We also participate in automobile manufacturers' marketing campaigns, including new model launches, sponsorships, automobile fan club activities and other promotional events. The automobile manufacturers usually set a non-binding level of marketing expenses for our stores. In 2011, 2012, 2013 and the three months ended March 31, 2014, we recorded advertising and promotion expenses of RMB40.0 million, RMB62.9 million, RMB53.1 million and RMB12.6 million, respectively. Our sales and marketing initiatives primarily target high net worth individuals. According to ACMR, these individuals are the primary customers for luxury and ultra-luxury automobiles, and they tend to be less price sensitive and require more premium services. Compared to mid- to high-end automobile users, luxury and ultra-luxury automobile users tend to be more likely to return to the automobile dealership stores for after-sales services and demand premium after-sales services offered by the automobile dealership stores, according to ACMR.

### DEALERSHIP ARRANGEMENTS

The operations of our stores are governed by the dealership authorization agreements that we have entered into with automobile manufacturers. Under our existing dealership authorization agreements, the automobile manufacturers usually require us to:

- prohibit our relevant automobile dealership stores from selling automobiles of other brands;
- limit the inventory storage and automobile sales of each of our automobile dealership stores at the designated geographic area;
- refrain from selling automobiles or spare parts to customers who are purchasing the automobiles or spare parts for purposes of redistribution or export;
- provide specified services to the customers, including warranty and other after-sales services, at our stores;
- staff our stores with qualified managers (including obtaining approvals of the automobile manufacturers before appointing certain management members) and maintain designated repair and maintenance equipment at our repair centers;
- follow annual sales targets set by or pre-negotiated with the automobile manufacturer;
- follow the marketing guidelines and participate in marketing activities of the automobile manufacturer;
- adhere to the automobile manufacturer's layout and design standards for stores;
- arrange continuous training for our employees; and

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- provide periodic reports to the automobile manufacturer, including financial, sales and market research reports, as well as customer data.

Our dealership authorization agreements are non-exclusive and generally granted for an initial period of one to three years. Under these agreements, the automobile manufacturers generally provide non-binding pricing guidelines and sometimes price ceiling restriction for the sale of new automobiles and after-sales services. Some automobile manufacturers set minimum purchase requirements for our relevant automobile dealership stores. Manufacturers also conduct random site-visits to our stores to inspect our compliance with their requirements. The dealership authorization agreements permit our stores to use the automobile manufacturer's trademarks, trade names and other forms of branding in a manner consistent with the standards set by the automobile manufacturers. The automobile manufacturers can terminate these agreements for a variety of reasons, including our failure to abide by the agreements, unapproved business relationships with other automobile manufacturers and unapproved changes to our ownership or management structure that would affect our ability to meet our contractual obligations. The notice period required to terminate a dealership authorization agreement ranges from a termination notice that takes immediate effect to 180 days. During the Track Record Period and up to the Latest Practicable Date, none of our dealership authorization agreements was terminated by the automobile manufacturer, none of the automobile manufacturers refused to renew any of their dealership authorization agreements with us, nor were there material adverse changes in the terms of our dealership authorization agreements. During the Track Record Period and up to the Latest Practicable Date, we did not receive any claim of breach of our dealership authorization agreements from any automobile manufacturers.

When a dealership authorization agreement is approaching the end of its term, we usually discuss renewal of the agreement with the automobile manufacturer around three to six months before its expiry date. We were able to renew all of our dealership authorization agreements that expired during the Track Record Period. We expect to be able to renew all of our existing agreements before they expire.

## SUPPLIERS AND PROCUREMENT

We purchase all of our new automobiles and spare parts and substantially all of our accessories from automobile manufacturers and their authorized suppliers, and we purchase our other automobile-related products from both automobile manufacturers and third parties. Our top five suppliers are automobile manufacturers that supply new automobiles and spare parts to us. In 2011, 2012, 2013 and the three months ended March 31, 2014, purchases from our top five suppliers were RMB3,887.1 million, RMB7,667.1 million, RMB9,016.4 million and RMB2,552.1 million, representing 64.7%, 84.0%, 80.8% and 75.3%, of our total purchases, respectively, and purchases from our largest supplier were RMB1,439.1 million, RMB3,002.7 million, RMB3,546.3 million and RMB863.3 million, representing 23.9%, 32.9%, 31.7% and 25.5%, of our total purchases, respectively. All of our top five suppliers are Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our top five suppliers that is required to be disclosed under the Listing Rules.

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Most of our cost of sales was related to the procurement of new automobiles for our dealership business. In 2011, 2012, 2013 and the three months ended March 31, 2014, our costs of procuring new automobiles were RMB5,208.8 million, RMB8,264.9 million, RMB9,925.8 million and RMB3,296.9 million, respectively, accounting for 93.7%, 94.5%, 93.8% and 93.8% of total cost of sales for the same periods, respectively.

The automobile manufacturers strategically manage their sales growth and network expansion by assessing the local markets' economic conditions and competition in automobile sales and services, and they allocate annual sales targets across their respective dealership network based on market intelligence that they collected and each dealership's past performance. The automobile manufacturers set annual non-binding sales targets and service standards, measured in terms of degree of customer satisfaction, for each of their authorized automobile dealership stores. The automobile manufacturers typically assign annual sales targets for automobile dealership stores at the beginning of each year based on their overall sales target for the year, taking into account sales plans that the automobile dealership stores submitted to them. To determine the sales target for each of our automobile dealership stores, an automobile manufacturer generally will consider the market size of the store's coverage area and the automobile manufacturer's production and supply capacity. In addition, achievement of the sales targets are taken into account when the relevant automobile manufacturer subsequently assesses the automobile dealership store's performance, which affects the rebates available to the automobile dealership store and the automobile manufacturer's allocation of new automobiles to the automobile dealership store for future sales. All of our automobile dealership stores met the annual sales targets set by the automobile manufacturers during the Track Record Period.

Consistent with the industry practice, automobile manufacturers generally require us to pay the full purchase prices for automobiles, spare parts and accessories before their delivery. For other automobile-related products, mostly original brand merchandise, we can pay after we have sold the products. Under some of our dealership authorization agreements, we are required to bear the transportation costs, insurance and the risks of loss to the automobile, spare parts or other products that we purchased from the manufacturer pass to us upon their shipment from the manufacturer's designated warehouse or upon acceptance of the products by a third-party carrier. All of the new automobiles that we sell are purchased in the PRC, regardless of whether they are imported or manufactured locally. Accordingly, we are not required to pay any import or customs duties or tariffs for our vehicles. We are allowed to return products with manufacturing defects to the suppliers under limited circumstances.

### **INVENTORY MANAGEMENT**

We actively monitor our inventories of automobiles, spare parts, accessories and other automobile-related products at our automobile dealership stores to ensure cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements to finance our inventory. Our inventory turnover days were 30.9 days, 36.8 days, 46.7 days and 40.4 days in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. See "Financial Information—Liquidity and Capital Resources—Net Current Assets and Liabilities—Inventories" for more information.

Each of our automobile dealership stores has its own warehouse and dedicated staff to manage its inventory. We monitor our inventory on a group level with a centralized ERP system, which provides our headquarters with real time inventory and sales information at each of our automobile dealership

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stores. Based on that information, our management evaluates and plans for inventory procurement at our automobile dealership stores and works with the general managers and sales managers of the automobile dealership stores to optimize that level and composition of our store inventories in response to changing market conditions. Our automobile dealership stores generally order their inventories with the automobile manufacturers on a monthly basis. With the assistance of our ERP system, we determine the inventory order amount for each of our automobile dealership stores based on a number of parameters, including its existing inventory levels and compositions, expected delivery times of purchase orders, expected customer demand, projected sales trends, and sales targets set by the automobile manufacturers. Some automobile manufacturers also set minimum inventory levels for our automobile dealership store for them to timely meet customer demand and level seasonable fluctuations.

We purchase inventories using cash, as well as bank acceptance notes, which are recorded as bills payable in our financial statements. These bank acceptance notes are generally secured by our bank deposits and inventories and are repaid with cash that we receive from customers upon their purchases of our products. During the Track Record Period, we did not experience any difficulty in repaying the bank acceptance notes with cash that we received from our customers for the relevant products.

### **INFORMATION TECHNOLOGY**

We have invested extensive resources in developing and successfully implementing an ERP system for all our stores. Our ERP system has incorporated the CRM system. Our ERP system is designed to (i) provide us with real-time access to key performance indicators to help assess our sales team's performances; (ii) collect and analyze data about existing and potential customers, such as their personal information, number of visits to our stores, participation in our marketing activities and spending at our stores, to better understand the customers' preferences and consumption patterns; and (iii) monitor our procurement, sales and inventory levels and our financial management to enhance our operating efficiency. We are continuing to upgrade our CRM system to further strengthen our customer relationship management. In addition, we periodically upgrade other hardware and software components of our information technology systems to cater to the needs of our business. We expect our information technology systems to assume more management functions, including advanced customer data processing and online employee trainings, and to improve our productivity and performance in the future.

### **COMPETITION**

The automobile dealership industry in China is highly competitive and fragmented. We compete against other dealership groups, including those groups selling the same brands of automobiles that we sell, for dealership authorizations, prime store locations, capital to finance expansion and inventory, customers and skilled employees. We also compete with independent repair shops and spare parts retail centers in after-sales services and spare parts sales. Moreover, our dealership business is affected by competition among the automobile manufacturers and their brands in terms of quality, design and price. We believe the key factors for our success in the industry include network coverage and synergy effect, relationships with automobile manufacturers, brand recognition, customer services, operating management, cost control, sales expertise, attraction and retention of talent and pricing strategy.

We focus our dealership business on luxury and ultra-luxury brands. According to ACMR, as competition in China's automobile dealership market intensifies, dealership groups that provide high-quality services will get greater customer recognition. As a leading luxury automobile dealership group



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in Eastern China with a strong track record of operating performance, and a customer-oriented business philosophy supported by our advanced CRM system, we believe that we are well positioned to take advantage of opportunities in the growing luxury and ultra-luxury automobile industry in China.

### **RISK MANAGEMENT**

Our management has designed and implemented a risk management policy to address various potential risks we have identified in relation to our operations, including strategic risks, operating risks, financial risks, and legal risks. Our risk management policy sets forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management and assessing and updating our risk management policy as appropriate. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

### **PROPERTIES**

We occupy certain properties in the PRC for our business operations. As of the Latest Practicable Date, we owned and/or occupied 65 buildings with an aggregate gross floor area (“GFA”) of 266,812.1 square meters and 32 parcels of land with an aggregate site area of 611,483.2 square meters, which include land with an aggregate site area of 164,655.5 square meters that we leased to third parties. In addition, as of the Latest Practicable Date, we had two buildings under construction on our owned land with an aggregate GFA of 13,834.9 square meters and one building under construction on our leased land with a GFA of 8,183.1 square meters. Except for the land which we leased to third parties, we use the properties that we occupy, and plan to use the buildings under construction, for non-property activities as defined under Rule 5.01(2) of the Listing Rules, and they primarily include the premises of our stores, warehouses and offices.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all of our Group’s interests in land or buildings. This is because as of December 31, 2013, each of our properties had a carrying amount that was less than 15% of our consolidated total assets.

Because our operations are not concentrated on one or a small number of properties, our Directors do not consider any of the properties that we occupy to be material. This conclusion is further supported by their belief that none of our properties have any unique qualities or facilities that would prevent us from replacing them at a commercially reasonable cost if we were required to do so.

#### **Properties We Own**

As of the Latest Practicable Date, we owned 32 parcels of land with an aggregate site area of approximately 611,483.2 square meters, which included land with an aggregate site area of 164,655.5 square meters that we leased to third parties. We owned and were using 43 buildings with an aggregate GFA of 189,702.8 square meters. In addition, we owned two buildings under construction with an aggregate GFA of approximately 13,834.9 square meters.

Properties we use

As of the Latest Practicable Date, our following properties were subject to defects:

No.	Subsidiary Occupying the Property	Location	Current Land Usage	Designated Land Usage	Nature and Reasons for Title Defects <sup>(1)</sup>	Latest Status	Confirmation Letter Issuing Authority and Date	Estimated Maximum Potential Exposure <sup>(2)</sup> RMB'000	Expected Relocation Cost <sup>(3)</sup> RMB million	Expected Relocation Time <sup>(3)</sup>	Rectification Actions
1.	Xuzhou Baofeng <sup>(4)</sup>	Xuzhou, Jiangsu province	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage	Confirmation letter received	Xuzhou Tongshan District Bureau of Land and Resources; December 26, 2013	3,366	1.75	Two to three weeks	As of the Latest Practicable Date, for properties number 1 to 5, we had discussed plans with Xuzhou Municipal People's Government for it to coordinate with the local land planning and land and resources authorities to change the land planning for these properties, which is a prerequisite to changing their designated land usage; for property number 6, we understand that the local government had commenced the ratification process for land originally designated for industrial usage to be used by business with features between manufacturing and sales, such as automobile dealerships; and for property number 7, we understand that the local government had proposed to the municipal government to change the land planning with no or minimal additional charge payable by us, and accordingly, we are fairly optimistic regarding the rectification of this title defect. For property number 7, we will try to obtain the building ownership certificate as well once the municipal government has determined whether to change the planning of the land. Pending the government's decision to change the land planning or rectify the land usage and taking into account the rectification costs, we will take the rectification measures that our Directors view as the most beneficial to our Shareholders, such as changing the designated land usage from industrial usage to commercial use or relocating the relevant stores to comparable premises. At present, we are unable to ascertain the amount of costs, if any, to be incurred by us, nor the expected timeframe, in relation to change of the designated land usage of these properties.
2.	Xuzhou Huifeng <sup>(4)</sup>	Xuzhou, Jiangsu province	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage	Confirmation letter received	Xuzhou Municipal Bureau of Land and Resources; December 28, 2013	2,060	1.75	Two to three weeks	
3.	Xuzhou Jienn	Xuzhou, Jiangsu province	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage	Confirmation letter received			1.75	Two to three weeks	
4.	Xuzhou Runzhiyi	Xuzhou, Jiangsu province	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage	Confirmation letter received		1,191	N/A	N/A	
5.	Leased to third parties	Xuzhou, Jiangsu province	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage	Confirmation letter received		249	1.75	Two to three weeks	
6.	Shanghai Baojing Xingcheng	Shanghai	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage	Confirmation letter received	Shanghai Songjiang District Administration Bureau of Planning and Land; December 28, 2013				
7.	Ma'anshan Baojing	Ma'anshan, Anhui province	Automobile dealership store	Industrial usage	Current land usage does not conform with designated land usage; Building ownership certificate not received because construction completion inspection approval not yet issued	Confirmation letter received	Ma'anshan Municipal Bureau of Land and Resources; December 28, 2013 Ma'anshan Municipal Housing and Urban-Rural Construction Commission; March 6, 2014	238 for land; 1,020 for building	1.20	Two to three weeks	
8.	Lianyungang Fengtian	Lianyungang, Jiangsu province	Automobile dealership store	N/A <sup>(5)</sup>	Land use right has not been granted and building ownership certificate not issued	Confirmation letter received	Lianyungang Municipal Bureau of Land and Resources; January 1, 2014	929 for land; 1,452 for building	1.15	Two to three weeks	
9.	Lianyungang Tianlan	Lianyungang, Jiangsu province	Automobile dealership store	N/A <sup>(5)</sup>	Land use right has not been granted and building ownership certificate not issued	Confirmation letter received		420 for land; 1,259 for building	1.15	Two to three weeks	
10.	Lianyungang Rundong	Lianyungang, Jiangsu province	Automobile dealership store	N/A <sup>(5)</sup>	Land use right has not been granted and building ownership certificate not issued	Confirmation letter received		600 for land; 3,256 for building	1.15	Two to three weeks	
11.	Lianyungang Zhibao	Lianyungang, Jiangsu province	Automobile dealership store	N/A <sup>(5)</sup>	Land use right has not been granted and building ownership certificate not issued	Confirmation letter received			1.75	Two to three weeks	

No.	Subsidiary Occupying the Property	Location	Current Land Usage	Designated Land Usage	Nature and Reasons for Title Defects <sup>(1)</sup>	Latest Status	Confirmation Letter Issuing Authority and Date	Estimated Maximum Potential Exposure <sup>(2)</sup> RMB'000	Expected Relocation Cost <sup>(3)</sup> RMB million	Expected Relocation Time <sup>(3)</sup>	Rectification Actions
12.	Xuzhou Rundong Jiahua	Xuzhou, Jiangsu province	Automobile dealership store	Commercial usage	Building ownership certificate not received because construction permit and construction completion inspection approval not yet issued	Application in process	N/A	1,020	N/A	N/A	As of the Latest Practicable Date, we were in the process of applying for the relevant construction permits and/or completion inspection approvals necessary for us to obtain the building ownership certificates for these properties. As advised by our PRC counsel, Haiwen & Partners, there are no legal impediments for us to obtain the building ownership certificates for these buildings upon our completion of the inspection procedures, including any charges that may be imposed by the relevant authorities, and completion of the applicable procedures and satisfaction of any requirements of the competent government authorities in accordance with the relevant PRC laws and regulations. We expect to be able to obtain the building ownership certificates for property number 12 before the Listing and for properties number 13 through 15 by the end of 2014.
13.	Xuzhou Hezhong	Xuzhou, Jiangsu province	Automobile dealership store	Commercial, office and warehouse usage	Building ownership certificate not received because construction completion inspection approval not yet issued	Application in process	N/A	1,411	N/A	N/A	
14.	Rizhao Baojing	Rizhao, Shandong province	Automobile dealership store	Commercial usage	Building ownership certificate not received because construction completion inspection approval not yet issued	Application in process	Rizhao Municipal Housing and Land Administrative Bureau; March 31, 2014 Rizhao Municipal Housing and Urban-Rural Planning and Construction Commission; March 27, 2014	1,240	N/A	N/A	
15.	Zaozhuang Aowei <sup>(6)</sup>	Zaozhuang, Shandong province	Ancillary facility	Commercial usage	Building ownership certificate not received because construction completion inspection approval not yet issued	Application in process	N/A	918	N/A	N/A	

**Note:**

- (1) Please see paragraph I below for discussion on items number 1 to 7, see paragraph II below for discussions on items number 8 to 11, and see paragraph III below for discussions on items number 7 and 12 to 15.
- (2) This is based on the advice of our PRC counsel, Haiwen & Partners. It is difficult to assess whether and to what extent the penalties will be imposed on us. Our total estimated maximum potential exposure for our owned properties with title defects is approximately RMB20.9 million, for approximately RMB10.5 million of which we have obtained confirmation letters from the authorities of land and resources, housing or construction administration at or above the county level exempting us from penalties or obligation to return the land or demolish the building (the “**Confirmation Letters**”).
- (3) This is based on management estimates.
- (4) These properties are partially leased to third parties.
- (5) Usage of the land had not been designated because the relevant government authority has not initiated the procedure for planning and granting of the land use rights.
- (6) As of the Latest Practicable Date, Zaozhuang Aowei had obtained a building ownership certificate for a GFA of 6,526.5 square meters of this property on June 20, 2014 and was in the process of applying for a building ownership certificate for the remaining part of this property with a GFA of approximately 437.0 square meters.

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*Properties in items number 1 to 7 in the table above*

- I. As of the Latest Practicable Date, we were occupying six buildings (located on four parcels of land) with an aggregate GFA of approximately 39,782.1 square meters, for purposes other than the designated land usage. The total GFA of these buildings accounted for 21.0% of the total GFA of our owned properties in use. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. As of the Latest Practicable Date, we had obtained Confirmation Letters from the bureaus of land and resources at or above the county level with respect to all these properties confirming that (i) we had fully paid the land premium and taxes for these parcels of land, (ii) they are aware of our or our lessee's use of these parcels as premises for automobile dealership stores, (iii) we are the legal land use rights holder, and (iv) they will not impose any penalties on us nor charge additional fees or confiscate these parcels of land.

Based on the foregoing, our PRC counsel, Haiwen & Partners, advised us that the risk of the government imposing a penalty on us or the land being confiscated by the local government is relatively low. Taking into account the Confirmation Letters that we have obtained and our PRC counsel's advice, we have determined that the risks arising from these usage differences are relatively low. If otherwise required by the government to relocate our operations, we would relocate the relevant stores to comparable properties that we would lease from third parties. We estimate the annual rental fees of substitute properties to range from approximately RMB500,000 to approximately RMB800,000 for each of the relevant stores. In addition, we estimate that the relocation cost for the stores located on these properties in aggregate would not exceed RMB10.0 million, that the relocation time for each of these stores would not exceed three weeks and our loss of revenue during the course of relocation would be minimal, and that our business would not be materially and adversely affected by the relocation. As advised by our PRC counsel, Haiwen & Partners, there is no substantive legal impediment for us to transfer or mortgage these properties with title defects.

*For properties in items number 8 to 11 listed in the table above*

- II. As of the Latest Practicable Date, we were using four properties with an aggregate GFA of approximately 13,330.0 square meters, accounting for 7.0% of the total GFA of our owned properties that we were using for which land use rights and building ownership certificates had not been granted. In 2003 and 2009, we entered into agreements with the administrative commissions of the local economic development zones with authority over these properties, pursuant to which those authorities generally agreed to assist us in completing the procedures for us to obtain the land use rights certificates and building ownership certificates for two parcels of the land. In 2006, we acquired another parcel of land from a third party that had not yet obtained the land use rights certificates for the land. As of the Latest Practicable Date, the relevant government authorities had not initiated the procedures for granting the land use rights of these properties, which is a precondition for us to obtain the land use right certificates and building ownership certificates.

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According to ACMR, the PRC local governments play a significant role in developing automobile industry parks and automobile dealership cities, including planning land usage and allocating land. To attract automobile dealerships to move in, local governments sometimes agree to assist the operators in obtaining property title certificates. According to ACMR, it is fairly common for automobile dealerships to operate on properties before obtaining the relevant property title certificates. As of the Latest Practicable Date, we had obtained a Confirmation Letter from Lianyungang Municipal Bureau of Land and Resources with respect to all of these parcels of land confirming that (i) our relevant subsidiaries, namely, Lianyungang Fengtian, Lianyungang Tianlan, Lianyungang Rundong and Lianyungang Zhibao, can build and operate automobile dealership stores on these parcels of land, (ii) they will not impose any penalties on Lianyungang Fengtian, Lianyungang Tianlan, Lianyungang Rundong or Lianyungang Zhibao for their use of the land, (iii) they will not confiscate the buildings and other facilities built on these parcels of land, and (iv) they will not require us to return the above parcels of land before granting the land through public biddings. Based on the foregoing, our PRC counsel has advised us that the risk of the government imposing a fine on us or requiring us to return the land before initiating the land use rights granting procedures is relatively low. If otherwise required by the government to return the land, we would relocate our relevant stores to comparable properties that we would lease from third parties, and we would expect the annual rental fees to be approximately RMB1.0 million for each of these stores. In addition, we estimate that the costs to relocate the four stores located on these properties in aggregate would not exceed RMB5.2 million, that the relocation time for each of these stores would not exceed three weeks and our loss of revenue during the course of relocation would be minimal, and that our business would not be materially and adversely affected by the relocation. As advised by our PRC counsel, Haiwen & Partners, our lack of title certificates for these properties will prevent us from transferring or mortgaging the properties.

*For properties in items number 7 and 12 to 15 listed in the table above*

- III. As of the Latest Practicable Date, five of our automobile dealership stores were located on properties for which we had not obtained the building ownership certificates. This was because either we had not obtained the relevant construction permits or because the relevant inspection approval had not been completed. These properties included five buildings with an aggregate GFA of approximately 25,236.4 square meters. If we exclude the building occupied by Ma'anshan Baojing, with a GFA of approximately 5,452.6 square meters and which also had defects described in paragraph I above, the remaining four buildings accounted for 10.4% of the total GFA of our owned properties in use. As of the Latest Practicable Date, we had obtained Confirmation Letters from the authorities of housing or construction administration at or above the county level for properties number 7 and 14 indicating that (i) they will not impose any penalties on us, require us to relocate our operations, or confiscate or demolish the building, and (ii) there is no substantive impediment for us to obtain the building ownership certificate after we have submitted all required application documents to them. As advised by our PRC counsel, Haiwen & Partners, we will not be required to return these properties under PRC laws and regulations. As such, we do not expect to incur any relocation costs. These buildings are in good safety conditions. As advised by our PRC counsel, Haiwen & Partners, we may not be able to transfer or mortgage these buildings due to our lack of title certificates for the buildings.

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As of the Latest Practicable Date, out of the 43 buildings that we were using, 14 were subject to title defects. The GFA of our owned properties with title defects accounted for 38.4% of the total GFA of the 43 buildings that we were using, and the GFA of our owned properties with title defects for which we had obtained Confirmation Letters from the authorities of land and resources, housing or construction administration at or above the county level exempting us from penalties or obligation to return the land or demolish the building accounted for 31.1% of the total GFA of all the 43 buildings. We have attempted to obtain a confirmation letter on defective properties issues from Jiangsu Provincial Land and Resources Department (“**Jiangsu Land Department**”) but was advised by it that title defects of properties fall within the jurisdiction of the municipal and county-level land and resources bureaus, rather than the provincial land and resources department. We also conducted an interview with the Xuzhou Municipal Land and Resources Bureau (“**Xuzhou Land Bureau**”) on March 26, 2014, which confirmed that: (i) Xuzhou Land Bureau and its counterpart at the county level have the authority to issue the Confirmation Letters for our properties with title defects in Xuzhou and to deal with and impose any penalties, if applicable, on those properties; and (ii) Xuzhou Land Bureau had consulted with Jiangsu Land Department, which confirmed that title defects of properties fall within the jurisdiction of the municipal and county-level land and resources bureaus, rather than the provincial land and resources department.

In 2011, 2012, 2013 and the three months ended March 31, 2014, our revenue derived from the stores located on properties with title defects that we owned is set forth as follows:

	Year Ended December 31,			Three-month Period Ended March 31,
	2011	2012	2013	2014
Revenue (RMB'000) . . . . .	1,811,794	3,070,610	3,628,577	1,143,527
Percentage of total revenue (%).	30.1	32.7	31.3	29.4

In 2011, 2012, 2013 and the three months ended March 31, 2014, the table below sets forth our revenue derived from the stores located on properties with title defects, for which we have obtained the Confirmation Letters:

	Year Ended December 31,			Three-month Period Ended March 31,
	2011	2012	2013	2014
Revenue (RMB'000) . . . . .	1,630,460	2,859,498	3,218,615	959,531
Percentage of total revenue (%).	27.1	30.5	27.8	24.7

A property occupied by our subsidiary, Xuzhou Rundong Ruijing, to operate an automobile dealership store was previously subject to title defects. We did not obtain the building ownership certificate for this property because of our delay in obtaining the construction permit and construction completion inspection approval. We subsequently rectified this non-compliance by obtaining the building ownership certificate for this property on May 14, 2014.

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A property occupied by our subsidiary, Zaozhuang Aowei, to operate an automobile dealership store was previously subject to title defects. We did not obtain the building ownership certificate for this property because of our delay in obtaining the construction completion inspection approval. We subsequently rectified this non-compliance by obtaining the building ownership certificate for this property on June 20, 2014.

A property occupied by our subsidiary, Yancheng Baojing, to operate an automobile dealership store was previously subject to title defects. We did not obtain the building ownership certificate for this property because of our delay in obtaining the construction completion inspection approval. We subsequently rectified this non-compliance by obtaining the building ownership certificate for this property on June 30, 2014.

### ***Buildings Under Construction***

As of the Latest Practicable Date, we had two buildings under construction with an aggregate GFA of approximately 13,834.9 square meters, none of which was subject to titles defects. These buildings are located in Taizhou and Suqian, Jiangsu province, and we plan to use them to operate new automobile dealership stores. As advised by our PRC counsel, Haiwen & Partners, we have obtained the relevant land use right certificates, construction approvals and permits for all of these buildings as required under PRC law according to the progress of the construction works.

### **Properties We Lease**

As of the Latest Practicable Date, we were using 22 buildings leased from third parties with an aggregate GFA of approximately 77,109.3 square meters. In addition, we had one building under construction with a GFA of approximately 8,183.1 square meters that was located on our leased land.

As of the Latest Practicable Date, our leased property under construction was not subject to defects in leasehold interests, while certain leased properties that we were using were subject to defects described in the table and paragraphs I through IV below:

No.	Subsidiary Occupying the Property	Location	Current Land Usage	Designated Land Usage	Expiry Date of Lease	Nature and reasons for Title Defects <sup>(1)</sup>	Latest Status	Issue Date of Confirmation/ Undertaking Letters	Expected Relocation Cost <sup>(2)</sup>	Expected Relocation Time <sup>(2)</sup>
									RMB million	
1.	Jinan Runzhiyi	Jinan, Shandong province	Repair center	N/A	March 2030	Building is located on collectively-owned land	We have received a redemption undertaking from landlord	January 1, 2014	0.50	Two to three weeks
2.	Zaozhuang Baojing	Zaozhuang, Shandong province	Automobile dealership store	N/A	N/A <sup>(3)</sup>	Lessor does not have land use right in the land	We have received a confirmation letter from Zaozhuang Gaoxin District Bureau of Land and Resources	January 8, 2014	1.75	Two to three weeks
3.	Lianyungang Runhe	Lianyungang, Jiangsu province	Automobile dealership store	Industrial usage	June 2024	Actual land usage does not conform with designated land usage	We have received a redemption undertaking from landlord	January 1, 2014	1.15	Two to three weeks
4.	Shanghai Jerun	Shanghai	Automobile dealership store	Industrial usage	October 2022	Actual land usage does not conform with designated land usage	We have received a redemption undertaking from landlord	January 1, 2014	1.15	Two to three weeks
5.	Shanghai Baojing	Shanghai	Automobile dealership store	Industrial usage	December 2019	Actual land usage does not conform with designated land usage	We have received a redemption undertaking from landlord	January 1, 2014	1.75	Two to three weeks
6.	Linyi Baojing	Linyi, Shandong province	Automobile dealership store	Retail and wholesale	December 2028	Landlord has not provided all required property documents	We have received an redemption undertaking from landlord	January 10, 2014	1.75	Two to three weeks

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*Note:*

- (1) Please see paragraph I below for discussions on item number 1, see paragraph II below for discussions on item number 2, see paragraph III for items number 3 to 5, and see paragraph IV below for item number 6.
- (2) This is based on management estimates.
- (3) As the land has been expropriated by the government, we do not pay rental for this property. For more information, see paragraph II below.

*For property in item number 1 listed in the table above*

- I. One building with a GFA of approximately 2,394.0 square meters, accounting for 3.1% of the total GFA of the leased properties that we were using, was located on collectively-owned land. We plan to use this property as the premises for our Maserati repair center to be opened. Under PRC laws and regulations, collectively-owned land generally may not be leased by the relevant land use rights holder to any third party for non-agricultural usages. Our PRC counsel, Haiwen & Partners, are of the view that our lease for this property is void under PRC law. On January 1, 2014, we received an undertaking letter from the landlord of this property confirming that it will indemnify us against any losses (including relocation costs and loss of income in the relocation process) arising from any title defects of the property. If required to relocate our operations on this building, we expect the relocation costs to not exceed RMB0.5 million, the relocation time to not exceed three weeks, and the difference in rental fees to be immaterial. We do not expect the relocation to have material adverse effect on our business.

*Properties in item number 2 listed in the table above*

- II. One building with a GFA of approximately 4,839.2 square meters, accounting for 6.3% of the total GFA of the leased properties that we were using, was located on land to which the lessor did not have land use rights. We used this building as premises for our automobile dealership store, Zaozhuang Baojing. This building was located on land that was originally collectively-owned and leased to us by the landlord and was later expropriated by the government. The government has not initiated the land granting procedures for this land. In a confirmation letter we obtained from Zaozhuang Gaoxin District Bureau of Land and Resources on January 8, 2014, the government indicated that the land has been planned for commercial usage and may be used to operate an automobile dealership store. As advised by our PRC counsel, Haiwen & Partners, Zaozhuang Gaoxin District Bureau of Land and Resources is at the county level and as such, it is a competent authority to issue this confirmation letter, and the confirmation letter issued by it should not be challenged or revoked by higher-level government authorities because, in accordance with the relevant PRC laws, the bureaus of land and resources at or above the county level are authorized by law to supervise our compliance with property laws and regulations within their administrative jurisdictions. As advised by our PRC counsel, our lease for this building is void. If required to relocate our operations, we expect the relocation costs to not exceed RMB1.8 million, the relocation time to not exceed three weeks and our loss of revenue during the course of relocation to be minimal, and the additional rental expenses that we would be required to pay to be immaterial. We do not expect the relocation to have material adverse effect on our business.



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*Properties in item number 3 to 5 listed in the table above*

III. Three buildings with an aggregate GFA of approximately 19,674.7 square meters, accounting for 25.5% of the leased buildings we were using, were located on land that was not used for their respective designated usage. We used or plan to use these properties as premises for three of our automobile dealership stores. As advised by our PRC counsel, Haiwen & Partners, the landlords may be required to return the property to the government because of the landlord's non-compliance in land usage, and we cannot preclude the possibility of the relevant government authority declaring our leases for these properties to be void. On January 1, 2014, we received undertaking letters from the landlords for all of these properties confirming that they will indemnify us against any losses arising from any title defects of these properties. If required to relocate our operations, we expect the relocation costs to not exceed RMB4.1 million, the relocation time to not exceed three weeks, and the difference in rental fees to be immaterial. We do not expect the relocation to have material adverse effect on our business.

*Property in item number 6 Listed in the table above*

IV. For one building with a GFA of approximately 8,850.0 square meters, the landlord failed to provide the relevant title certificates; the GFA of this building accounted for 11.5% of the GFA of the leased buildings that we were using. This property is located in Linyi, Shandong province and is used as premises for one of our automobile dealership stores. Our PRC counsel, Haiwen & Partners, was therefore unable to ascertain the validity of our leasehold interests in this property and relevant risks. On January 10, 2014, we received an undertaking letter from the landlord of this property confirming that they will indemnify us against any losses due to disputes in ownership or use rights in this property. If required to relocate our operations, we expect the relocation costs to not exceed RMB1.75 million, the relocation time to not exceed three weeks, and the difference in rental fees to be immaterial. We do not expect the relocation to have material adverse effect on our business.

As of the Latest Practicable Date, the aggregate GFA of properties that we leased subject to title defects accounted for 46.4% of the total GFA of the leased properties that we were using. As advised by our PRC counsel, Haiwen & Partners, the landlords for properties described in paragraphs I, III and IV above should be responsible for relevant government sanctions and penalties according to PRC laws in connection with the abovementioned defects in these properties, and we as the lessee should not be subject to sanctions or penalties under PRC laws for defects in these properties. As such, we are not in a position to request government confirmation letters for those properties. Nonetheless, to safeguard against risks of invalid leases for those properties, we have obtained undertaking letters from each of the respective landlords for indemnification against any losses we may suffer as a result of those defects. For the property described in paragraph II above, since the government has expropriated the land and has not yet initiated the land-granting procedures, we have obtained a confirmation letter from Zaozhuang Gaoxin District Bureau of Land and Resources. Zaozhuang Gaoxin District Bureau of Land and Resources did not challenge our continued occupation of the property before initiating the public granting procedures for this parcel of land, and we plan to participate in the land-granting procedures to try to convert this property into one of our owned properties.

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In 2011, 2012, 2013 and the three months ended March 31, 2014, our revenue derived from the stores located on the above leased properties with defects in leasehold interest is set forth as follows:

	Year Ended December 31,			Three-month Period Ended March 31,
	2011	2012	2013	2014
Revenue (RMB'000) . . . . .	2,912	1,870,759	2,117,601	738,476
Percentage of total revenue (%)	0.05	19.9	18.3	19.0

Our Directors were aware of these title defects when we acquired or leased the relevant properties. We nevertheless strategically decided to establish the relevant stores on these properties with title defects primarily due to the following considerations: (i) our desire to timely secure the optimal locations for the stores, (ii) the fact that many of these properties are located near concentrations of other automobile dealership stores, (iii) we believe that it is not uncommon in our industry for automobile dealerships to operate on properties with certain title defects, and (iv) our assessment that the related risks were relatively low. In addition, we believe that, despite the title defects, the acquisition or rental costs that we paid for these properties were competitive prices in line with market standard.

Our Directors are of the view that the Properties with Defective Titles are not crucial to our business, because (i) as advised by our PRC counsel, Haiwen & Partners, competent government authorities at or above the county level have issued the Confirmation Letters for certain of our owned properties with defective titles indicating that they will not impose penalties on us or require us to return the land or demolish the building, and the Confirmation Letters should not be challenged or revoked by higher-level government authorities because, in accordance with the relevant PRC laws, the authorities of land and resources, housing or construction administration at or above the county level are authorized by law to supervise our compliance with property or housing and construction laws and regulations within their respective administrative jurisdictions; (ii) we expect to be able to obtain the property ownership certificates for substantially all of those properties for which we have obtained the land use right certificates; (iii) the landlords for all the properties with uncertain risks or defective leasehold interests have provided indemnities to us for any losses that we may suffer from the defects; (iv) we do not expect to have any practicable difficulties in, or to incur any material costs resulting from, any required relocations. As most of the properties with defects are located in Second- and Third-tier Cities, where we can find comparable properties to relocate the relevant stores and expect to be able to implement the relocation, if required, in a relatively short time period and at relatively low additional costs. Based on the current available information, the total estimated costs for us to relocate these stores would be approximately RMB23.2 million, and the relocation of our relevant operations is not expected to have material adverse effect on our business. As advised by our PRC counsel, Haiwen & Partners, two of our dealership authorization agreements require our relevant subsidiaries to have valid ownership or leasehold interests in the properties used as premises for their stores or to comply with applicable property laws in respect of those properties. The relevant automobile manufacturers for these agreements have been informed of the status of our properties used as premises for our relevant dealership stores. One of these automobile manufacturers (relating to the dealership authorization agreement of Xuzhou Rundong Ruijing) has confirmed in writing that we are not in breach of the relevant agreement, and the other automobile manufacturer has confirmed in writing that we are not in material breach of the relevant agreement. In addition, both of these automobile manufacturers have confirmed in writing that they will not claim liability or compensation from us within the terms of those dealership authorization

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agreements or terminate the dealership authorization agreements as a result of the title defects in those properties. While the cross default clauses of two of our loan agreements (each with a total principal amount of RMB7 million) may be triggered by a breach of our dealership agreement mentioned above, we have obtained confirmation letters from each of these two banks confirming that they do not consider us to be in default of those loan agreements. As advised by our PRC counsel, Haiwen & Partners, other than the above, none of our dealership authorization agreements contains terms that entitle the automobile manufacturers to terminate the relevant dealership authorization agreement due to the property title defects as those disclosed in this prospectus. As of the Latest Practicable Date, we have rectified the title defect for the property used as the store premises of Xuzhou Rundong Ruijing by obtaining the building ownership certificate for that property. As such, as advised by our PRC counsel, Haiwen & Partners, the risks are remote that Xuzhou Rundong Ruijing will be deemed to be in breach of its dealership authorization agreement or the relevant loan agreement due to its previous failure to timely obtain the building ownership certificate. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fine, penalty or administrative order for relocation or property demolition by the relevant authorities nor any material claims from third parties in relation to the properties with title defects.

Each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng has jointly and severally agreed to indemnify us against any costs, expenses and losses which we may suffer as a result of any dispute as to our rights to lease and use any of the properties with defective titles for our business operations. See “Appendix IV—Statutory and General Information—E. Other Information—1. Indemnities” to this prospectus for more information.

It is not uncommon in our industry for automobile dealerships to operate on properties with certain title defects, and we may locate our stores on premises with property title defects in the future. To prevent recurrence of non-compliance incidents, we have adopted enhanced internal control measures since December 2013, mainly with the assistance of our internal control advisor, and appointed a compliance officer, Mr. Wu Peichen, in December 2013. Our compliance officer heads our compliance department, which we established in December 2013, and reports directly to our joint company secretaries. Mr. Wu has approximately ten years of legal working experience, including serving as in-house counsel to an A-share listed company.

In addition, to avoid the recurrence of the non-compliances, we have adopted the following enhanced internal control measures since December 2013, mainly with the assistance of our internal control advisor:




- for our existing properties with title defects, we have compiled a comprehensive list of those properties, the corresponding remedial measures and contingency plans, and the expected timeframe for rectification, and we will regularly assess the risks arising from the defects and update the list, including corresponding measures and plans, and disclose the progress of rectifying the defects in our annual/interim reports after the Listing. For defective properties that we assess as having high risks, we will consider relocating or suspending operations of the relevant stores after obtaining consent from the relevant automobile manufacturers, the local government and the landlord, as appropriate;

## BUSINESS

- for future properties, we will review more prudently the premises for our future projects, particularly the nature, designated usage and title certificates of the relevant properties, and seek advice from outside property experts, internal control experts and counsel, as appropriate, before selecting premises for our new stores and procuring properties or leases for the premises, particularly at the project planning stage. We will also evaluate property defects issues as part of our standard procedures when procuring or leasing properties. For each candidate property that has any title defects, such as land with designated usage that may not be used to operate a store under PRC laws, we will procure or lease that property only if the title defects are remedied, or if the Group has obtained confirmation letters from the competent authorities confirming that they will not impose penalties on us or confiscate the relevant properties and a confirmation letter from the relevant automobile manufacturer confirming that it will not claim any compensation or terminate the dealership authorization agreement due to the relevant property title defects; and
- we have adopted two sets of rules on project management procedures for establishing and acquiring new stores, respectively, which were initially adopted in early 2011 and were later revised to reflect suggestions of our internal control advisor in December 2013 and more strictly implemented since then. In particular, annual investment plans will be approved by our Board and implemented by our investment and development department. For new store establishment, our investment and development department will be responsible for collecting information, selecting premises and creating a project database, our president will review the new project proposal and approval form to determine whether to approve the project, and upon our president's approval of the project, we will conduct a project feasibility study and assign project managers to be responsible for each of the project construction, company establishment and company operation stages. In line with recommendations of our internal control advisor, we will add information on the nature, ownership and title certificates of acquired or leased premises to our new project proposal and approval form, and identify in the form any missing certificates and expected timeframe to obtain those certificates for management to make informed decisions on the project. For acquisitions of other automobile dealerships, our investment and development department will conduct compliance review for the project proposal, and at a later stage, form an acquisition working group, together with our finance, operation, legal and other relevant departments, to conduct due diligence and feasibility study for the project. We will also engage outside counsel to provide professional opinions on legal issues and risks involved in the acquisition project. We will strengthen the implementation of our project management procedures at the subsidiary level to prevent recurrence of similar non-compliance incidents. Our compliance department will participate in the entire process of selecting premises, procuring or leasing properties as the premises and establishing new stores to ensure that all required title documents or appropriate confirmation letters referred to above have been obtained, and provide professional opinions on defective properties to senior management for their consideration. We may also submit material projects for approval by our Board of Directors or at the shareholders meetings depending on the nature of the investment, the amount involved and other relevant factors.

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### INTELLECTUAL PROPERTY RIGHTS

We conduct our business under the brand name “Rundong Auto” (潤東汽車). We have registered the logos , , and , and are applying to register the Chinese characters of “Rundong” (潤東) with the China Trademarks Office of the State Administration for Industry and Commerce (國家工商行政管理總局商標局). In addition, under our typical dealership authorization agreements, the automobile manufacturers have licensed us to use their trade names, trademarks and other branding material in our promotional activities provided that they are conducted in a manner consistent with the standards set by them. As of the Latest Practicable Date, we had no patents. In order to defend our intellectual property rights and the intellectual rights that we are licensed to use, we monitor whether there is any infringement of our brand by conducting internet searches including the websites of the administration for industry and commerce regularly. See “Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of Our Group” to this prospectus for more information.

### INSURANCE

We carry insurance covering risks including loss of and damage to property such as fixed assets and inventories at our stores and losses due to fire, flood and a broad range of other natural disasters, excluding earthquakes and tsunami. However, we do not carry liability insurance covering all potential liabilities that may arise in the ordinary course of our business and we do not maintain insurance coverage for business interruption. We consider our insurance coverage to be adequate and in line with industry practices in China. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims. However, should any significant uninsured damages to any of our properties, inventories or other assets or liabilities claims against us occur, our business, financial condition and results of operations may be adversely affected. See “Risk Factors—Our insurance coverage may be inadequate to protect us from certain types of losses” in this prospectus for more information.

### EMPLOYEES

We view our employees as critical to our success. Our full time staff grew by 197.6% during the Track Record Period to meet the requirements of our growing automobile dealership network. We believe that we have good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strikes, work stoppages or significant labor disputes, nor have we experienced any significant difficulties in recruiting or retaining qualified employees.

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As of the Latest Practicable Date, we had a total of 4,480 full-time employees. The following table sets out the total number of our employees by function as of the Latest Practicable Date. A majority of our employees are located in Jiangsu province.

<u>Job Function</u>	<u>Number of Employees</u>	<u>Percentage of Total</u> (%)
Management . . . . .	162	3.6
Administrative . . . . .	412	9.2
Sales and marketing . . . . .	2,038	45.5
After-sales service . . . . .	1,540	34.4
Finance and accounting . . . . .	<u>328</u>	<u>7.3</u>
<b>Total</b> . . . . .	<u><u>4,480</u></u>	<u><u>100.0</u></u>

We provide competitive compensation packages and benefits to attract talented people. We have granted stock options to our key employees to incentivize them to work for the long-term development of our Group. See “Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme” to this prospectus for more information. We offer our sales, marketing and after-sales personnel performance bonuses based on factors such as their performance, experience, skills and qualifications, job functions and workload. With the assistance of our ERP system, we set key performance indicators to assess the performance of our employees, regularly review their performance and determine their remuneration based on results of the reviews.

We dedicate significant resources to personnel recruitment, promotion and training. We recruit employees through internal cross-store hiring, internal references by our employees, as well as external channels such as the Internet, print media and job fairs. We place significant importance on internal promotion as a means to offer long-term career paths and performance incentives for our employees. We have developed and successfully implemented an in-house program to train the general managers of our stores, who are crucial to the success of our business. Many of our store managers have completed a training program that we run at our best-performing stores.

Our employees regularly attend training courses provided by both of us and the automobile manufacturers to improve their skill-set and stay current on new developments in the industry. The automobile manufacturers generally provide a wide variety of training to our management and other personnel, particularly sales, after-sales, marketing, customer services, technical and financial staff, and grant different levels of certifications to confirm our staff’s skills. BMW also provides “general managers ready” training to develop our store management teams, which is typically offered to scalable dealerships. We have devised and offered tailor-made training courses to our employees of varied job functions, including training to management successors, store employees and technicians, and three C’s (competitive, creative, continuous) on-the-job training. Our three C’s training is based on our CRM system and encourage our sales staff to collect customer data even in the area where we do not sell products to the potential customer. We have established a training center in Shanghai and a branch of it in Xuzhou, Jiangsu province. Our training courses are supported by our advanced CRM system and are practically designed to enhance our employees’ skills to capture and better serve customer demand so as to improve our sales. Moreover, we pay particular attention to developing our CRM sales team, who

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usually devote substantially more external and personal resources than the sales consultants at our automobile dealership stores to achieving sales targets. As an incentive, we grant relatively higher bonuses to our CRM sales team than the sales consultants at our stores. See “—Customers and Customer Services—Our Customer Relationship Management” for more details of our CRM sales team.

### **WORK SAFETY AND ENVIRONMENTAL MATTERS**

We have obtained all of the material work safety and environmental approvals permits, approvals and registrations necessary to conduct our business. Our operations are subject to regulations and periodic examinations by local work safety and environmental authorities. If we fail to comply with present or future laws and regulations, we may be subject to fines or cessation of business. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with all applicable work safety and environmental laws and regulations in all material respects. We have not incurred and do not expect to incur material costs in connection with the compliance with work safety and environmental laws and regulations.

### **LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE**

During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were a party to any litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings that could have a material adverse effect on our business, financial condition or results of operations. However, we may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Our PRC counsel, Haiwen & Partners, has advised us that, during the Track Record Period and up to the Latest Practicable Date, we have complied with relevant PRC laws, rules and regulations in all material respects, save as disclosed in this section or the section headed “Risk Factors” in this prospectus. In addition, Haiwen & Partners have advised us that, save as disclosed in this section or the section headed “Risk Factors” in the prospectus, all of our PRC subsidiaries have obtained all the necessary licenses, approvals and permits from appropriate regulatory authorities that are material for our business operations in the PRC.

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## Non-Compliance Matters

The table below sets forth the material non-compliance matter that our Group had been involved during the Track Record Period and as of the Latest Practicable Date:

No.	Non-compliance incidents and reasons	Sanctions, maximum potential penalties and other liabilities	Remedial actions and status as of the Latest Practicable Date	Measures to prevent recurrence of the non-compliance
1.	Two of our subsidiaries, Yancheng Baojing and Xuzhou Runzhiyi, which provide automobile repair, maintenance and detailing services, did not hold road transport licenses and did not include those services in their business scopes.	<p>Under the Road Transportation Regulations, any entity that conducts the business of automobile repairs, maintenance and detailing services without obtaining a road transport license will be ordered by relevant road transportation authority to cease operation and the income (if any) will be confiscated and the entity will be subject to fines of two to 10 times of the income from this business; if income is not earned or is less than RMB10,000 the entity will be fined RMB20,000 to RMB50,000; criminal liability may also result in severe circumstances.</p> <p>Under the Company Registration Administration Measures (公司登記管理條例), any entity that fails to timely update its business registration may be ordered by the SAIC or its local counterpart to update the registration within a prescribed period and if it fails to do so, it will be fined RMB10,000 to RMB100,000.</p>	As of the Latest Practicable Date, Yancheng Baojing and Xuzhou Runzhiyi had rectified the non-compliances by obtaining the road transport licenses and updating the business licenses of Yancheng Baojing and Xuzhou Runzhiyi, and no sanctions or penalties were imposed on us by the government authorities for these non-compliances. As such, as advised by our PRC counsel, Haiwen & Partners, the risks that any governmental fines, penalties or sanctions, including any criminal liability, will be imposed upon us as a result of our failure to timely obtain the road transport licenses for Yancheng Baojing and Xuzhou Runzhiyi are very low.	We have strengthened internal reviews of our subsidiaries' compliance with PRC laws and regulations and government requirements. We have also appointed a compliance officer to be in charge of our compliance matters.
2.	Two of our subsidiaries, Rundong Group and Shanghai Baojing, which provide concurrent-insurance agency services, did not update their business license to include those services within their business scopes.	Under the Company Registration Administration Measures, any entity that fails to timely update its business registration may be ordered by the SAIC or its local counterpart to update the registration within a prescribed period and if it fails to do so, it will be fined RMB10,000 to RMB100,000.	As of the Latest Practicable Date, Rundong Group and Shanghai Baojing had rectified the non-compliance by updating their business licenses to include concurrent-insurance agency services in their respective business scope, and no sanctions or penalties were imposed on us by the government authorities for this non-compliance.	We have strengthened internal reviews of our subsidiaries' compliance with PRC laws and regulations and government requirements. We have also appointed a compliance officer to be in charge of our compliance matters.



### **Internal Controls**

In accordance with the applicable PRC and Hong Kong laws and regulations, we have established and maintain an internal control system to monitor our business operations, including the following measures:

- We have appointed a compliance officer, Mr. Wu Peichen, who heads our compliance department, directly reports to our Joint Company Secretaries and is responsible for reporting material matters to the Board of Directors. Mr. Wu has approximately ten years of legal working experience, including serving as in-house counsel to an A-share listed company. Our compliance officer oversees all legal and compliance matters for our Group. In particular, our compliance officer is responsible for drafting and monitoring the implementation of our internal compliance policies, procedures and guidance, taking appropriate remedial measures to resolve any non-compliances and submitting compliance risk assessment and management reports to our joint company secretaries and the Chairman. We established a compliance department under the compliance officer. The compliance department will cooperate with our legal department to implement compliance risk management procedures, providing compliance training to employees and reporting emergent and material matters to the Board of Directors.
- Our internal control advisor has reviewed our internal control procedures and recommended a number of measures to improve our internal control system including measures in relation to project management procedures for establishing or acquiring new stores and measures to deal with existing and future title defects of properties. We are in the process of implementing those enhanced internal control measures.
- In addition, we have appointed Haitong International Capital Limited as our compliance adviser with effect from the date of the Listing to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

Our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system as recommended by our internal control consultant to prevent future recurrence of non-compliance incidents. As such, our Directors and the Joint Sponsors are of the view that our enhanced internal control measures are adequate and effective under Rule 3A.15(5) of the Listing Rules.

In addition, having considered the above non-compliance matters and our enhanced internal control measures, the Joint Sponsors are not aware of any matter that would render our Directors not suitable for directors of a listing company under Rules 3.08 and 3.09 of the Listing Rules, or would render us not suitable for listing under Rule 8.04 of the Listing Rules.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I—Accountants’ Report” and “Appendix II—Unaudited Pro Forma Financial Information,” in each case together with the accompanying notes. The Accountants’ Report has been prepared by Ernst & Young, Certified Public Accountants, Hong Kong in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.*

*This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.*

### OVERVIEW

We are one of the largest luxury automobile dealership groups in the regions where we operate in China in terms of number of luxury automobile dealership stores and showrooms in operation as of December 31, 2013, according to ACMR. Our operations focus on the affluent coastal regions of Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province, which collectively have China’s largest luxury and ultra-luxury passenger vehicle market. We have a well-balanced portfolio of luxury and ultra-luxury brands as well as mid- to high-end brands, with a strategic focus on luxury and ultra-luxury brands. Our brand portfolio as of the Latest Practicable Date included the seven luxury brands of BMW, MINI, Land Rover and Jaguar, Audi, Lexus and Cadillac; the two ultra-luxury brands of Maserati and Ferrari; and the 13 mid- to high-end brands of Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan and Zhengzhou Nissan. We strategically focus on luxury and ultra-luxury brands, and as of the Latest Practicable Date, 28 out of 51, or 54.9%, of our stores were dedicated to luxury and ultra-luxury brands. As of the Latest Practicable Date, we operated 51 stores and had obtained automobile manufacturers’ authorizations or non-binding LOIs to open another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao; all of the new stores to be located in the affluent coastal regions of Eastern China.

Our sales of luxury and ultra-luxury brands have contributed a significant portion of our revenue and gross profit from automobile sales over the Track Record Period, accounting for 29.3%, 67.8%, 70.0% and 73.7%, respectively, of our revenue from automobile sales, and 29.0%, 80.4%, 80.2% and 84.7%, respectively, of our gross profit from automobile sales, in 2011, 2012, 2013 and the three months ended March 31, 2014. We believe that our focus on luxury and ultra-luxury brands has enabled us to achieve rapid revenue and profit growth over the Track Record Period. Revenue from our sales of automobiles increased by 58.5% from RMB5,468.7 million in 2011 to RMB8,667.0 million in 2012, by 20.8% from 2012 to RMB10,470.3 million in 2013, and by 60.6% from RMB2,178.5 million in the three months ended March 31, 2013 to RMB3,498.2 million in the same period of 2014. Our gross profit from automobile sales increased by 54.8% from RMB259.8 million in 2011 to RMB402.1 million in 2012, by 35.4% from 2012 to RMB544.5 million in 2013, and by 88.6% from RMB106.7 million in

## FINANCIAL INFORMATION

the three months ended March 31, 2013 to RMB201.3 million in the same period of 2014. In addition, we provide a wide range of after-sales and other services to our customers, including repair, maintenance, sale of spare parts and accessories. Our revenue from after-sales and other services increased by 30.6% from RMB548.7 million in 2011 to RMB716.8 million in 2012, by 55.9% from 2012 to RMB1,117.6 million in 2013, and by 81.5% from RMB216.5 million in the three months ended March 31, 2013 to RMB393.0 million in the same period of 2014. Our gross profit from after-sales and other services increased by 18.7% from RMB197.0 million in 2011 to RMB233.8 million in 2012, by 95.8% from 2012 to RMB457.8 million in 2013, and by 139.6% from RMB72.4 million in the three months ended March 31, 2013 to RMB173.4 million in the same period of 2014. We also provide a broad range of automobile-related value-added services to our customers, including consulting services for automobile purchase financing, automobile insurance agency services, facilitating the trading of pre-owned automobiles and financial lease and related consulting services. Our commission income from consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles increased by 134.6% from RMB49.1 million in 2011 to RMB115.2 million in 2012, by 33.6% from 2012 to RMB153.9 million in 2013, and by 34.3% from RMB36.3 million in the three months ended March 31, 2013 to RMB48.7 million in the same period of 2014.

Our rapid expansion through organic growth and, to a lesser extent, selected acquisitions and our high same-store sales growth have enabled us to capture opportunities in the fast-growing automobile market in the affluent coastal regions of Eastern China. As a result, our revenue increased by 55.9% from RMB6,017.4 million in 2011 to RMB9,383.8 million in 2012, by 23.5% from 2012 to RMB11,587.8 million in 2013, and by 62.5% from RMB2,395.0 million in the three months ended March 31, 2013 to RMB3,891.3 million in the same period of 2014. Our profit for the same periods increased by 0.9% from RMB90.4 million in 2011 to RMB91.2 million in 2012, by 172.3% from 2012 to RMB248.4 million in 2013, and by 243.7% from RMB29.2 million in the three months ended March 31, 2013 to RMB100.2 million in the same period of 2014.

### **BASIS OF PRESENTATION**

Our Company was incorporated on January 15, 2014 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. Pursuant to the Reorganization, as more fully explained in “—Our History and Reorganization,” the Company became the holding company of the companies now comprising our Group on January 22, 2014. The companies now comprising our Group were under the common control of Mr. Yang Peng before and after the Reorganization. Accordingly the financial information of our Group has been prepared by applying the principles of merger as if the Reorganization has been completed at the beginning of the Track Record Period, under which (i) the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for 2011, 2012, 2013 and for the three months ended March 31, 2014 include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Mr. Yang Peng, where this is a shorter period, and (ii) the consolidated statements of financial position of the Group as at December 31, 2011, 2012 and 2013 and March 31, 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from Mr. Yang Peng’s perspective. No adjustments have been made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization. All intra-group transactions and balances have been eliminated on consolidation in full.

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### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### **Demand for Passenger Vehicles in China, Particularly for Luxury and Ultra-luxury Brands**

Our results of operations are affected by the demand for passenger vehicles, in particular for luxury and ultra-luxury brands. Sales of our luxury and ultra-luxury brands have grown to contribute a significant portion of our revenue and gross profit from automobile sales over the Track Record Period, accounting for 29.3%, 67.8%, 70.0% and 73.7%, respectively, of our revenue from automobile sales, and 29.0%, 80.4%, 80.2% and 84.7%, respectively, of our gross profit from automobile sales, in 2011, 2012, 2013 and the three months ended March 31, 2014. We expect our sales to be increasingly affected by the demand for luxury and ultra-luxury automobiles in China, in particular, Eastern China. China's rapid economic growth has led to accelerated urbanization, higher per capita disposable income, improved living standards and the development of an extensive highway network and other infrastructure, which in turn have driven strong demand for passenger vehicles in China. Furthermore, as the number of high net worth individuals increases in China, the demand for luxury products, including luxury and ultra-luxury automobiles, has also grown significantly. According to ACMR, the number of new luxury and ultra-luxury passenger vehicles registered in China grew at a CAGR of 38.7% from approximately 330,000 units in 2008 to approximately 1,222,000 units in 2012, and the number of new luxury and ultra-luxury passenger vehicles registered in Eastern China grew at a CAGR of 38.8% from approximately 136,000 units in 2008 to approximately 505,000 units in 2012. Our results of operations could also be negatively affected by a number of factors beyond our control. See "Industry Overview—Key Trends in China's Passenger Vehicle Market" and "Risk Factors—We work with foreign brands, and adverse changes in political relations between China and the relevant foreign countries may adversely affect our business" in this prospectus for more details. These developments and other factors affecting market demand for passenger vehicles, particularly luxury and ultra-luxury brands, in China are expected to have a significant impact on our business and prospects.

#### **Our Automobile Store Network**

The results and growth of our automobile sales and our after-sales and other services are significantly affected by the number, type and locations of our stores. To capture the increasing demand for luxury and ultra-luxury automobiles, we have rapidly expanded our network through organic growth and, to a lesser extent, selected acquisitions, during the Track Record Period. As of the Latest Practicable Date, we had 51 stores in operation, including 28 stores dedicated to luxury and ultra-luxury brands, and had obtained automobile manufacturers' authorizations or non-binding LOIs to open another 15 stores, including a new BMW 4S dealership store that will displace the current repair center under Lianyungang Zhibao. All of our stores are located or to be located in the affluent coastal regions in Eastern China. During the Track Record Period, our network grew from 30 stores as of December 31, 2011 to 40 stores as of December 31, 2012 and grew further to 49 stores as of December 31, 2013, where it remained as of March 31, 2014. Our network of luxury and ultra-luxury stores expanded at a faster rate from nine luxury stores as of December 31, 2011, to 17 luxury stores as of December 31, 2012 and further to 26 luxury and ultra-luxury stores as of December 31, 2013, where it remained as of March 31, 2014. We disposed of 14 stores that were in operation at the time of disposal, primarily of mid- to high-end brands, during the Track Record Period. Our current network of 51 stores includes 43 automobile dealership stores, seven showrooms and one repair center. We strategically focus on affluent coastal regions with high economic growth in Eastern China, including Jiangsu and Shandong provinces, Shanghai and Zhejiang province. These regions collectively accounted for 30.4% of China's nominal

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GDP in 2013 according to China's National Bureau of Statistics. According to ACMR, the number of new passenger vehicles registered in these regions accounted for 28.2% of the total number of new passenger vehicles registered in China in 2012, and the number of new luxury and ultra-luxury passenger vehicles registered in these regions accounted for 33.8% of the total number of new luxury and ultra-luxury passenger vehicles registered in China in 2012.

We believe that our network expansion during the Track Record Period has led to certain synergies that have improved our financial performance in recent years. By increasing the number of our stores, we believe that we have been able to achieve economies of scale through the geographic density of our network, optimized resources allocation and effective cost control. In addition, we believe that our proven track record and established relationships with automobile manufacturers have positioned us to continue to renew and enter into new dealership agreements with automobile manufacturers, particularly for the luxury and ultra-luxury brands on which we have been focusing and will continue to focus.

### Product and Service Mix

Our principal businesses consist of automobile sales and after-sales and other services. Changes in the mix of automobile brands and models that we sell and the relative contribution of our after-sales and other services business to our revenue affect our gross profit margins. With respect to automobile sales, our products include luxury, ultra-luxury and mid- to high-end automobiles. Although during the Track Record Period we generated our revenue primarily through sales of automobiles, in particular, luxury and ultra-luxury automobiles, we also recorded high growth in our after-sales and other services business, which recorded higher gross profit margins than our automobile sales business during the Track Record Period. Our profitability and results of operations may therefore vary significantly from period to period as a result of changes in the mix of products and services we sell during the relevant period.

*Automobile Sales.* In 2011, 2012, 2013 and the three months ended March 31, 2014, the gross profit margin for our sales of luxury and ultra-luxury automobiles was 4.7%, 5.5%, 6.0% and 6.6%, respectively, while the gross profit margin for our sales of mid- to high-end automobiles was 4.8%, 2.8%, 3.4% and 3.4%, respectively. Sales of luxury and ultra-luxury automobiles have contributed significant portions of our total revenue and gross profit, representing 29.3%, 67.8%, 70.0% and 73.7%, respectively, of our revenue from automobile sales, and 29.0%, 80.4%, 80.2% and 84.7%, respectively, of our gross profit from automobile sales, in 2011, 2012, 2013 and the three months ended March 31, 2014. Our automobile dealership stores that are dedicated to luxury and ultra-luxury brands increased from four as of January 1, 2011 to 26 as of March 31, 2014. Our overall gross profit margin for automobile sales decreased from 4.8% in 2011 to 4.6% in 2012, increased to 5.2% in 2013 and increased further to 5.8% in the three months ended March 31, 2014. As we continue to focus on expanding our network for luxury and ultra-luxury brands, we expect our sales of luxury and ultra-luxury brand automobiles to continue to increase as a percentage of total automobile sales.

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The following table sets forth a breakdown of our revenue from the sales of automobiles and the relative percentage contribution of each automobile category that we sell for the periods indicated:

	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
<b>Revenue</b>										
<b>Automobile Sales</b>										
Luxury and ultra-luxury brands . . . . .	1,603,249	29.3	5,874,492	67.8	7,324,212	70.0	1,487,087	68.3	2,578,198	73.7
Mid- to high-end brands . . . . .	3,865,431	70.7	2,792,523	32.2	3,146,056	30.0	691,372	31.7	920,037	26.3
<b>Total . . . . .</b>	<b>5,468,680</b>	<b>100.0</b>	<b>8,667,015</b>	<b>100.0</b>	<b>10,470,268</b>	<b>100.0</b>	<b>2,178,459</b>	<b>100.0</b>	<b>3,498,235</b>	<b>100.0</b>

The following table sets out a breakdown of our gross profits, the relative percentage of gross profit contribution and gross profit margins from our automobile sales for the periods indicated:

	Year Ended December 31,									Three-month Period Ended March 31,					
	2011			2012			2013			2013			2014		
	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin	Amount	Contribution	Gross Profit Margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
	(unaudited)														
<b>Gross profit</b>															
<b>Automobile Sales</b>															
Luxury and ultra-luxury brands . . . . .	75,366	29.0	4.7	323,444	80.4	5.5	436,691	80.2	6.0	89,019	83.4	6.0	170,462	84.7	6.6
Mid- to high-end brands . . . . .	184,472	71.0	4.8	78,676	19.6	2.8	107,809	19.8	3.4	17,708	16.6	2.6	30,865	15.3	3.4
<b>Total . . . . .</b>	<b>259,838</b>	<b>100.0</b>	<b>4.8</b>	<b>402,120</b>	<b>100.0</b>	<b>4.6</b>	<b>544,500</b>	<b>100.0</b>	<b>5.2</b>	<b>106,727</b>	<b>100.0</b>	<b>4.9</b>	<b>201,327</b>	<b>100.0</b>	<b>5.8</b>

*After-sales and other services business.* In 2011, 2012, 2013 and the three months ended March 31, 2014, our revenue from after-sales and other services amounted to RMB548.7 million, RMB716.8 million, RMB1,117.6 million and RMB393.0 million, respectively, accounting for 9.1%, 7.6%, 9.6% and 10.1%, respectively, of our total revenue for the same periods. In 2011, 2012, 2013 and the three months ended March 31, 2014, our gross profit from after-sales and other services was RMB197.0 million, RMB233.8 million, RMB457.8 million and RMB173.4 million, respectively, accounting for 43.1%, 36.8%, 45.7% and 46.3%, respectively, of our total gross profit for the same periods. The gross profit margin of our after-sales and other services was 35.9%, 32.6%, 41.0% and 44.1% in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. The performance of our after-sales and other services business in any given year is affected by a combination of factors, including the number of automobiles that we sold in prior years, the number and relative maturity of newly-established stores in our network at that time and the level of customer satisfaction. Our new stores typically require at least three years to fully ramp up their after-sales business performance as the demand for our repair and maintenance services depends largely on the accumulated number of automobiles that we sold in previous years. We expect increasing contribution of the after-sales and other services from our stores that commenced operation in 2012, 2013 and 2014 to our overall revenue and profitability in the near future as their after-sales and other services business continue to ramp up.

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### Cost of Sales and Incentive Rebates from Automobile Manufacturers

Our profitability is affected to a large extent by our costs of purchasing automobiles and spare parts from automobile manufacturers and any incentive rebates that they may offer. The wholesale prices that we pay for new automobiles and spare parts are determined by the automobile manufacturers, and we do not exercise any influence over their pricing and business strategies. The incentive rebates that the automobile manufacturers typically offer to us are generally determined with reference to the number of new automobiles that we sell within a year, as adjusted for factors including our performance relative to certain targets set by the automobile manufacturers, including customer satisfaction, service quality and other performance indicators. It is a common practice in our industry for the automobile manufacturers to independently determine their own rebate policies and practices, which typically cannot be negotiated by automobile dealerships. As a general market practice, instead of providing the incentive rebate rates in the dealership agreements, the automobile manufacturers generally determine their annual rebate policies and practices and inform dealerships of their basis for determining rebate amounts before the start of each calendar year. The manufacturers may make further adjustments to incentive rebates at the end of each quarter or year (depending on the policies of different automobile manufacturers), based on the manufacturers' assessment of their dealerships' performance for the period. Accordingly, these amounts are not finalized until the end of each quarter or year, as the case may be. From time to time, the automobile manufacturers also offer special incentive rebates to us for particular automobile models. These rebate amounts are settled from time to time (typically on a quarterly or annual basis), which vary among different automobile manufacturers. In 2011, 2012, 2013 and the three months ended March 31, 2014, we recorded rebates of approximately RMB344.4 million, RMB780.6 million, RMB936.5 million and RMB289.5 million, respectively, accounting for 75.4%, 122.8%, 93.4% and 77.3%, respectively, of our gross profit for the same periods. During the Track Record Period, a majority of our incentive rebates were settled by deducting the rebate amounts from the purchase price payable by us for subsequent automobile purchases, while the rest were paid in cash. We accrue incentive rebates at each reporting date based on our actual purchases, using the corresponding rebate rates as agreed with automobile manufacturers and our estimate of relevant factors, including our meeting certain sales and service targets set by the relevant automobile manufacturers.

Rebates relating to automobiles that we have already purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased that are still held by us as inventory are deducted from the carrying value of these automobiles, so that the cost of our inventory is recorded net of applicable rebates. The amount of rebates that we record in a given period is the sum of (1) the amount of rebates deducted from our cost of sales in that period, and (2) the amount of rebates deducted from the ending carrying amount of our inventory (the "Ending Inventory Rebates") less the amount of rebates deducted from the beginning carrying amount of our inventory (the "Beginning Inventory Rebates") in that period. As such, the RMB344.4 million of rebates that we recorded in 2011 is the sum of (1) RMB331.6 million, the amount deducted from our cost of sales in 2011, and (2) the Ending Inventory Rebates for 2011 of RMB15.2 million less the Beginning Inventory Rebates for 2011 of RMB2.4 million. The amount of rebates that we recorded in 2012 of RMB780.6 million is the sum of (1) RMB750.7 million, the amount deducted from our cost of sales in 2012, and (2) the Ending Inventory Rebates of RMB45.1 million for 2012 less the Beginning Inventory Rebates for 2012 of RMB15.2 million. The amount of rebates that we recorded in 2013 of RMB936.5 million is the sum of (1) RMB927.5 million, the amount deducted from our cost of sales in 2013, and (2) the Ending Inventory Rebates for 2013 of RMB54.1 million less the Beginning Inventory Rebates for 2013 of RMB45.1 million. The amount of our rebates that we recorded in the three months ended March 31,

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2014 of RMB289.5 million is the sum of (1) RMB295.0 million deducted from our cost of sales in the three months ended March 31, 2014, and (2) the Ending Inventory Rebates of RMB48.6 million deducted in the three months ended March 31, 2014 less the Beginning Inventory Rebates deducted in the three months ended March 31, 2014 of RMB54.1 million. Any significant change to our purchase costs and the rebates that we receive from automobile manufacturers will affect our results of operation and financial condition. See “Risk Factors—Risks Relating to Our Business—We are subject to restrictions imposed by the automobile manufacturers, and we rely on their cooperation in various aspects of our operations” in this prospectus for more information.

### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for you to understand our financial condition and results of operations, are set forth in detail in Note 2.4 to the Accountants’ Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing of our financial statements.

#### Basis of Consolidation

We have accounted for acquisition of subsidiaries under common control using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

We have not recognized any amount for goodwill or the excess of the acquirers’ interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

Our consolidated statements of profit or loss include the results of each of the consolidating entities or businesses from the earliest date presented or since the date when the consolidating entities or businesses first came under common control, whichever period is shorter, regardless of the date of the common control combination. The financial statements of our subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies.

We have attributed profit or loss and each component of other comprehensive income to the owners of the parent of our Group and to the non-controlling interests, even if this attribution will cause the non-controlling interests to have a deficit balance. All significant intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full on consolidation.



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Non-controlling interests represent the interests of outside shareholders not held by our Group in the results and net assets of the companies now comprising our Group.

We will reassess whether or not we control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in our accounting policy for subsidiaries. We have accounted for a change in the ownership interest of a subsidiary that does not result in a loss of control as an equity transaction.

### **Judgments and Estimates**

The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amounts of the affected assets or liabilities in the future.

#### *Judgments*

In the process of applying our accounting policies, our management has made the following judgments. We believe these judgements have the most significant effect on the amounts recognized in the financial information:

##### *Deferred tax assets*

We recognize deferred tax assets for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. It requires significant management judgement to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of our deferred tax assets was RMB7.0 million, RMB12.5 million, RMB5.8 million and RMB3.4 million as of December 31, 2011, 2012 and 2013 and March 31, 2014, respectively.

##### *Operating lease commitments—Group as lessor*

We have entered into commercial property leases on our property portfolio. We have determined, based on an evaluation of the terms and conditions of the arrangements. We retain all the significant risks and rewards of ownership of these properties that are leased out on operating leases.

##### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. These assumptions have a significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities for the next financial year.

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### *Impairment of goodwill*

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Impairment of non-financial assets (other than goodwill)*

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. We test non-financial assets for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, our management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Useful lives of property, plant and equipment*

Our property, plant and equipment are depreciated on the straight-line basis by taking into account the residual value. We review the estimated useful lives periodically to determine the related depreciation charges for our property, plant and equipment. We base our estimation of the useful lives on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, with consideration of market condition. Our management will increase the depreciation charges when useful lives become shorter than previously estimated.

### *Useful lives of intangible assets*

Our intangible assets are amortised on a straight-line basis with nil residual value. We review the estimated useful lives periodically to determine the related amortisation charges for our intangible assets. The estimation is based on useful lives as determined by comparable companies in the same industry and the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Our management will increase the amortisation charges when useful lives become shorter than previously estimated.

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### DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

The following summarizes components of certain items appearing in the Accountants' Report set out in Appendix I to this prospectus, which we believe may be helpful in understanding the period-to-period discussion that follows.

#### Revenue

We generated our revenue from automobile sales and after-sale and other services during the Track Record Period. For the years ended December 31, 2011, 2012, 2013 and the three months ended March 31, 2014, we generated total revenue of RMB6,017.4 million, RMB9,383.8 million, RMB11,587.8 million and RMB3,891.3 million, respectively. The following table sets out a breakdown of our revenues and the relative percentage contribution of each automobile category for the periods indicated:

	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
<b>Revenue</b>										
Automobile sales										
Luxury and ultra-luxury brands . . . . .	1,603,249	26.7	5,874,492	62.6	7,324,212	63.2	1,487,087	62.1	2,578,198	66.3
Mid- to high-end brands . . . . .	3,865,431	64.2	2,792,523	29.8	3,146,056	27.2	691,372	28.9	920,037	23.6
Subtotal . . . . .	5,468,680	90.9	8,667,015	92.4	10,470,268	90.4	2,178,459	91.0	3,498,235	89.9
After-sales and other services <sup>(1)</sup>	548,728	9.1	716,794	7.6	1,117,570	9.6	216,536	9.0	393,019	10.1
<b>Total . . . . .</b>	<b>6,017,408</b>	<b>100.0</b>	<b>9,383,809</b>	<b>100.0</b>	<b>11,587,838</b>	<b>100.0</b>	<b>2,394,995</b>	<b>100.0</b>	<b>3,891,254</b>	<b>100.0</b>

*Note:*

(1) Includes automobile repairs, maintenance and sales of spare parts, accessories and other automobile-related products.

Automobile sales generated a substantial portion of our revenue, accounting for 90.9%, 92.4%, 90.4% and 89.9% of our total revenue in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. Because of our focus on luxury and ultra-luxury brands, the sales of luxury and ultra-luxury automobiles accounted for an increasingly significant portion of our total revenue from automobile sales, representing 29.3%, 67.8%, 70.0% and 73.7% of our total revenue from automobile sales in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively.

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The following table sets forth a breakdown of our revenue from automobile sales by geography and the relevant percentage contribution of each area for the periods indicated:

	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution	Amount	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
<b>Automobile sales</b>										
Jiangsu . . . . .	5,246,665	95.9	5,145,691	59.4	6,524,356	62.3	1,363,758	62.6	2,065,994	59.1
Shanghai . . . . .	2,912	0.1	2,172,008	25.0	2,129,037	20.3	498,133	22.9	638,588	18.3
Shandong . . . . .	—	—	578,714	6.7	996,202	9.5	147,513	6.8	552,886	15.8
Zhejiang . . . . .	187,853	3.4	508,684	5.9	529,165	5.1	107,322	4.9	139,626	4.0
Anhui . . . . .	31,250	0.6	261,918	3.0	291,508	2.8	61,733	2.8	101,141	2.8
<b>Total . . . . .</b>	<b>5,468,680</b>	<b>100.0</b>	<b>8,667,015</b>	<b>100.0</b>	<b>10,470,268</b>	<b>100.0</b>	<b>2,178,459</b>	<b>100.0</b>	<b>3,498,235</b>	<b>100.0</b>

The amount of revenue that we recognize from our automobile sales is determined by the sales volume and the selling prices in the relevant year. We experienced a slight decrease in the average selling price for luxury and ultra-luxury automobiles from approximately RMB496,000 in 2011 to approximately RMB464,000 in 2012, approximately RMB450,000 in 2013 and approximately RMB434,000 in the three months ended March 31, 2014. These declines were primarily due to changes in the mix of luxury and ultra-luxury automobile brands and models that we sold during these periods. Our overall average selling price increased from approximately RMB152,000 in 2011 to approximately RMB236,000 in 2012, approximately RMB241,000 in 2013 and approximately RMB255,000 in the three months ended March 31, 2014. These increases were primarily due to our increased sale of luxury and ultra-luxury automobiles.

The following table sets forth the number of automobiles that we sold and their average selling prices for the periods indicated:

	Year Ended December 31,						Three-month Period Ended March 31,			
	2011		2012		2013		2013		2014	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	units	RMB'000	units	RMB'000	units	RMB'000	units	RMB'000	units	RMB'000
	(unaudited)									
Luxury and ultra-luxury brands . . . . .	3,234	496	12,661	464	16,263	450	3,308	450	5,945	434
Mid- to high-end brands . . . . .	32,728	118	24,107	116	27,118	116	6,058	114	7,781	118
<b>Total . . . . .</b>	<b>35,962</b>	<b>152</b>	<b>36,768</b>	<b>236</b>	<b>43,381</b>	<b>241</b>	<b>9,366</b>	<b>233</b>	<b>13,726</b>	<b>255</b>

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The contribution of after-sales and other services business to our total revenue decreased from 9.1% in 2011 to 7.6% in 2012. This decrease was primarily due to (i) our opening of 11 new stores in 2012, as our newly established automobile dealership stores typically needs at least three years to ramp up their after-sales and other services business, and (ii) our disposal of 11 stores, which were in operation at the time of disposal, in 2011. The contribution of after-sales and other services business to our total revenue increased from 7.6% in 2012 to 9.6% in 2013 and from 9.0% in the three months ended March 31, 2013 to 10.1% in the same period of 2014. These increases were primarily due to the opening of our newly established luxury and ultra-luxury automobile dealership stores and their continuing growth, as well as the continuing growth of our client base, in particular, after our implementation of the CRM module.

Revenue from our after-sales and other services includes charges for maintenance, repair and other services rendered by us and revenue from our sales of spare parts, accessories and other automobile-related products. We receive payment from automobile manufacturers for in-warranty repair and maintenance services and spare parts provided by us under their warranties. We receive payment from customers for the out-of-warranty repair and maintenance services, extended warranties and sale of spare parts, accessories and other automobile-related products not covered by warranties offered by the automobile manufacturers.

The prices of the automobiles and spare parts that we sell and our charges for after-sales and other services are affected by automobile manufacturers' pricing guidelines and other factors such as the popularity of particular models and competition with other 4S dealership groups in the same region. We have greater flexibility in determining our retail prices for automobile accessories and other automobile-related products. We generally require customers to make full payment in cash when our products and services are delivered.

### **Cost of Sales**

In 2011, 2012, 2013 and the three months ended March 31, 2014, our cost of sales amounted to RMB5,560.6 million, RMB8,747.9 million, RMB10,585.5 million and RMB3,516.5 million, respectively. Our cost of sales primarily comprises (i) the cost of new automobiles purchased from automobile manufacturers, which amounted to RMB5,208.8 million, RMB8,264.9 million, RMB9,925.8 million and RMB3,296.9 million in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively, representing 93.7%, 94.5%, 93.8% and 93.8% of our total cost of sales in these respective periods; and (ii) the cost of our after-sales and other services, which primarily comprises the cost of purchasing spare parts for our repair, maintenance and customization services, the cost of purchasing automobile accessories and other automobile-related products that we sell, as well as labor costs, amounted to RMB351.7 million, RMB483.0 million, RMB659.8 million and RMB219.6 million in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively, representing 6.3%, 5.5%, 6.2% and 6.2% of our total cost of sales in these respective periods.

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### Gross Profit

Gross profit of automobile sales represents our revenue from automobile sales less cost of sales of automobile sales, and gross profit margin of automobile sales represents gross profit of automobile sales divided by revenue from automobile sales, expressed as a percentage. Gross profit of after-sales and other services represents our revenue from after-sales and other services less cost of sales of our after-sales and other services, and gross profit margin of our after-sales and other services represents our gross profit of after-sales and other services divided by revenue from after-sales and other services, expressed as a percentage. The following table sets out a breakdown of our gross profits, the relative percentage of gross profit contribution and gross profit margins for the periods indicated:

	Year Ended December 31,									Three-month Period Ended March 31,					
	2011			2012			2013			2013			2014		
	Amount	Contribution	Gross Profit	Amount	Contribution	Gross Profit	Amount	Contribution	Gross Profit	Amount	Contribution	Gross Profit	Amount	Contribution	Gross Profit
RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	
	(unaudited)														
Gross profit															
Automobile Sales															
Luxury and ultra-luxury brands	75,366	16.5	4.7	323,444	50.8	5.5	436,691	43.6	6.0	89,019	49.7	6.0	170,462	45.5	6.6
Mid- to high-end brands	184,472	40.4	4.8	78,676	12.4	2.8	107,809	10.7	3.4	17,708	9.9	2.6	30,865	8.2	3.4
Subtotal	259,838	56.9	4.8	402,120	63.2	4.6	544,500	54.3	5.2	106,727	59.6	4.9	201,327	53.7	5.8
After-sales and other services <sup>(1)</sup>	196,998	43.1	35.9	233,781	36.8	32.6	457,804	45.7	41.0	72,373	40.4	33.4	173,402	46.3	44.1
Total	456,836	100.0	7.6	635,901	100.0	6.8	1,002,304	100.0	8.6	179,100	100.0	7.5	374,729	100.0	9.6

*Note:*

- (1) Includes automobile repairs, maintenance and sale of spare parts, accessories and other automobile-related products.

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### Other Income and Gains

Our other income and gains, net, includes primarily commission income received from (i) our customers and additionally, in case of financing from certain automobile manufacturers' financial companies, from those financial companies for consulting services for automobile purchase financing we provided, (ii) insurance companies for automobile insurance policies sold through our stores, and (iii) customers for pre-owned automobile trading. Our commission income increased by 134.6% from RMB49.1 million in 2011 to RMB115.2 million in 2012, by 33.6% from 2012 to RMB153.9 million in 2013, and by 34.3% from RMB36.3 million in the three months ended March 31, 2013 to RMB48.7 million in the same period in 2014. Commission income represented 65.5%, 66.1%, 63.0% and 74.9% of our other income and gains and 54.3%, 126.3%, 62.0% and 48.6% of our profit in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. Our other income and gains also includes income relating to our gain and income from disposal of subsidiaries, bank interest income from our bank deposits and government grants from local government authorities. We received government grants in recognition of our contribution to local economic development and employment of local residents. There is no assurance that similar grants will be made to us in any future period. The following table sets forth a breakdown of our other income and gains, net for the periods indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Other income and gains, net</b>					
Commission income . . . . .	49,128	115,175	153,943	36,293	48,744
Advertisement support received from motor vehicle manufacturers . . . . .	2,384	9,081	19,671	4,587	8,853
Government grants . . . . .	1,410	5,037	4,635	2,130	601
Bank interest income . . . . .	3,764	11,568	16,866	3,890	4,090
Net gain on disposal of items of property, plant and equipment	1,441	—	—	—	—
Gain and income from disposal of subsidiaries . . . . .	13,236	27,040	42,272	7,019	—
Rental income . . . . .	—	2,169	2,714	537	1,537
Others . . . . .	<u>3,642</u>	<u>4,112</u>	<u>4,431</u>	<u>1,442</u>	<u>1,260</u>
<b>Total . . . . .</b>	<u><u>75,005</u></u>	<u><u>174,182</u></u>	<u><u>244,532</u></u>	<u><u>55,898</u></u>	<u><u>65,085</u></u>

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### Selling and Distribution Expenses

In 2011, 2012, 2013 and the three months ended March 31, 2014, our selling and distribution expenses were RMB132.3 million, RMB220.0 million, RMB265.9 million and RMB86.0 million, respectively, representing 2.2%, 2.3%, 2.3% and 2.2% of our revenue of the same periods. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Selling and Distribution Expenses</b>					
Salaries and welfare . . . . .	41,022	63,713	83,675	19,613	32,322
Utilities . . . . .	4,010	5,908	6,619	2,106	2,472
Office supplies . . . . .	4,111	5,314	5,511	794	3,131
Travel and entertainment . . . . .	7,307	7,890	12,036	1,731	2,793
Advertising and promotion expenses . . . . .	39,958	62,865	53,080	9,166	12,565
Depreciation . . . . .	11,833	31,423	50,422	10,654	16,462
Automobile-related expenses . . . . .	7,063	8,677	13,317	2,473	4,322
Repair and maintenance . . . . .	3,902	6,589	6,732	1,015	1,900
Transportation and insurance . . . . .	4,450	5,878	8,912	1,351	2,728
Rental expense . . . . .	6,309	18,713	22,567	4,128	6,133
Others . . . . .	<u>2,321</u>	<u>3,022</u>	<u>3,049</u>	<u>121</u>	<u>1,212</u>
<b>Total . . . . .</b>	<u><u>132,286</u></u>	<u><u>219,992</u></u>	<u><u>265,920</u></u>	<u><u>53,152</u></u>	<u><u>86,040</u></u>



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### Administrative Expenses

In 2011, 2012, 2013 and the three months ended March 31, 2014, our administrative expenses were RMB168.6 million, RMB228.2 million, RMB284.2 million and RMB114.5 million, representing 2.8%, 2.4%, 2.5% and 2.9% of our revenue for the same periods.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Administrative Expenses</b>					
Salary and welfare . . . . .	76,713	97,910	106,187	23,442	30,814
Depreciation . . . . .	13,879	33,100	57,482	10,967	22,947
Traveling and entertainment . . .	21,927	17,889	14,750	3,671	3,451
Professional fees . . . . .	18,384	18,921	19,994	2,910	12,466
Bank charges . . . . .	6,170	11,934	13,676	3,291	3,934
Taxation . . . . .	5,312	10,400	13,931	2,095	3,430
Office supplies . . . . .	10,097	9,270	9,797	1,681	1,653
Amortization . . . . .	3,908	7,012	13,512	2,958	5,789
Utilities . . . . .	2,387	5,390	7,724	2,141	2,729
Repair and maintenance . . . . .	2,496	3,823	4,514	825	967
Insurance . . . . .	1,847	3,036	4,128	912	1,045
Telecommunication . . . . .	1,279	1,722	2,204	522	679
Share option expenses . . . . .	—	4,040	4,190	949	23,757
Others . . . . .	4,192	3,776	12,132	1,523	877
<b>Total . . . . .</b>	<b><u>168,591</u></b>	<b><u>228,223</u></b>	<b><u>284,221</u></b>	<b><u>57,887</u></b>	<b><u>114,538</u></b>

### Finance Costs

To finance our working capital and network expansion needs, we rely on (i) bank loans from domestic banks, (ii) borrowings from automobile manufacturers' finance companies and (iii) bank acceptance notes. Our finance costs include (i) interest expenses on bank borrowings, including other interest expenses in relation to the discounting of bank acceptance notes that we issued to automobile manufacturers; and (ii) interest on other borrowings from automobile manufacturers' finance companies. We obtain a combination of short-term and long-term, as well as fixed-rate and variable-rate, bank loans and other borrowings, in order to control our finance costs and limit our exposure to changes in interest rate. We also finance our purchase of automobiles by issuing bank acceptance notes to the automobile manufacturers. As part of our commercial arrangements with automobile manufacturers, we agreed to assume part of the interest expenses (that is the difference between the discounted value and the face value of the bank acceptance notes) incurred by automobile manufacturers in relation to their discounting of bank acceptance notes that we issue. We record these reimbursements of interest expenses for using bank acceptance notes as part of our finance costs for bank borrowings. In 2011, 2012, 2013 and the three months ended March 31, 2014, finance costs were RMB86.3 million, RMB201.1 million, RMB291.1 million and RMB86.6 million, representing 1.4%, 2.1%, 2.5% and 2.2%

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of our revenue, respectively. Our bank borrowings carried annual interest rates ranging from 5.1% to 9.2% as of December 31, 2011, from 5.6% to 24.0% as of December 31, 2012, from 5.6% to 24.0% as of December 31, 2013 and from 6.0% to 9.0% as of March 31, 2014. Our borrowings from automobile manufacturers' finance companies carried annual interest rates ranging from 5.9% to 11.5% as of December 31, 2011, from 3.9% to 9.2% as of December 31, 2012, from 4.8% to 9.9% as of December 31, 2013 and from 5.6% to 10.4% as of March 31, 2014. We also had interest capitalised that amounted to RMB13.4 million, RMB11.8 million, RMB9.4 million and RMB4.3 million in 2011, 2012, 2013 and the three months ended March 31, 2014.

### Income Tax Expenses

Income tax expenses represent our total current and deferred tax expenses. The following table sets forth a breakdown of our current and deferred tax expenses for the periods indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Income Tax Expenses</b>					
Current income tax . . . . .	56,633	49,203	110,745	18,232	44,288
Deferred tax . . . . .	<u>(6,984)</u>	<u>3,408</u>	<u>28,526</u>	<u>(1,818)</u>	<u>6,410</u>
<b>Total</b> . . . . .	<u><u>49,649</u></u>	<u><u>52,611</u></u>	<u><u>139,271</u></u>	<u><u>16,414</u></u>	<u><u>50,698</u></u>

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet of the Cayman Island that no law that is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations and the undertaking is for a period of twenty years from 28 January 2014.

Our subsidiaries incorporated in the BVI are currently exempt from income and corporate tax. In addition, the British Virgin Islands currently does not levy capital gains tax on companies incorporated or registered under the Business Companies Act, 2004.

Our subsidiaries incorporated in Hong Kong were subject to a profit tax at the rate of 16.5% during the Track Record Period. No provision for Hong Kong profits tax has been made as we had no assessable profits arising in Hong Kong during the Track Record Period.

All of our PRC subsidiaries have been subject to the statutory income tax rate of 25% in accordance with the EIT Law since January 1, 2008. Pursuant to the EIT Law and its implementing regulations, a 10% withholding tax is levied on dividends declared to foreign investors effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland of China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or the China-HK Tax Arrangement, a qualified Hong Kong tax resident that is the "beneficial owner" and that holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding rate of 5%, with the approval of the competent tax authorities. As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

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### RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
<b>Revenue</b> . . . . .	6,017,408	9,383,809	11,587,838	2,394,995	3,891,254
Cost of sales . . . . .	<u>(5,560,572)</u>	<u>(8,747,908)</u>	<u>(10,585,534)</u>	<u>(2,215,895)</u>	<u>(3,516,525)</u>
<b>Gross Profit</b> . . . . .	456,836	635,901	1,002,304	179,100	374,729
Other income and gains, net . . . . .	75,005	174,182	244,532	55,898	65,085
Selling and distribution expenses . . . . .	(132,286)	(219,992)	(265,920)	(53,152)	(86,040)
Administrative expenses . . . . .	(168,591)	(228,223)	(284,221)	(57,887)	(114,538)
Other expenses . . . . .	(4,655)	(16,985)	(17,884)	(4,079)	(1,687)
Finance costs . . . . .	<u>(86,257)</u>	<u>(201,059)</u>	<u>(291,147)</u>	<u>(74,304)</u>	<u>(86,623)</u>
<b>Profit before tax</b> . . . . .	140,052	143,824	387,664	45,576	150,926
Income tax expense . . . . .	<u>(49,649)</u>	<u>(52,611)</u>	<u>(139,271)</u>	<u>(16,414)</u>	<u>(50,698)</u>
<b>Profit for the year/period</b> . . . . .	<u>90,403</u>	<u>91,213</u>	<u>248,393</u>	<u>29,162</u>	<u>100,228</u>
Exchange differences on translation of foreign operations . . . . .	<u>(1,185)</u>	<u>551</u>	<u>(311)</u>	<u>(301)</u>	<u>(22)</u>
<b>Total comprehensive income for the year/period, net of tax</b> . . . . .	<u>89,218</u>	<u>91,764</u>	<u>248,082</u>	<u>28,861</u>	<u>100,206</u>
<b>Profit for the year/period attributable to:</b>					
Owners of the parent . . . . .	72,655	92,206	238,959	29,113	96,353
Non-controlling interests . . . . .	<u>17,748</u>	<u>(993)</u>	<u>9,434</u>	<u>49</u>	<u>3,875</u>
	<u>90,403</u>	<u>91,213</u>	<u>248,393</u>	<u>29,162</u>	<u>100,228</u>
<b>Total comprehensive income for the year/period attributable to:</b>					
Owners of the parent . . . . .	71,470	92,757	238,648	28,812	96,331
Non-controlling interests . . . . .	<u>17,748</u>	<u>(993)</u>	<u>9,434</u>	<u>49</u>	<u>3,875</u>
	<u>89,218</u>	<u>91,764</u>	<u>248,082</u>	<u>28,861</u>	<u>100,206</u>

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### The Three Months Ended March 31, 2014 Compared with the Three Months Ended March 31, 2013

	Three-month Period Ended March 31,				
	2013		2014		2014 VS. 2013
	RMB'000	% of Revenue	RMB'000	% of Revenue	% Change
	(unaudited)				
Revenue . . . . .	2,394,995	100.0	3,891,254	100.0	62.5
Cost of sales . . . . .	<u>(2,215,895)</u>	<u>(92.5)</u>	<u>(3,516,525)</u>	<u>(90.4)</u>	<u>58.7</u>
Gross profit . . . . .	179,100	7.5	374,729	9.6	109.2
Other income and gains, net . . . . .	55,898	2.3	65,085	1.7	16.4
Selling and distribution expenses . . . . .	(53,152)	(2.2)	(86,040)	(2.2)	61.9
Administrative expenses . . . . .	(57,887)	(2.4)	(114,538)	(2.9)	97.9
Other expenses . . . . .	(4,079)	(0.2)	(1,687)	0.0	(58.6)
Finance costs . . . . .	<u>(74,304)</u>	<u>(3.1)</u>	<u>(86,623)</u>	<u>(2.2)</u>	<u>16.6</u>
Profit before tax . . . . .	45,576	1.9	150,926	3.9	231.2
Income tax expenses . . . . .	<u>(16,414)</u>	<u>(0.7)</u>	<u>(50,698)</u>	<u>(1.3)</u>	<u>208.9</u>
Profit for the period . . . . .	<u>29,162</u>	<u>1.2</u>	<u>100,228</u>	<u>2.6</u>	<u>243.7</u>

#### Revenue

Our revenue increased by 62.5% from RMB2,395.0 million in the three months ended March 31, 2013 to RMB3,891.3 million in the same period of 2014, primarily due to an increase in revenue from automobile sales.

Revenue from automobile sales increased by 60.6% from RMB2,178.5 million in the three months ended March 31, 2013 to RMB3,498.2 million in the same period of 2014, primarily due to an increase in sales volume, particularly increased sales volume of luxury and ultra-luxury automobiles. Revenue from sales of luxury and ultra-luxury automobiles increased by 73.4% from RMB1,487.1 million in the three months ended March 31, 2013 to RMB2,578.2 million in the same period of 2014. Our sales volume of luxury and ultra-luxury automobiles increased by 79.7% from 3,308 units in the three months ended March 31, 2013 to 5,945 units in the same period of 2014. Revenue from sales of mid- to high-end automobiles increased by 33.1% from RMB691.4 million in the three months ended March 31, 2013 to RMB920.0 million in the same period of 2014. Sales volume of mid- to high-end automobiles increased by 28.4% from 6,058 units in the three months ended March 31, 2013 to 7,781 units in the same period of 2014. The increase in our sales volume was primarily attributable to (i) the contribution to automobile sales from the nine new luxury and ultra-luxury automobile dealership stores and two new mid- to high-end automobile dealership stores (including Xuzhou Rundong Huijing, which we disposed of in 2011 and reacquired on March 31, 2013) that we opened or acquired between March 31, 2013 and December 31, 2013 and (ii) continued sales growth at our existing luxury and ultra-luxury automobile dealership stores that were recently opened, as they continued to ramp up, as well as the greater demand

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for certain mid- to high-end brands automobiles in the three months ended March 31, 2014 compared to the same period in 2013, as the adverse market effect of the Diaoyu Islands dispute between China and Japan gradually decreased.

Revenue from our after-sales and other services business increased by 81.5% from RMB216.5 million in the three months ended March 31, 2013 to RMB393.0 million in the same period of 2014. The increase in revenue from our after-sales and other services business was attributable to (i) the contribution to after-sales and other services by 11 new stores that we newly opened or acquired between March 31, 2013 and December 31, 2013, including three Audi dealership stores that we acquired from a third party in October 2013; (ii) the continued ramp-up of the after-sales and other services business by our newly established stores; and (iii) our increased focus on servicing luxury and ultra-luxury automobiles, for which we generally charge higher price than for mid- to high-end automobiles.

### *Cost of sales*

Our cost of sales increased by 58.7% from RMB2,215.9 million in the three months ended March 31, 2013 to RMB3,516.5 million in the same period of 2014. This increase was generally consistent with the 62.5% growth in our revenue in the three months ended March 31, 2014 as compared with the same period in 2013.

Cost of sales for automobile sales increased by 59.1% from RMB2,071.7 million in the three months ended March 31, 2013 to RMB3,296.9 million in the same period of 2014. Cost of sales for luxury and ultra-luxury automobiles sales increased by 72.2% from RMB1,398.1 million in the three months ended March 31, 2013 to RMB2,407.7 million in the same period of 2014. Cost of sales for mid- to high-end automobiles sales increased by 32.0% from RMB673.7 million in the three months ended March 31, 2013 to RMB889.2 million in the same period of 2014. These changes were generally in line with the 73.4% increase in our revenue from luxury and ultra-luxury automobile sales and the 33.1% increase in our revenue from mid- to high-end automobile sales in the same periods. Our revenue from automobile sales increased by a greater percentage than the corresponding cost of sales, primarily because (i) we sold more higher-margin luxury and ultra-luxury automobile models in the three months ended March 31, 2014 than during the same period in 2013, and (ii) demand for certain mid- to high-end automobiles picked up in the three months ended March 31, 2014 as the adverse market effect of the Diaoyu Islands dispute between China and Japan gradually decreased, and as a result, we recorded higher average selling price for mid- to high-end automobiles sold in the three months ended March 31, 2014 than during the same period in 2013.

Cost of sales for after-sales and other services increased by 52.3% from RMB144.2 million in the three months ended March 31, 2013 to RMB219.6 million in the same period of 2014. This change was primarily attributable to the increase in our cost of sales for after-sales and other services business for luxury and ultra-luxury automobiles, which increased by 93.0% from RMB75.4 million in the three months ended March 31, 2013 to RMB145.6 million in the same period of 2014. The increase in the cost of sales for our after-sales and other services business for luxury and ultra-luxury automobiles was primarily attributable to our increased focus on servicing luxury and ultra-luxury automobiles with the continuing ramp-up of our newly established luxury and ultra-luxury stores, and the higher cost of sales for after-sales and other services for luxury and ultra-luxury automobiles compared to mid- to high-end automobiles. Our revenue from after-sales and other services increased by a larger percentage than the

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corresponding cost of sales, primarily due to (i) an increase in the utilization rate of our labor for after-sales and other services, as our newly established stores continued to ramp up their after-sales and other services business and (ii) our increased focus on after-sales and other services for luxury and ultra-luxury automobiles which have a relatively higher gross profit margin than those services for mid- to high-end automobiles.

### *Gross profit*

For the foregoing reasons, our gross profit increased by 109.2% from RMB179.1 million in the three months ended March 31, 2013 to RMB374.7 million in the same period of 2014. Gross profit from our automobile sales increased by 88.6% from RMB106.7 million in the three months ended March 31, 2013 to RMB201.3 million in the same period of 2014. Gross profit margin from our automobile sales increased from 4.9% in the three months ended March 31, 2013 to 5.8% in the same period of 2014. Gross profit from our sales of luxury and ultra-luxury automobiles increased by 91.5% from RMB89.0 million in the three months ended March 31, 2013 to RMB170.5 million in the same period of 2014. Gross profit margin from our sales of luxury and ultra-luxury automobiles increased from 6.0% in the three months ended March 31, 2013 to 6.6% in the same period of 2014. Gross profit from our sales of mid- to high-end automobiles increased by 74.3% from RMB17.7 million in the three months ended March 31, 2013 to RMB30.9 million in the same period of 2014. Gross profit margin from our sales of mid- to high-end automobiles increased from 2.6% in the three months ended March 31, 2013 to 3.4% in the same period of 2014.

Gross profit from our after-sales and other services increased by 139.6% from RMB72.4 million in the three months ended March 31, 2013 to RMB173.4 million in the same period of 2014. Gross profit margin from our after-sales and other services increased from 33.4% in the three months ended March 31, 2013 to 44.1% in the same period of 2014. Gross profit from our after-sales and other services contributed 40.4% and 46.3% of our total gross profit in the three months ended March 31, 2013 and 2014, respectively.

### *Other income and gains, net*

Other income and gains, net, increased by 16.4% from RMB55.9 million in the three months ended March 31, 2013 to RMB65.1 million in the same period of 2014, primarily due to increases in our commission income from automobile-related valued-added services. Our commission income from consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles increased by 34.3% from RMB36.3 million in the three months ended March 31, 2013 to RMB48.7 million in the same period of 2014, primarily due to the increased amount of automobile financing products and insurance policies sold through our stores, which was in line with the increased automobile sales. Our sales volume of luxury and ultra-luxury automobiles increased by 79.7% from 3,308 units in the three months ended March 31, 2013 to 5,945 units in the same period of 2014, and our sales volume of mid- to high-end automobiles increased by 28.4% from 6,058 units in the three months ended March 31, 2013 to 7,781 units in the same period of 2014.

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### *Selling and distribution expenses*

Our selling and distribution expenses increased by 61.9% from RMB53.2 million in the three months ended March 31, 2013 to RMB86.0 million in the same period of 2014. This increase was primarily due to a 64.8% increase in salaries and welfare expenses from RMB19.6 million in the three months ended March 31, 2013 to RMB32.3 million in the same period of 2014, and to a lesser extent, increases in depreciation and other expenses in support of our expanded business scale. This increase was in line with the 62.5% increase in our revenue from the three months ended March 31, 2013 to the same period in 2014. As a percentage of revenue, selling and distribution expenses remained stable at 2.2% in both these periods.

### *Administrative expenses*

Our administrative expenses increased by 97.9% from RMB57.9 million in the three months ended March 31, 2013 to RMB114.5 million in the same period of 2014. This increase was primarily due to (i) an RMB22.8 million increase in share option expenses in relation to the Pre-IPO Share Option Scheme, (ii) an RMB12.0 million increase in depreciation largely attributable to our newly established stores, (iii) an RMB9.6 million increase in professional fees primarily incurred in connection with the Global Offering, and (iv) an RMB7.4 million increase in salary and welfare primarily to support our newly established stores. As a percentage of revenue, administrative expenses increased slightly from 2.4% in the three months ended March 31, 2013 to 2.9% in the same period of 2014.

### *Finance costs*

Our finance costs increased by 16.6% from RMB74.3 million in the three months ended March 31, 2013 to RMB86.6 million in the same period of 2014. This increase was primarily due to the higher average balance of our borrowings, primarily as a result of (i) our increased use of bank acceptance notes and borrowings from automobile manufacturers' financial companies to fund our increased automobile purchases in line with our network expansion and sales growth, and (ii) our increased use of bank borrowings to fund the construction of new stores.

### *Profit before tax*

As a result of the foregoing, our profit before tax increased by 231.2% from RMB45.6 million in the three months ended March 31, 2013 to RMB150.9 million in the same period of 2014.

### *Income tax expenses*

Our income tax expense increased by 208.9% from RMB16.4 million in the three months ended March 31, 2013 to RMB50.7 million in the same period of 2014. Our effective tax rate decreased from 36.0% in the three months ended March 31, 2013 to 33.6% in the same period of 2014.

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### *Profit for the period*

As a result of the foregoing, our profit increased by 243.7% from RMB29.2 million in the three months ended March 31, 2013 to RMB100.2 million in the same period of 2014.

### **The Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012**

	Year Ended December 31,				
	2012		2013		2013 vs. 2012
	RMB'000	% of Revenue	RMB'000	% of Revenue	% Change
Revenue . . . . .	9,383,809	100.0	11,587,838	100.0	23.5
Cost of sales . . . . .	<u>(8,747,908)</u>	<u>(93.2)</u>	<u>(10,585,534)</u>	<u>(91.4)</u>	<u>21.0</u>
Gross profit . . . . .	635,901	6.8	1,002,304	8.6	57.6
Other income and gains, net	174,182	1.9	244,532	2.1	40.4
Selling and distribution expenses . . . . .	(219,992)	(2.3)	(265,920)	(2.3)	20.9
Administrative expenses . . . . .	(228,223)	(2.4)	(284,221)	(2.5)	24.5
Other expenses . . . . .	(16,985)	(0.2)	(17,884)	(0.2)	5.3
Finance costs . . . . .	<u>(201,059)</u>	<u>(2.1)</u>	<u>(291,147)</u>	<u>(2.5)</u>	<u>44.8</u>
Profit before tax . . . . .	143,824	1.5	387,664	3.3	169.5
Income tax expenses . . . . .	<u>(52,611)</u>	<u>(0.6)</u>	<u>(139,271)</u>	<u>(1.2)</u>	<u>164.7</u>
Profit for the year . . . . .	<u>91,213</u>	<u>1.0</u>	<u>248,393</u>	<u>2.1</u>	<u>172.3</u>

### *Revenue*

Our revenue increased by 23.5% from RMB9,383.8 million in 2012 to RMB11,587.8 million in 2013, primarily due to an increase in revenue from automobile sales.

Revenue from automobile sales increased by 20.8% from RMB8,667.0 million in 2012 to RMB10,470.3 million in 2013, primarily due to an increase in sales volume, particularly the increased sales volume of luxury and ultra-luxury automobiles. Revenue from sales of luxury and ultra-luxury automobiles increased by 24.7% from RMB5,874.5 million in 2012 to RMB7,324.2 million in 2013. Our sales volume of luxury and ultra-luxury automobiles increased by 28.4% from 12,661 units in 2012 to 16,263 units in 2013. Revenue from sales of mid- to high-end automobiles increased by 12.7% from RMB2,792.5 million in 2012 to RMB3,146.1 million in 2013. Sales volume of mid- to high-end automobiles increased by 12.5% from 24,107 units in 2012 to 27,118 units in 2013. The increase in our sales volume was primarily attributable to (i) the contribution to automobile sales from the 10 new luxury and ultra-luxury automobile dealership stores that we opened in 2013 and (ii) continued sales growth at our existing stores that were recently opened, as they continued to ramp up, as well as the greater demand for luxury and ultra-luxury automobiles in 2013 compared to 2012.

Revenue from our after-sales and other services business increased by 55.9% from RMB716.8 million in 2012 to RMB1,117.6 million in 2013. The increase in revenue from our after-sales and other services business was attributable to (i) the higher average price that we charged for our after-sales and



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other services in 2013 compared to the price in 2012, primarily due to the change in the mix of our after-sales and other services to focus on servicing of luxury and ultra-luxury automobiles, which generally involve higher charges for after-sales and other services than do mid- to high-end automobiles, and (ii) the increase in the accumulated number of automobiles that we sold in prior years with the continuing ramp-up of our newly established automobile dealership stores, particularly the increase in our accumulated sales volume for luxury and ultra-luxury automobiles from 17,686 units as of December 31, 2012 to 33,949 units as of December 31, 2013.

### *Cost of sales*

Our cost of sales increased by 21.0% from RMB8,747.9 million in 2012 to RMB10,585.5 million in 2013. This increase was generally consistent with the growth in our revenue in 2013.

Cost of sales for automobile sales increased by 20.1% from RMB8,264.9 million in 2012 to RMB9,925.8 million in 2013. Cost of sales for luxury and ultra-luxury automobiles sales increased by 24.1% from RMB5,551.0 million in 2012 to RMB6,887.5 million in 2013. Cost of sales for mid- to high-end automobiles sales increased by 12.0% from RMB2,713.8 million in 2012 to RMB3,038.2 million in 2013. These changes were generally in line with the increases in our revenue from luxury and ultra-luxury automobile sales and revenue from mid- to high-end automobile sales in the same period.

Cost of sales for after-sales and other services increased by 36.6% from RMB483.0 million in 2012 to RMB659.8 million in 2013. This change was primarily attributable to the increase in our cost of sales for after-sales and other services business for luxury and ultra-luxury automobiles, which increased by 76.6% from RMB216.7 million in 2012 to RMB382.8 million in 2013. The increase in our cost of sales for after-sales and other services business for luxury and ultra-luxury automobiles was primarily attributable to (i) the increasing accumulated number of luxury and ultra-luxury automobiles we sold in prior periods with the continuing ramp-up of our newly established automobile dealership stores, and (ii) the higher cost of sales for after-sales and other services for luxury and ultra-luxury automobiles compared to mid- to high-end automobiles. Our revenue from after-sales and other services increased by a larger percentage than our cost of sales from 2012 to 2013, primarily due to (i) an increase in the utilization rate of our labor for after-sales and other services, as our newly established stores continued to ramp up their after-sales and other services business; for example, the utilization rate per station for after-sales and other services at our repair center, Lianyungang Zhibao and our Comparable Stores for luxury and ultra-luxury brands, representing the result of revenue from after-sales and other services per station of those stores divided by the theoretical maximum revenue from after-sales and other services per station determined by the relevant automobile manufacturers, increased from 28.6% in 2012 to 42.9% in 2013, (ii) our increased focus on after-sales and other services for luxury and ultra-luxury automobiles which have a relatively higher margin than those services for mid- to high-end automobiles, and (iii) our automobile detailing services, which generally is a higher margin business, that we began providing in 2013.

### *Gross profit*

For the foregoing reasons, our gross profit increased by 57.6% from RMB635.9 million in 2012 to RMB1,002.3 million in 2013. Gross profit from automobile sales increased by 35.4% from RMB402.1 million in 2012 to RMB544.5 million in 2013. Gross profit margin from automobile sales increased from 4.6% in 2012 to 5.2% in 2013. Gross profit from sales of luxury and ultra-luxury automobiles increased by 35.0% from RMB323.4 million in 2012 to RMB436.7 million in 2013. Gross profit margin

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from sales of luxury and ultra-luxury automobiles increased from 5.5% in 2012 to 6.0% in 2013. Gross profit from sales of mid- to high-end automobiles increased by 37.0% from RMB78.7 million in 2012 to RMB107.8 million in 2013. Gross profit margin from sales of mid- to high-end automobiles increased from 2.8% in 2012 to 3.4% in 2013.

Gross profit from after-sales and other services increased by 95.8% from RMB233.8 million in 2012 to RMB457.8 million in 2013. Gross profit margin from after-sales services increased from 32.6% in 2012 to 41.0% in 2013. Gross profit from our after-sales and other services contributed 36.8% and 45.7% of our total gross profit in 2012 and 2013, respectively.

### *Other income and gains, net*

Other income and gains, net, increased by 40.4% from RMB174.2 million in 2012 to RMB244.5 million in 2013, primarily due to increases in our commission income from automobile-related valued-added services. Our commission income from consulting services for automobile purchase financing, automobile insurance agency services and our services of facilitating the trading of pre-owned automobiles increased by 33.6% from RMB115.2 million in 2012 to RMB153.9 million in 2013 primarily due to the increased commission income generated by increased amount of automobile financing products and insurance policies sold through our stores in line with the increased automobile sales. Our sales volume of luxury and ultra-luxury automobiles increased by 28.4% from 12,661 units in 2012 to 16,263 units in 2013, and our sales volume of mid- to high-end automobiles increased by 12.5% from 24,107 units in 2012 to 27,118 units in 2013. The increase in our other income and gains was also attributable to the gain and income from disposal of subsidiaries of RMB42.3 million that we recognized in 2013 in relation to our disposal of subsidiaries, a 56.3% increase compared with RMB27.0 million in the prior year.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by 20.9% from RMB220.0 million in 2012 to RMB265.9 million in 2013. This increase was primarily due to a 31.3% increase in salaries and welfare expenses from RMB63.7 million in 2012 to RMB83.7 million in 2013 as a result of the increased number of sales-related employees in line with expansion of our business scale and higher average salary, partially offset by an 15.6% decrease in our advertising and promotion expenses from RMB62.9 million in 2012 to RMB53.1 million in 2013 as a result of our increased use of cost-efficient social media tools and online marketing platforms through the implementation of our CRM system. As a percentage of revenue, selling and distribution expenses remained stable at 2.3% in 2012 and 2013.

### *Administrative expenses*

Our administrative expenses increased by 24.5% from RMB228.2 million in 2012 to RMB284.2 million in 2013. This increase was primarily due to our opening of 10 new luxury and ultra-luxury stores in 2013. As a percentage of revenue, administrative expenses slightly increased from 2.4% in 2012 to 2.5% in 2013.

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### *Finance costs*

Our finance costs increased by 44.8% from RMB201.1 million in 2012 to RMB291.1 million in 2013. This increase was primarily due to the higher average balance of our borrowings, primarily as a result of our increased short-term bank borrowings and increased use of bank acceptance notes to fund our increased automobile purchases, which was consistent with our network expansion and sales growth, as well as our increased sales of luxury and ultra-luxury automobiles, which involve higher purchase costs than mid- to high-end automobiles, and (ii) increased long-term bank borrowings to fund the construction of new stores. The annual interest rates of our bank borrowings ranged from 5.6% to 24.0% as of December 31, 2013 and from 5.6% to 24.0% as of December 31, 2012. Our borrowings from automobile manufacturers' finance companies carried annual interest rates ranging from 4.8% to 9.9% as of December 31, 2013 compared to 3.9% to 9.2% as of December 31, 2012.

### *Profit before tax*

As a result of the foregoing, our profit before tax increased by 169.5% from RMB143.8 million in 2012 to RMB387.7 million in 2013.

### *Income tax expenses*

Our income tax expense increased by 164.7% from RMB52.6 million in 2012 to RMB139.3 million in 2013. Our effective tax rate decreased from 36.6% in 2012 to 35.9% in 2013.

### *Profit for the period*

As a result of the foregoing, our profit increased by 172.3% from RMB91.2 million in 2012 to RMB248.4 million in 2013.

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### The Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

The following table represents selected income statement data, the percentage presents such amounts of total revenue and their percentage change for the years indicated.

	Year Ended December 31,				
	2011		2012		2012 vs. 2011
	RMB'000	% of Revenue	RMB'000	% of Revenue	% Change
Revenue . . . . .	6,017,408	100.0	9,383,809	100.0	55.9
Cost of sales . . . . .	<u>(5,560,572)</u>	<u>(92.4)</u>	<u>(8,747,908)</u>	<u>(93.2)</u>	<u>57.3</u>
Gross profit . . . . .	456,836	7.6	635,901	6.8	39.2
Other income and gains, net	75,005	1.2	174,182	1.9	132.2
Selling and distribution					
expenses . . . . .	(132,286)	(2.2)	(219,992)	(2.3)	66.3
Administrative expenses . . .	(168,591)	(2.8)	(228,223)	(2.4)	35.4
Other expenses . . . . .	(4,655)	(0.1)	(16,985)	(0.2)	264.9
Finance costs . . . . .	<u>(86,257)</u>	<u>(1.4)</u>	<u>(201,059)</u>	<u>(2.1)</u>	<u>133.1</u>
Profit before tax . . . . .	140,052	2.3	143,824	1.5	2.7
Income tax expenses . . . . .	<u>(49,649)</u>	<u>(0.8)</u>	<u>(52,611)</u>	<u>(0.6)</u>	<u>6.0</u>
Profit for the year . . . . .	<u>90,403</u>	<u>1.5</u>	<u>91,213</u>	<u>1.0</u>	<u>0.9</u>

#### Revenue

Our revenue increased by 55.9% from RMB6,017.4 million in 2011 to RMB9,383.8 million in 2012, primarily due to an increase in revenue from our sales of automobiles.

Revenue from our sales of automobiles increased by 58.5% from RMB5,468.7 million in 2011 to RMB8,667.0 million in 2012, which was primarily due to an increase in sales volume, particularly for luxury and ultra-luxury automobiles. Our sales volume of luxury and ultra-luxury automobiles increased by 291.5% from 3,234 units in 2011 to 12,661 units in 2012. Revenue from our sales of luxury and ultra-luxury automobiles increased significantly by 266.4% from RMB1,603.2 million in 2011 to RMB5,874.5 million in 2012. The changes in our sales volume and revenue from sales of automobiles were primarily attributable to (i) the contribution to automobile sales from the eight new luxury and ultra-luxury automobile dealership stores that we opened in 2012, (ii) the increased proportion of luxury and ultra-luxury automobiles units that we sold, which generally have higher selling price than mid- to high-end automobiles, and (iii) continued sales growth at our existing automobile dealership stores, primarily due to continued increases in demand for luxury and ultra-luxury automobiles. The increase in our revenue from automobile sales was partially offset by decrease in revenue from our sales of mid-to high-end automobiles. Our revenue from sales of mid- to high-end automobiles decreased by 27.8% from RMB3,865.4 million in 2011 to RMB2,792.5 million in 2012, primarily as a result of our disposal of nine mid- to high-end stores, which were in operation at the time of disposal, in 2011 as well as the reduced market demand for certain mid- to high-end brands automobiles as a result of public reaction to the Diaoyu Islands dispute between China and Japan.

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Revenue from our after-sales and other services business increased by 30.6% from RMB548.7 million in 2011 to RMB716.8 million in 2012. This increase was attributable to the increased after-sales revenue generated by the increasing accumulated number of automobiles sold in prior periods, particularly the increase in our sales volume of luxury and ultra-luxury automobiles from 5,025 units as of December 31, 2011 to 17,686 units as of December 31, 2012 and, to a lesser extent, the number of luxury and ultra-luxury automobile dealership stores that we opened in 2012 compared to 2011, as luxury and ultra-luxury automobiles generally involve higher charges for after-sales and other services than mid- to high-end automobiles. This increase was partially offset by our disposal of 11 stores, all of which were in operation at the time of disposal, in 2011.

### *Cost of sales*

Our cost of sales increased by 57.3% from RMB5,560.6 million in 2011 to RMB8,747.9 million in 2012. This increase was generally consistent with the growth in our revenue in 2012.

Cost of sales for automobile sales increased by 58.7% from RMB5,208.8 million in 2011 to RMB8,264.9 million in 2012. Cost of sales for automobile sales represented 93.7% and 94.5% of our cost of sales in 2011 and 2012, respectively. Cost of sales for sales of luxury and ultra-luxury automobiles increased by RMB4,023.1 million from RMB1,527.9 million in 2011 to RMB5,551.0 million in 2012. Cost of sales for sales of mid- to high-end automobiles decreased by 26.3% from RMB3,681.0 million in 2011 to RMB2,713.8 million in 2012, primarily as a result of our disposal of nine mid- to high-end stores, all of which were in operation at the time of disposal, in 2011. These changes were in line with the increases in our revenue from sales of luxury and ultra-luxury automobiles and decreases in our revenue from sales of mid- to high-end automobiles.

Our cost of sales for after-sales and other services business increased by 37.3%, from RMB351.7 million in 2011 to RMB483.0 million in 2012. This increase was primarily due to the increase of our cost of sales for after-sales and other services business for luxury and ultra-luxury automobiles, which increased substantially from RMB76.5 million in 2011 to RMB216.7 million in 2012, primarily attributable to the increased number of luxury and ultra-luxury automobiles we sold in prior periods and the higher cost of sales for after-sales and other services of luxury and ultra-luxury automobiles compared to mid- to high-end automobiles.

### *Gross profit*

As a result of the foregoing, our gross profit increased by 39.2% from RMB456.8 million in 2011 to RMB635.9 million in 2012.

Our gross profit from automobile sales increased by 54.8% from RMB259.8 million in 2011 to RMB402.1 million in 2012. Our gross profit margin from automobile sales decreased slightly from 4.8% in 2011 to 4.6% in 2012. Gross profit from sales of luxury and ultra-luxury automobiles increased substantially from RMB75.4 million in 2011 to RMB323.4 million in 2012. Our gross profit from sales of mid- to high-end automobiles decreased by 57.4% from RMB184.5 million in 2011 to RMB78.7 million in 2012. Our gross profit margin from sales of luxury and ultra-luxury automobiles increased from 4.7% in 2011 to 5.5% in 2012. Gross profit margin from sales of mid- to high-end automobiles decreased from 4.8% in 2011 to 2.8% in 2012, primarily due to the reduction in the average selling

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price of mid- to high-end automobiles, which was attributable to the intensified competition in 2012 as well as the reduced market demand for certain mid- to high-end automobiles as a result of public reaction to the Diaoyu Islands dispute between China and Japan.

Gross profit from after-sales services increased by 18.7% from RMB197.0 million in 2011 to RMB233.8 million in 2012. Gross profit margin for after-sales services decreased from 35.9% in 2011 to 32.6% in 2012. Gross profit from our after-sales and other services contributed 43.1% and 36.8% of our total gross profit in 2011 and 2012, respectively.

### *Other income and gains, net*

Other income and gains increased substantially from RMB75.0 million in 2011 to RMB174.2 million in 2012, primarily due to an increase in our commission income. Our commission income increased by 134.6% from RMB49.1 million in 2011 to RMB115.2 million in 2012, primarily due to an increase in the amount of automobile financing products and insurance policies sold through our automobile dealership stores, which increased in line with the significant increase in our sales volume, in particular for luxury and ultra-luxury automobiles. Our sales volume of luxury and ultra-luxury automobiles increased by 291.5% from 3,234 units in 2011 to 12,661 units in 2012. The increase in other income and gains, net is also attributable to (i) an increase in our gain and income from disposal of certain subsidiaries of RMB13.8 million, compared with RMB13.2 million in 2011, (ii) an increase in bank interest income generated from our pledged bank deposits as a result of our increased use of bank acceptance notes and our sales growth and (iii) an increase in government grants from local government authorities.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by 66.3% from RMB132.3 million in 2011 to RMB220.0 million in 2012. This increase was primarily due to increases in salaries and welfare expenses as a result of the increased number of employees and higher average salary, our advertising and promotion expenses depreciation and traveling expenses. These increases were generally consistent with the growth in our business operations. As a percentage of revenue, our selling and distribution expenses slightly increased from 2.2% in 2011 to 2.3% in 2012.

### *Administrative expenses*

Our administrative expenses increased by 35.4% from RMB168.6 million in 2011 to RMB228.2 million in 2012. This increase was primarily due to the increases in our salary and welfare expenses, depreciation and amortization, which was primarily attributable to the expansion of our network from 30 stores as of December 31, 2011 to 40 stores as of December 31, 2012. As a percentage of revenue, administrative expenses decreased from 2.8% in 2011 to 2.4% in 2012, primarily due to our enhanced cost control and management efficiency.

### *Finance costs*

Our finance costs increased substantially from RMB86.3 million in 2011 to RMB201.1 million in 2012, primarily due to the higher average balance of our borrowings, primarily as a result of (i) increased short-term bank borrowings and our increased use of bank acceptance notes to fund our increased automobile purchases, which was consistent with our network expansion and sales growth, and

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our increased sales of luxury and ultra-luxury automobiles, which involve higher purchase costs than mid- to high-end automobiles, and (ii) increased long-term bank borrowings to fund our construction of new stores, which carried higher effective interest rates. Our bank borrowings carried interest at annual rates ranging from 5.6% to 24.0% in 2012 compared to 5.1% to 9.2% in 2011. In view of the credit tightening in China in the second half of 2012 and the planned expansion of our business scale, in late 2012 we took the precaution of borrowing five syndicated loans with annual interest rates of 24.0% with an aim of reserving capital for our business growth. Our borrowings from the automobile manufacturers' finance companies carried annual interest rates ranging from 3.9% to 9.2% in 2012 compared to 5.9% to 11.5% in 2011.

### *Profit before tax*

As a result of the foregoing, our profit before tax increased by 2.7% from RMB140.1 million in 2011 to RMB143.8 million in 2012.

### *Income tax expenses*

We recorded income tax expenses of RMB49.6 million in 2011 with an effective tax rate of 35.5%. We recorded income tax expenses of RMB52.6 million in 2012 with an effective tax rate of 36.6%, primarily as a result of an RMB8.9 million provision of deferred tax liabilities in 2012 for a special dividend that our Directors declared on July 23, 2014 and that they intend to pay out of the distributable profits in 2012 of our PRC subsidiaries, partially offset by our utilization of taxable losses from prior periods in 2012.

### *Profit for the year*

As a result of the foregoing, our profit for the year increased by 0.9% from RMB90.4 million in 2011 to RMB91.2 million in 2012.

## LIQUIDITY AND CAPITAL RESOURCES

### **Cash Flow**

Our primary uses of cash are to pay for purchases of new automobiles, spare parts, accessories and other automobile-related products; to establish or acquire new stores; and to fund our working capital and normal operating expenses. We finance our liquidity requirements through a combination of short-term bank loans and other borrowings as well as cash flows generated from our operating activities. We expect to continue to incur a high level of indebtedness to fund our high inventory level and payments for new automobiles as a result of the continuing expansion of our business. Our operating cash flow was negative in 2011, and while it became positive in 2012, 2013 and the three months ended March 31, 2014, it may become negative again in the future as a result of our purchases of automobile inventory to stock our rapidly expanding store network. We finance our working capital needs primarily through cash flow generated from our operations, bills payable, bank borrowings and other borrowings from automobile manufacturers' finance companies. During the Track Record Period, we did not experience any significant difficulties in entering into or rolling over our bank loans or other borrowings.

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The following table presents selected cash flow data from our consolidated cash flow statements for the years indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from/(used in)					
operating activities . . . . .	(11,216)	161,860	594,203	155,495	468,269
Net cash used in investing activities . .	(932,335)	(644,866)	(611,463)	(226,721)	(395,361)
Net cash generated from					
financing activities . . . . .	1,042,197	359,685	70,275	201,267	55,902
Net increase/(decrease) in cash and					
cash equivalents . . . . .	98,646	(123,321)	53,015	130,041	128,810
Cash and cash equivalents at the end					
of each year/period . . . . .	487,551	364,781	417,485	494,521	546,273

### *Cash Flow Generated from/(Used in) Operating Activities*

In the three months ended March 31, 2014, we had a net cash inflow from operating activities of RMB468.3 million, consisting of a net cash inflow of RMB303.7 million generated from operating activities before changes in working capital, a net cash inflow of RMB187.9 million relating to changes in working capital, and a cash outflow of income tax paid of RMB23.4 million. Our cash flows generated from operating activities before changes in working capital of RMB303.7 million was primarily attributable to our profit before tax, adjusted to add back (i) finance costs of RMB86.6 million, (ii) depreciation of RMB39.4 million and (iii) equity-settled share option expense of RMB23.8 million, and to deduct interest income of RMB4.1 million. The cash inflow relating to changes in working capital primarily consisted of (i) an increase in trade and bills payables of RMB205.7 million in line with the growth of our business scale, (ii) a decrease in prepayments, deposits and other receivables of RMB147.0 million and a decrease in inventories of RMB126.2 million because we usually purchase more inventory at the end of each year to prepare for the coming spring sale season, (iii) a decrease in trade receivables of RMB28.5 million and (iv) a decrease in cash in transit of RMB8.6 million. The cash inflow was offset in part by (i) an increase in pledged bank deposits of RMB322.7 million primarily due to our increased sales and longer terms of certain of our bank acceptance notes as a result of change in policy of the relevant banks from the fourth quarter of 2013 and (ii) a decrease in other payables and accruals of RMB5.4 million.

In 2013, we had a net cash inflow from operating activities of RMB594.2 million, consisting of RMB758.8 million in cash flows generated from operating activities before changes in working capital, a net cash outflow of RMB137.8 million relating to changes in working capital and income tax paid of RMB26.8 million. Our cash flows generated from operating activities before changes in working capital of RMB758.8 million was primarily attributable to our profit before tax, adjusted to add back (i) finance costs of RMB291.1 million and (ii) depreciation of RMB107.9 million, and to deduct our gain and income from disposal of subsidiaries of RMB42.3 million. The net cash outflow relating to changes in working capital primarily consisted of (i) an increase in inventories of RMB476.5 million to support our growing business, (ii) an increase in prepayments, deposits and other receivables of RMB78.7 million,



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which was primarily attributable to our increased prepayments and deposits to our suppliers in line with our increased sales and (iii) an increase in trade receivables of RMB76.6 million in line with our sales growth. The cash outflow was offset in part by (i) a decrease in pledged bank deposits of RMB250.8 million due to the terms of our bank acceptance notes more closely matching our inventory turnover days in 2013, (ii) an increase in trade and bills payables of RMB161.9 million, which was primarily due to our increased purchases of automobiles as our stores established in prior periods continued to ramp up sales and (iii) an increase in other payables and accruals of RMB98.2 million, which was related primarily to our purchases of spare parts and accessories.

In 2012, we had a net cash inflow from operating activities of RMB161.9 million, consisting of RMB397.0 million in cash flows generated from operating activities before changes in working capital, a net cash outflow of RMB218.3 million relating to changes in working capital and income tax paid of RMB16.8 million. Our cash flows generated from operating activities before changes in working capital of RMB397.0 million was primarily attributable to our profit before tax of RMB143.8 million, adjusted to add back (i) finance costs of RMB201.1 million, (ii) depreciation of RMB64.5 million, (iii) loss from disposal of items of property, plant and equipment of RMB15.1 million, which primarily related to our sales of automobiles used for demonstrations, and (iv) amortization of land use right of RMB5.3 million, and deduct (i) interest income of RMB11.6 million and (ii) our gain and income from disposal of subsidiaries of RMB27.0 million in relation to our disposal of subsidiaries in 2011 and 2012. The net cash outflow of RMB218.3 million relating to changes in working capital was due primarily to (i) an increase in pledged bank deposits of RMB737.2 million, which related primarily to security arrangement relating to our increased bills payable, (ii) an increase in inventories of RMB381.0 million to support our growing business, (iii) an increase in prepayments, deposits and other receivables of RMB332.5 million that was primarily due to our increased prepayments and deposits to our suppliers, which was associated with our increased sales, these were offset in part by (i) an increase in trade and bills payables of RMB1,121.8 million, which was primarily due to our increased sales and (ii) an increase in other payables and accruals of RMB153.1 million, which related primarily to our purchases of spare parts and accessories.

In 2011, we recorded net cash flow used in operating activities of RMB11.2 million, consisting of RMB237.5 million in cash flow generated from operating activities before changes in working capital, a net cash outflow of RMB205.4 million relating to changes in working capital and income tax paid of RMB43.3 million. Our cash flows generated from operating activities before changes in working capital of RMB237.5 million was primarily attributable to (i) our profit before tax of RMB140.1 million, adjusted to add back finance costs of RMB86.3 million and depreciation of RMB25.7 million and deduct (i) gain and income from disposal of subsidiaries of RMB13.2 million in relation to our disposal of subsidiaries in 2011, (ii) interest income of RMB3.8 million and (iii) gain from disposal of items of property, plant and equipment of RMB1.4 million, primarily in relation to our sales of automobiles used for demonstrations. The net cash outflow of RMB205.4 million relating to changes in working capital was due primarily to (i) an increase in prepayments, deposits and other receivables of RMB641.0 million, (ii) an increase in inventories of RMB590.7 million, and (iii) an increase in pledged bank deposits of RMB285.9 million, which were offset in part by (i) an increase in trade and bills payable of RMB1,028.3 million and (ii) an increase in other payables and accruals of RMB234.6 million.

We regularly monitor current and expected liquidity requirements and our compliance with lending covenants to ensure that we maintain sufficient working capital to meet our daily operation demand and liquidity requirements both in the short term and in the long term. As of the Latest Practicable Date, we

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had received automobile manufacturers' authorizations or non-binding LOIs to establish another 15 luxury and ultra-luxury stores. See "Our Business—Our Network—Network Coverage Expansion" for a description of our planned network expansion. Unless we have sufficient funding from other resources, such as bank credit facilities, our working capital and capital expenditures may be constrained which could materially and adversely affect our business, growth, results of operations and financial condition.

### *Cash Flow Used in Investing Activities*

Our net cash used in investing activities reflects purchases of property, plant and equipment, land use rights and intangible assets, and acquisition of non-controlling interests, offset by cash received relating to our disposal of items of property, plant and equipment, payments of interest, net cash inflow in respect of our disposal of subsidiaries and payments from other investing activities.

In the three months ended March 31, 2014, our net cash used in investing activities was RMB395.4 million. This net cash used in investing activities was mainly attributable to our purchase of property, plant and equipment of RMB418.5 million in relation to the set-up of our new stores, and was partially offset by (i) proceeds from disposal of items of property, plant and equipment of RMB19.2 million in relation to our sale of automobiles used for demonstrations and (ii) interest received of RMB4.1 million on our bank deposits.

In 2013, our net cash used in investing activities was RMB611.5 million. This net cash used in investing activities was mainly attributable to (i) our purchase of property, plant and equipment of RMB725.5 million in relation to our new stores as well as renovations at some of our existing stores, (ii) our acquisition of three Audi dealership stores, Jialun Insurance and Xuzhou Rundong Huijing in the amount of RMB385.9 million, and (iii) our purchase of land use right of RMB57.9 million in connection with our new stores. These amounts were partially offset by (i) net cash inflow in respect of disposal of subsidiaries of RMB318.3 million, (ii) repayment from former subsidiaries disposed to third parties, net, of RMB92.3 million, (iii) interest received from disposal of subsidiaries of RMB75.9 million, and (iv) proceeds received from disposal of items of property, plant and equipment of RMB57.2 million in relation to our sale of automobiles used for demonstrations.

In 2012, our net cash used in investing activities was RMB644.9 million. This net cash used in investing activities was mainly attributable to (i) purchase of property, plant and equipment of RMB613.4 million to support our network expansion, (ii) purchase of land use rights of RMB129.9 million in connection with our new stores, and (iii) purchase of intangible assets of RMB3.7 million. These amounts were offset in part by net cash inflow in respect of repayment from the disposed subsidiaries of RMB51.6 million, proceeds from disposal of items of property, plant and equipment of RMB29.0 million, interest received of RMB11.6 million.

In 2011, our net cash used in investing activities was RMB932.3 million. This net cash used in investing activities was mainly attributable to (i) purchase of property, plant and equipment of RMB517.5 million, (ii) purchase of land use rights of RMB137.0 million, (iii) acquisition of equity interests by the Group from the then equity holders, (iv) net cash outflow in respect to disposal of subsidiaries of RMB24.2 million primarily in relation to the cash held by our disposed subsidiaries, which was treated as our cash outflow due to the disposal and (v) advances to the former subsidiaries disposed to third parties of RMB143.8 million. These amounts were offset in part by proceeds from disposal of items of property, plant and equipment of RMB21.4 million.

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### *Cash Flow Generated from Financing Activities*

Our net cash flow generated from financing activities primarily includes proceeds from interest-bearing bank and other borrowings and proceeds from issuance of shares, partially offset by repayment of interest-bearing bank and other borrowings, payments of interest and our advances to Mr. Yang Peng.

In the three months ended March 31, 2014, our net cash generated from financing activities was RMB55.9 million. This net cash generated from financing activities was attributable to proceeds from interest-bearing bank and other borrowings of RMB1,698.4 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB1,305.7 million, (ii) advances to Mr. Yang Peng of RMB137.3 million in relation to his borrowings from us, (iii) increase in pledged bank deposits of RMB108.5 million, and (iv) interest paid of RMB91.0 million for our loans and other borrowings.

In 2013, our net cash generated from financing activities was RMB70.3 million. This net cash generated from financing activities was mainly attributable to proceeds from interest-bearing bank and other borrowings of RMB5,082.6 million and a decrease in pledged bank deposits of RMB717.6 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB5,059.1 million, payment of interest of RMB300.5 million and our advances to Mr. Yang Peng of RMB370.4 million in relation to his borrowings from us.

In 2012, our net cash generated from financing activities was RMB359.7 million. This net cash inflow from financing activities was mainly attributable to proceeds from interest-bearing bank and other borrowings of RMB4,641.6 million, partially offset by cash used for (i) repayment of interest-bearing bank and other borrowings of RMB2,876.8 million, (ii) change in pledged bank deposits of RMB892.2 million, (iii) advance from Mr. Yang Peng of RMB300.0 million and (iv) payment of interest of RMB212.9 million.

In 2011, our net cash generated from financing activities was RMB1,042.2 million. This net cash generated from financing activities was mainly attributable to (i) proceeds from interest-bearing borrowings of RMB2,875.0 million, and (ii) proceeds from issue of shares of RMB415.1 million partially offset by cash used for (i) repayment of interest-bearing bank and other borrowings of RMB2,114.3 million, (ii) change in pledged bank deposits of RMB121.9 million and (iii) payment of interest of RMB99.6 million.

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### Net Current Assets and Liabilities

The following table sets forth the breakdown of our current assets and current liabilities of the dates indicated:

	As of December 31,			As of March 31,	As of Indebtedness Date
	2011	2012	2013	2014	Date
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current Assets</b>					
Inventories . . . . .	694,656	1,070,310	1,639,689	1,513,466	1,667,011
Trade receivables . . . . .	63,250	102,959	190,150	161,636	172,976
Prepayments, deposits and other receivables . . . . .	1,219,624	1,503,809	1,137,384	990,357	1,063,697
Amount due from a related party . .	86,621	462,903	760,923	910,527	640,090
Cash in transit . . . . .	3,350	5,594	23,345	14,703	49,945
Pledged bank deposits . . . . .	490,946	2,120,374	1,270,078	1,701,362	1,703,903
Restricted cash . . . . .	—	—	—	—	92,543
Cash and cash equivalents . . . . .	<u>487,551</u>	<u>364,781</u>	<u>417,485</u>	<u>546,273</u>	<u>647,209</u>
<b>Total current assets . . . . .</b>	<b><u>3,045,998</u></b>	<b><u>5,630,730</u></b>	<b><u>5,439,054</u></b>	<b><u>5,838,324</u></b>	<b><u>6,037,374</u></b>
<b>Current Liabilities</b>					
Trade and bills payables . . . . .	1,241,262	2,358,837	2,738,062	2,943,740	3,186,845
Other payables and accruals . . . . .	409,310	626,086	781,173	741,694	686,695
Interest-bearing bank and other borrowings . . . . .	894,985	2,310,925	2,306,336	2,722,181	2,819,699
Income tax payable . . . . .	20,923	53,295	137,243	158,147	139,020
Amount due to a related party . . . .	<u>209,180</u>	<u>285,425</u>	<u>315,086</u>	<u>327,391</u>	<u>327,426</u>
<b>Total current liabilities . . . . .</b>	<b><u>2,775,660</u></b>	<b><u>5,634,568</u></b>	<b><u>6,277,900</u></b>	<b><u>6,893,153</u></b>	<b><u>7,159,685</u></b>
<b>Net current assets/(liabilities) . . .</b>	<b><u>270,338</u></b>	<b><u>(3,838)</u></b>	<b><u>(838,846)</u></b>	<b><u>(1,054,829)</u></b>	<b><u>(1,122,311)</u></b>

We had net current liabilities of RMB3.8 million as of December 31, 2012, compared with net current assets of RMB270.3 million as of December 31, 2011. This change was primarily due to an increase in our current liabilities of RMB2,858.9 million, which was largely attributable to (i) an increase of our current interest-bearing bank and other borrowings of RMB1,415.9 million, primarily to fund our rapid network expansion, and (ii) an increase in our trade and bills payables of RMB1,117.6 million, primarily to fund our increased purchases of automobiles.

We had net current liabilities of RMB838.8 million as of December 31, 2013, compared with net current liabilities of RMB3.8 million as of December 31, 2012. The increase in our net current liabilities was primarily the result of an RMB191.7 million decrease in our total current assets from December 31, 2012 to December 31, 2013, primarily due to (i) a decrease in our pledged bank deposits of RMB850.3 million and (ii) a decrease in our prepayments, deposits and other receivables of RMB366.4 million,

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which was partially offset by an increase in our inventories of RMB569.4 million; while our cash and cash equivalent did not increase in line with the foregoing decreases, primarily because we used a significant portion of the cash generated from our operating activities to purchase, for RMB412.9 million, the equity interests in the three Audi dealership stores and Jialun Insurance, and we used primarily cash that we had generated from our operating activities and net cash in respect of the disposal of subsidiaries, and to a lesser extent, long-term bank loans and a small portion of short-term bank loans to purchase property, plant and equipment and land use rights in the amount of RMB783.4 million for our newly established stores and new planned stores in 2013, which became our non-current assets. The increase in our net current liabilities as of December 31, 2013 was also the result of the RMB643.3 million increase in our current liabilities from December 31, 2012 to December 31, 2013, which was primarily due to an increase in our trade and bills payables of RMB379.2 million. The increase in our net current liabilities was also attributable to our acquisition of the three Audi dealership stores and Jialun Insurance, which recorded net current liabilities of RMB57.5 million as of December 31, 2013.

We had net current liabilities of RMB1,054.8 million as of March 31, 2014 and of RMB1,122.3 million as of May 31, 2014 compared with net current liabilities of RMB838.8 million as of December 31, 2013. These increases were primarily because we used a significant portion of our cash generated from operating activities and to a lesser extent, short-term bank loans in the five months ended May 31, 2014 to purchase property, plant and equipment and land use rights for our new stores, which became our non-current assets. As of May 31, 2014, we had unutilized and unrestricted loan facilities of RMB1,244.4 million from commercial banks. Our unutilized loan facilities from commercial banks as of May 31, 2014 carried interest rates that are generally 105% to 130% of the PBOC benchmark interest rates for loans of the same maturities prevailing at relevant drawdowns. Our Directors believe that given the credit facilities available to us, the proceeds that we expect to receive from the Global Offering, and with the continuing ramp-up of the sales of our relatively young dealership stores, we will be able to improve our liquidity position in the future. See “Risk Factors—Risks Relating to Our Business—We had net current liabilities as of December 31, 2012 and 2013 and as of March 31 and May 31, 2014” for more information.

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### *Inventories*

Our inventories primarily consist of new automobiles and, to a lesser extent, spare parts, accessories and original brand merchandise.

The following table sets forth a summary of our total inventories as of each date indicated:

	<u>As of December 31,</u>			<u>As of March 31,</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Automobiles . . . . .	634,651	973,421	1,486,684	1,369,737
Spare parts and accessories . . . . .	<u>60,005</u>	<u>96,889</u>	<u>153,005</u>	<u>143,729</u>
<b>Total</b> . . . . .	<u><u>694,656</u></u>	<u><u>1,070,310</u></u>	<u><u>1,639,689</u></u>	<u><u>1,513,466</u></u>

Our inventories increased by RMB375.7 million, or 54.1%, from RMB694.7 million as of December 31, 2011 to RMB1,070.3 million as of December 31, 2012, and further by RMB569.4 million, or 53.2%, from December 31, 2012 to RMB1,639.7 million as of December 31, 2013. These increases were primarily due to (i) the 23 stores that we opened from December 31, 2011 to December 31, 2013 and (ii) an increased proportion of luxury and ultra-luxury brands in our total sales, which had a higher cost per automobile. Our inventories decreased slightly from RMB1,639.7 million as of December 31, 2013 to RMB1,513.5 million as of March 31, 2014, primarily because we usually purchase more inventory at the end of each year to prepare for the coming spring sale season. We assess periodically if our inventories have suffered an impairment when the cost of the inventories are lower than their net realizable value. During the Track Record Period, we did not make any provision for inventory impairment.

	<u>Year Ended December 31,</u>			<u>Three Months Ended</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>March 31,</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Inventory turnover days <sup>(1)</sup> . . . . .	30.9	36.8	46.7	40.4

*Note:*

- (1) Inventory turnover days for each one-year period equals the average of the beginning and ending inventory for such year divided by cost of sales for the year and multiplied by 365 days, and the inventory turnover days for a three-month period equals the average of the beginning and ending inventory for such period divided by the cost of sales for the period and multiplied by 90 days.

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Our inventory turnover days increased from 30.9 days in 2011 to 36.8 days in 2012 primarily due to (i) our opening of seven luxury and ultra-luxury automobile dealership stores in the second half of 2011 and the opening of eight luxury and ultra-luxury automobile dealership stores in 2012, as we usually maintain higher inventory levels at newly-established stores as compared to our more mature stores in anticipation of the expected sales ramp-up, and (ii) our disposal of nine mid- to high-end stores, all of which were in operation at the time of disposal, in 2011, as inventory turnover of mid- to high-end automobiles was generally faster than luxury and ultra-luxury automobiles. Our inventory turnover days increased from 36.8 days in 2012 to 46.7 days in 2013, primarily due to (i) the opening of 10 luxury and ultra-luxury dealership stores in 2013, as inventory turnover at these newly-established stores took longer compared to our more mature stores, and (ii) our acquisition of three Audi dealership stores in October 31, 2013, which had relatively long inventory turnover days in 2013. Our inventory turnover days decreased from 46.7 days in 2013 to 40.4 days in the three months ended March 31, 2014, primarily due to our increased sales in the three months ended March 31, 2014 as our newly established stores continued to ramp up their sales, and the market for certain mid- to high-end automobiles picked up as the adverse market effect of the Diaoyu Islands dispute gradually decreased.

As of May 31, 2014, RMB1,476.6 million, or 97.6%, of our inventory balance as of March 31, 2014 had been sold or utilized.

### *Trade Receivables*

Our automobile sales are typically settled on a cash basis upon delivery of the automobiles. Our trade receivables balances primarily comprise (i) proceeds due to us from our customers whose purchase prices were paid from banks and automobile manufacturers' finance companies from automobile financing loans obtained by our customers for their purchases, and (ii) receivables from automobile manufacturers and insurance companies for after-sales and other services that we provided to our customers.

Our trade receivables increased by 62.7% from RMB63.3 million as of December 31, 2011 to RMB103.0 million as of December 31, 2012, and further by 84.7% from December 31, 2012 to RMB190.2 million as of December 31, 2013. The increase in trade receivables during the Track Record Period is generally in line with the growth in our automobile sales, after-sales and other services and automobile-related value-added services in the same period. Our trade receivables decreased slightly from RMB190.2 million as of December 31, 2013 to RMB161.6 million as of March 31, 2014.

As the underlying transactions for these trade receivables were with diversified customers, we do not believe there is significant concentration of credit risk for our trade receivables. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. During the Track Record Period, we did not make any provision for trade receivables.

As of May 31, 2014, we had collected RMB158.0 million, or 97.7%, of the outstanding balance amount of our trade receivables as of March 31, 2014.

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The following table sets forth an aging analysis (based on dates of invoices) of our trade receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
Within three months . . . . .	57,002	86,619	178,250	149,344
More than three months but less than one year . . . . .	3,949	12,912	10,335	12,292
More than one year . . . . .	2,299	3,428	1,565	—
<b>Total</b> . . . . .	<b>63,250</b>	<b>102,959</b>	<b>190,150</b>	<b>161,636</b>

Our trade receivables outstanding for less than three months increased by 52.0% from RMB57.0 million as of December 31, 2011 to RMB86.6 million as of December 31, 2012 and further by 105.8% from December 31, 2012 to RMB178.3 million as of December 31, 2013, which was primarily due to increases in our receivables relating to automobile financing loans as a result of our increased automobile sales. Our trade receivables outstanding for more than three months but less than one year increased significantly by 230.8% from RMB3.9 million as of December 31, 2011 to RMB12.9 million as of December 31, 2012, representing 6.2% and 12.5% of our total trade receivables as of December 31, 2011 and 2012, respectively, which was primarily due to the increase in our receivables from automobile manufacturers and insurance companies for after-sales and other services, as our newly established stores continued to ramp up sales. While our trade receivables outstanding for more than three months but less than one year decreased slightly from RMB12.9 million as of December 31, 2012 to RMB10.3 million as of December 31, 2013, it increased to RMB12.3 million as of March 31, 2014 primarily due to the increase in receivables from automobile manufacturers and insurance companies for after-sales and other services as we opened or acquired 11 new automobile dealership stores from March 31, 2013 to December 31, 2013 and our newly established stores continued to ramp up sales.

	Year Ended December 31,			Three-month Period Ended March 31,
	2011	2012	2013	2014
Trade receivables turnover days <sup>(1)</sup> . . .	5.9	3.2	4.6	4.1

*Note:*

- (1) Trade receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade receivables for such year divided by revenue of the year and multiplied by 365 days, and the trade receivables turnover days for a three-month period equals the average of the beginning and ending balances of trade receivables for such period divided by revenue of the period and multiplied by 90 days.

Our trade receivables turnover days is used to indicate the time required for us to obtain cash proceeds from our sales. Our trade receivable turnover days were 5.9, 3.2, 4.6 and 4.1 days in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. We maintained short turnover days during the Track Record Period mainly because most of our sales were conducted on a cash basis.



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### *Prepayments, Deposits and Other Receivables*

The following table sets out our prepayment, deposits and other receivables as of each date indicated:

	<u>As of December 31,</u>			<u>As of March 31,</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers . . . . .	589,693	454,949	469,138	421,217
Rebate receivables . . . . .	114,356	410,195	508,585	434,568
Receivables in respect of the consideration for the disposals of subsidiaries . . . . .	222,837	220,437	—	—
Receivables due from former subsidiaries disposed of to third parties . . . . .	143,846	92,274	—	—
VAT recoverable <sup>(1)</sup> . . . . .	53,937	108,063	112,068	81,052
Interest receivables in respect of outstanding consideration and amounts due from subsidiaries disposed of. . . . .	—	40,107	—	—
Prepaid expense . . . . .	11,195	25,769	20,224	21,269
Others . . . . .	<u>83,760</u>	<u>152,015</u>	<u>27,369</u>	<u>32,251</u>
<b>Total</b> . . . . .	<u><u>1,219,624</u></u>	<u><u>1,503,809</u></u>	<u><u>1,137,384</u></u>	<u><u>990,357</u></u>

*Note:*

- (1) Our sales of automobiles are subject to PRC Value Added Tax (“VAT”). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rate for VAT for our domestic sales is 17%.

Our prepayments, deposits and other receivables as of December 31, 2011 and 2012 and 2013 and March 31, 2014 were RMB1,219.6 million, RMB1,503.8 million, RMB1,137.4 million and RMB990.4 million, respectively. The increase in our prepayments, deposits and other receivables between December 31, 2011 and December 31, 2012 was primarily attributable to (i) increases in our rebate receivables as a result of our sales growth, (ii) increases in our receivables due from our subsidiaries disposed of, and (iii) increases in our interest receivables, which was primarily due to interest accrued on the outstanding consideration and principal payable to us in connection with our disposals of subsidiaries. The decrease in our prepayments, deposits and other receivables between December 31, 2012 and December 31, 2013 was primarily because (i) our receivables in respect of the consideration for the disposals of subsidiaries or interest receivables in respect of outstanding consideration and amount due from subsidiaries disposed of as of December 31, 2012, were all collected by December 31, 2013, and (ii) our receivables due from former subsidiaries disposed of to third parties as of December 31, 2012 were all collected by December 31, 2013. The decrease in our prepayments, deposits and other receivables between December 31, 2013 and March 31, 2014 was primarily because (i) the decrease in our rebate receivables as a number of automobile manufacturers usually pay off a significant portion of

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the prior year's accrued rebates in the first quarter of a year, (ii) the decrease in our prepayments to suppliers as we prepaid for more inventory at the year-end of 2013 to stock our stores for the spring sale season and (iii) the decrease in our VAT recoverable due to our increased sales in the three months ended March 31, 2014. As of May 31, 2014, we had collected RMB154.3 million, or 35.5%, of the outstanding balance amount of our rebate receivables from suppliers as of March 31, 2014.

### *Trade and Bills Payables*

Our trade and bills payables relate mainly to (i) our bills payable for our purchases of automobiles with bank acceptance notes with a tenure of one to three months, and (ii) trade payables for our purchases of spare parts, accessories and other automobile-related production. We use bank acceptance notes in addition to cash to purchase automobiles, and are required to bear applicable bank charges in connection with their issuance and discounts. The bank acceptance notes are generally secured by our bank deposits. Our trade and bills payables increased by 90.0% from RMB1,241.3 million as of December 31, 2011 to RMB2,358.8 million as of December 31, 2012. This increase in trade and bills payables was primarily due to our increased purchases of automobiles, spare parts and accessories as a result of our enlarged business scale in line with our network expansion. Our trade and bills payables increased by 16.1% from RMB2,358.8 million as of December 31, 2012 to RMB2,738.1 million as of December 31, 2013, and by 7.5% from December 31, 2013 to RMB2,943.7 million as of March 31, 2014, primarily due to our increased bills payables for purchase of automobiles.

The following table sets forth an aging analysis of our trade and bills payables (based on dates of invoices) as of the dates indicated:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months . . . . .	1,147,526	1,990,720	2,628,546	2,217,715
3 to 6 months . . . . .	77,065	354,463	104,647	719,916
6 to 12 months . . . . .	14,143	7,704	929	1,648
Over 12 months . . . . .	2,528	5,950	3,940	4,461
<b>Total</b> . . . . .	<b>1,241,262</b>	<b>2,358,837</b>	<b>2,738,062</b>	<b>2,943,740</b>
				<b>Three-month Period Ended March 31,</b>
				<b>2014</b>
				<b>2013</b>
				<b>2012</b>
				<b>2011</b>
Trade and bills payables turnover days <sup>(1)</sup> . . . . .	54.7	75.1	87.9	72.7

*Note:*

- (1) Trade and bills payables turnover days for each one-year period equals the average of the beginning and ending trade and bills payables for such year divided by cost of sales for the year and multiplied by 365 days, and the trade and bills payables turnover days for a three-month period equals the average of the beginning and ending trade and bills payables for such period divided by cost of sales for the period and multiplied by 90 days.

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Our trade and bills payables turnover days increased from 54.7 days in 2011 to 75.1 days in 2012, 87.9 days in 2013, primarily due to an increase in bills payables as a result of our increased use of bank acceptance notes to finance our working capital. Our trade and bills payables turnover days decreased slightly from 87.9 days in 2013 to 72.7 days in the three months ended March 31, 2014, which was in line with our increased sales in the three months ended March 31, 2014, partially offset by the lengthened terms of bank acceptance notes available to us due to a change in policy of certain banks from the fourth quarter of 2013.

During the Track Record Period we did not experience any delay or default in payment of our trade and bills payables.

### *Other Payables and Accruals*

The following table sets forth our other payables and accruals as of the dates indicated:

	<u>As of December 31,</u>			<u>As of March 31,</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Advances from customers . . . . .	112,360	167,623	273,148	270,996
Payables for purchase of items of property, plant and equipment and land use rights . . . . .	138,734	191,783	259,928	225,870
Taxes payable (other than income tax)	20,324	52,710	83,615	104,746
Accrued expenses . . . . .	4,830	22,643	17,764	26,515
Others . . . . .	<u>133,062</u>	<u>191,327</u>	<u>146,718</u>	<u>113,567</u>
<b>Total</b> . . . . .	<u><u>409,310</u></u>	<u><u>626,086</u></u>	<u><u>781,173</u></u>	<u><u>741,694</u></u>

Our other payables and accruals increased from RMB409.3 million as of December 31, 2011 to RMB626.1 million as of December 31, 2012 and further increased to RMB781.2 million as of December 31, 2013. These increases were primarily attributable to increases in advances from customers associated with our increased automobile sales and increases in payables for purchase of items of property, plant and equipment and land use rights in relation to construction of our new stores. Our other payables and accruals decreased slightly from RMB781.2 million as of December 31, 2013 to RMB741.7 million as of March 31, 2014, primarily due to our repayment of certain construction expenses for our new stores.

### **Related Party Transactions**

As of December 31, 2011, 2012 and 2013 and March 31, 2014, our amount due from Mr. Yang Peng was RMB86.6 million, RMB462.9 million, RMB760.9 million and RMB910.5 million, respectively, in relation to Mr. Yang Peng's borrowings from our Group. These borrowings bear no interest, as orally agreed between Mr. Yang Peng and us. As of December 31, 2011, 2012 and 2013 and March 31, 2014, our amount due to Mr. Yang Peng was RMB209.2 million, RMB285.4 million, RMB315.1 million and RMB327.4 million, respectively, in relation to our borrowings from Mr. Yang Peng. We will settle all amounts due from and due to Mr. Yang Peng upon Listing.

## FINANCIAL INFORMATION

### Capital Expenditures

Our capital expenditures during the Track Record Period comprised expenditures on property, plant and equipment and land use rights. Our total capital expenditures were RMB654.6 million, RMB743.3 million, RMB783.4 million and RMB418.5 million for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. The following table sets forth our capital expenditures for our business for the periods indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Capital expenditure</b>					
Property, plant and equipment . . . . .	517,523	613,355	725,494	234,193	418,475
Land use rights . . . . .	137,036	129,935	57,870	33,516	—
<b>Total . . . . .</b>	<b>654,559</b>	<b>743,290</b>	<b>783,364</b>	<b>267,709</b>	<b>418,475</b>

### Capital Commitment and Operating Lease Commitment

As of March 31, 2014, we had contracted for (but not provided for) capital expenditures in respect of land use rights and buildings of approximately RMB739.0 million, which are payable within two years. As of May 31, 2014, we had contracted for (but not provided for) additional capital expenditures in respect of land use rights and buildings of approximately RMB605.0 million. We expect most of our capital expenditures will be for (i) the acquisition of land use rights, (ii) property construction and (iii) purchases of equipment and fittings. As of the Latest Practicable Date, we had incurred capital expenditures of approximately RMB544.9 million in relation to 15 new stores for which we had obtained authorizations or non-binding LOIs from automobile manufacturers, as well as a 4S dealership store of Huai'an Baotielong for Land Rover and Jaguar and a showroom of Jinan Runzhiyi for Maserati and Ferrari, both of which commenced operation in June 2014, and we expect to incur an additional RMB540.2 million of capital expenditure for these stores. See “Business—Network Coverage and Expansion—Network expansion through organic growth” for more information.

We used to locate our automobile dealership stores solely on self-owned premises, and we began to use leased premises in 2011, with the relevant properties and land held under operating leases. These operating leases typically run for an initial period ranging from two to five years. The following table sets forth our total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,			As of March 31,	As of the Indebtedness Date
	2011	2012	2013	2014	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year . . . . .	9,260	12,779	33,309	32,288	32,419
After one year but within five years . . . . .	28,889	73,677	103,325	112,386	132,066
After five years . . . . .	14,612	96,219	120,344	138,568	164,665
<b>Total . . . . .</b>	<b>52,761</b>	<b>182,675</b>	<b>256,978</b>	<b>283,242</b>	<b>329,150</b>

## FINANCIAL INFORMATION

### Indebtedness

We obtained borrowings from banks and automobile manufacturers' finance companies. Our bank borrowings and other borrowings as of December 31, 2011, 2012 and 2013 and March 31, 2014 were RMB1,433.5 million, RMB3,163.3 million, RMB3,245.4 million and RMB3,638.1 million, respectively. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of the Indebtedness Date
	2011	2012	2013	2014	Date
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current</b>					
Bank loans . . . . .	811,262	2,204,224	2,129,008	2,523,889	2,615,682
Other borrowings . . . . .	83,723	106,701	177,328	198,292	204,017
	894,985	2,310,925	2,306,336	2,722,181	2,819,699
<b>Non-current</b>					
Bank loans . . . . .	538,500	852,325	939,063	915,925	906,300
	1,433,485	3,163,250	3,245,399	3,638,106	3,725,999
<b>Bank loans and other borrowings</b>					
Secured . . . . .	51,618	1,000,580	265,156	269,619	198,702
Guaranteed . . . . .	430,991	727,579	1,003,236	1,380,095	1,516,596
Secured and guaranteed . . . . .	950,876	1,435,091	1,977,007	1,988,392	2,010,701
	1,433,485	3,163,250	3,245,399	3,638,106	3,725,999

Our bank loans and other borrowings increased by RMB1,729.8 million, or 120.7%, from RMB1,433.5 million as of December 31, 2011 to RMB3,163.3 million as of December 31, 2012. Our bank loans and other borrowings increased by RMB82.1 million, or 2.6%, from RMB3,163.3 million as of December 31, 2012 to RMB3,245.4 million as of December 31, 2013, as a result of the increase in our long-term bank borrowings and short-term other borrowings from automobile manufacturers' finance companies, partially offset by the decrease in our short-term bank borrowings. Our bank loans and other borrowings increased by RMB392.7 million, or 12.1%, from RMB3,245.4 million as of December 31, 2013 to RMB3,638.1 million as of March 31, 2014, as a result of the increase in our short-term bank loans and other borrowings from automobile manufacturers' finance companies, partially offset by the decrease in our long-term bank borrowings. The increases in our bank loans and other borrowings during the Track Record Period were mainly due to our capital expenditures on network expansion and working capital requirements in connection with our newly opened stores and the resulting increase in automobile purchases. During the Track Record Period, we did not experience any delay or default in repayment of bank and other borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As of the date of this prospectus, we did not have any plan for material external debt financing.

Our bank loans and other borrowings are denominated in RMB. Our bank borrowings and other borrowings carried annual interest rates ranging from 5.1% to 11.5% as of December 31, 2011, from 3.9% to 24.0% as of December 31, 2012, from 4.8% to 24.0% as of December 31, 2013 and from 5.6% to 10.4% as of March 31, 2014.

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Our borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in China. The loan agreements contain material covenants that impose certain restrictions on us, for example, without the lenders' prior consent, we may not make any disposal of material assets, mergers and acquisitions or other reorganizations, or make dividend distributions. During the Track Record Period and up to the Latest Practicable Date, we had not been in default of these covenants that could cause any material adverse impact on our business operations.

As of May 31, 2014 ("Indebtedness Date"), we had total unrestricted credit facilities of approximately RMB7,388.0 million made available to us by commercial banks and automobile manufacturers' finance companies. As of May 31, 2014, we had utilized RMB2,615.7 million of these credit facilities for current interest-bearing bank loans and RMB906.3 million of these credit facilities for long-term bank loans, with the annual interest rates generally ranging from 6.0% to 9.0%. As of the Indebtedness Date, among our bank loans, RMB1,155.3 million were guaranteed by Mr. Yang Peng (which will be released upon Listing), RMB1,645.1 million were secured by mortgages over our land use rights and buildings, RMB1,505.3 million were secured by pledges over shares of our subsidiaries, RMB65.0 million were secured by pledges over our minority equity interest in a financial institution, and RMB20.0 million were guaranteed by an Independent Third Party. We and the Independent Third Party have historically provided guarantees for each other's borrowings, which we believe is a normal business practice. For example, we guaranteed a bank loan of RMB5.0 million for this Independent Third Party as of May 31, 2014, more details of which are set out in "—Statement of Indebtedness." We will not cease providing the guarantee simply as a result of the Listing of the Company.

Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control. See "Risk Factors—We may not be able to obtain adequate financing on acceptable terms on a timely basis, or at all, and we may issue securities that dilute your interests or limit our business."

The following table sets forth the maturity profile of our bank borrowings and other borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of the Indebtedness
	2011	2012	2013	2014	Date
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Bank borrowings repayable:</b>					
Within one year . . . . .	811,262	2,204,224	2,129,008	2,523,889	2,615,682
In the second year . . . . .	192,500	248,625	358,044	379,156	388,018
In the third to fifth years, inclusive . . .	<u>346,000</u>	<u>603,700</u>	<u>581,019</u>	<u>536,769</u>	<u>518,282</u>
	<u>1,349,762</u>	<u>3,056,549</u>	<u>3,068,071</u>	<u>3,439,814</u>	<u>3,521,982</u>
<b>Other borrowings repayable:</b>					
Within one year . . . . .	<u>83,723</u>	<u>106,701</u>	<u>177,328</u>	<u>198,292</u>	<u>204,017</u>
<b>Total . . . . .</b>	<u><u>1,433,485</u></u>	<u><u>3,163,250</u></u>	<u><u>3,245,399</u></u>	<u><u>3,638,106</u></u>	<u><u>3,725,999</u></u>

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### Statement of Indebtedness

As of the Indebtedness Date, save as disclosed in this prospectus, we did not have any other outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities. Since the Indebtedness Date, there has been no material adverse change in our indebtedness.

As of May 31, 2014, we had provided a guarantee to a commercial bank in China in respect of a short-term bank facility to an Independent Third Party with an amount of RMB5.0 million. As of the Latest Practicable Date, save as otherwise disclosed herein, and apart from intra-group liabilities, we did not have any bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities, or debt securities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

### OTHER KEY FINANCIAL RATIOS<sup>(1)</sup>

The following table sets forth our key financial ratios as of the dates or the periods indicated:

	Year Ended December 31,			Three-month Period Ended March 31,	
	2011	2012	2013	2013	2014
				(unaudited)	
<b>Profitability ratios</b>					
Gross profit margin <sup>(2)</sup> . . . . .	7.6%	6.8%	8.6%	7.5%	9.6%
Net profit margin <sup>(3)</sup> . . . . .	1.5%	1.0%	2.1%	1.2%	2.6%
Return on equity <sup>(4)</sup> . . . . .	21.6%	14.2%	30.4%	—	40.4% <sup>(10)</sup>
<b>Capital adequacy ratio</b>					
Interest coverage ratio (times) <sup>(5)</sup> . . . . .	2.3x	1.6x	2.3x	1.6x	2.6x
				<b>As of</b>	<b>March 31,</b>
				<b>2011</b>	<b>2012</b>
				<b>2013</b>	<b>2014</b>
<b>Liquidity ratios</b>					
Current ratio (times) <sup>(6)</sup> . . . . .		1.1x	1.0x	0.9x	0.8x
Quick Ratio (times) <sup>(7)</sup> . . . . .		0.8x	0.8x	0.6x	0.6x
<b>Capital adequacy ratios</b>					
Gearing ratio <sup>(8)</sup> . . . . .		240.4%	457.0%	343.6%	340.5%
Net debt-to-equity ratio <sup>(9)</sup> . . . . .		158.6%	404.3%	299.4%	289.4%

*Notes:*

- (1) For trade receivables turnover days, trade and bills payables turnover days and inventory turnover days and management discussion on their material fluctuations, see “—Liquidity and capital resources”.
- (2) Equals gross profit for the period divided by revenue and multiplied by 100%.

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- (3) Equals profit for the period divided by revenue and multiplied by 100%.
- (4) Equals profit for the period divided by the average of the beginning and ending total equity of the period and multiplied by 100%.
- (5) The calculation of interest coverage ratio is based on profit before finance costs and tax expenses for the period divided by finance costs (with capitalised interest added back).
- (6) Equals current assets divided by current liabilities as at the respective financial period-end date.
- (7) Equals current assets less inventories and divided by current liabilities as at the respective financial period-end date.
- (8) Equals total interest-bearing bank and other borrowings divided by total equity as at the respective period-end date and multiplied by 100%.
- (9) Equals total interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.
- (10) This is an annualized number based on the profit of the three months ended March 31, 2014, and hence may not comparable to the return on equity ratio numbers based on the full-year profit for 2011, 2012 or 2013, primarily because of seasonality.

### **Gross profit margin**

Our gross profit margin decreased from 7.6% for the year ended December 31, 2011 to 6.8% for the year ended December 31, 2012, primarily as a result of the decrease in the gross profit margin for our sales of, and after-sales and other services for, mid- to high-end automobiles because of the reduction in the average selling price of mid- to high-end automobiles in 2012, as well as the decreased market demand for certain mid- to high-end automobiles and after-sales and other services for those automobiles as a result of public reaction to the Diaoyu Islands dispute between China and Japan.

Our gross profit margin increased from 6.8% for the year ended December 31, 2012 to 8.6% in 2013, primarily as a result of the increased percentage contribution to the gross profit by our after-sales and other services, in particular, our after-sales and other services for luxury and ultra-luxury automobiles.

Our gross profit margin increased from 7.5% in the three months ended March 31, 2013 to 9.6% in the same period of 2014, primarily due to (i) an increase in the gross profit margin for our after-sales and other services business, as the utilization rate of our labor for after-sales and other services increased and we focused more on servicing luxury and ultra-luxury automobiles, which generally has a higher margin than that for mid- to high-end automobiles, (ii) the increased percentage contribution to our total revenue by our after-sales and other services business as our relatively young network continued to ramp up its sales and services, and (iii) an increase in gross profit margin for our automobile sales business, because we sold more higher-margin luxury and ultra-luxury automobile models and the demand for certain mid- to high-end automobiles picked up as the adverse market effect of the Diaoyu Islands dispute gradually decreased.

### **Net profit margin**

Our net profit margin decreased from 1.5% for the year ended December 31, 2011 to 1.0% for the year ended December 31, 2012, primarily due to the increases in our finance costs, selling and distribution expenses and administrative expenses associated with our network expansion.



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Our net profit margin increased from 1.0% for the year ended December 31, 2012 to 2.1% in 2013, primarily due to the increase in our gross profit margin from 6.8% in 2012 to 8.6% 2013.

Our net profit margin increased from 1.2% in the three months ended March 31, 2013 to 2.6% in the same period of 2014, primarily due to the increase in our gross profit margin from 7.5% in the three months ended March 31, 2013 to 9.6% in the same period of 2014.

### **Return on equity**

Our return on equity for the year ended December 31, 2011 was higher than that for the year ended December 31, 2012, primarily due to our relatively small amount of equity as of January 1, 2011, which increased significantly as of December 31, 2011 following contributions of equity of RMB415.1 million. The increase in our return on equity in 2013 compared with 2012 was primarily due to the increase in our net profit by 172.3% from RMB91.2 million in 2012 to RMB248.4 million in 2013.

### **Current ratio**

Our current ratio decreased from 1.1x as of December 31, 2011 to 1.0x as of December 31, 2012, to 0.9x as of December 31, 2013 and further to 0.8x as of March 31, 2014. These decreases were primarily because we recorded net current assets as of December 31, 2011 and net current liabilities of RMB3.8 million, RMB838.8 million and RMB1,054.8 million as of December 31, 2012 and 2013 and March 31, 2014, respectively.

### **Quick ratio**

Our quick ratio remained at 0.8x as of December 31, 2011 and 2012, but decreased to 0.6x as of December 31, 2013 and as of ended March 31, 2014. The decrease from December 31, 2012 to December 31, 2013 was due to the increase in our net current liabilities from RMB3.8 million as of December 31, 2012 to RMB838.8 million as of December 31, 2013, and the increase in our inventories from RMB1,070.3 million as of December 31, 2012 to RMB1,639.7 million as of December 31, 2013.

### **Gearing ratio**

The increase in our gearing ratio as of December 31, 2012 compared to December 31, 2011 was primarily due to the increase in our total interest-bearing bank and other borrowings to RMB3,163.3 million as of December 31, 2012 from RMB1,433.5 million as of December 31, 2011. The decrease in our gearing ratio as of December 31, 2013 compared to December 31, 2012 was primarily due to the increase in our total equity from RMB692.2 million as of December 31, 2012 to RMB944.4 million as of December 31, 2013, primarily as a result of the increase in our profit by RMB157.2 million from 2012 to 2013. Our gearing ratio remained relatively stable at 343.6% and 340.5% as of December 31, 2013 and March 31, 2014, respectively. Our relatively high gearing ratio was due to the high level of indebtedness incurred to fund our rapid network expansion, in particular to finance our construction of new stores.

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### **Net debt-to-equity ratio**

The increase in our net debt-to-equity ratio as of December 31, 2012 compared to December 31, 2011 was primarily due to the increase in our net debt from RMB945.9 million as of December 31, 2011 to RMB2,798.5 million as of December 31, 2012. The decrease in our net debt-to-equity ratio as at December 31, 2013 compared to December 31, 2012 was primarily due to the increase in our total equity as a result of the increase in our net profit by 172.3% from RMB91.2 million in 2012 to RMB248.4 million in 2013. Our net debt-to-equity ratio remained relatively stable at 299.4% and 289.4% as of December 31, 2013 and March 31, 2014, respectively.

### **Interest coverage ratio**

The decrease in our interest coverage ratio for the year ended December 31, 2012 compared with the prior year was primarily due to the increase in our finance cost incurred in association with our increased bank and other borrowings during the year. The increase in our interest coverage ratio for the year ended December 31, 2013 compared with the prior year was primarily due to the increase in our profit before interest and tax expenses from 2012 to 2013. The increase in our interest coverage ratio from the three months ended March 31, 2013 to the same period in 2014 was also primarily due to the increase in our profit before interest and tax expenses between these periods.

### **WORKING CAPITAL**

Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, our available credit facilities and the estimated net proceeds of the Global Offering, after due and careful inquiry we have sufficient working capital for our present requirements and, including to fund our planned dealership network expansion, for at least the next 12 months from the date of this prospectus.

After due consideration and discussions with the Company's management and based on the above and the assumption that there is no material change in the composition and trend of the Group's capital expenditure, the Joint Sponsors have no reason to believe that the Company cannot meet the working capital requirements for the 12 month period from the date of this prospectus.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### **MARKET RISK DISCLOSURE**

We are exposed to various types of market risk, including interest rate risk, credit risk and liquidity risk. Our Directors confirm that, since March 31, 2014, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

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### Interest Rate Risk

We are exposed to interest rate risk resulting from fluctuations in interest rates relating primarily to our borrowings with floating interest rates. For illustration purposes only, a sensitivity analysis on changes in interest rates during the Track Record Period was: every increase or decrease of 50 basis points in interest rate would result in a decrease or increase of RMB7.2 million of our profit before tax for 2011, RMB15.8 million of our profit before tax for 2012, RMB16.2 million of our profit before tax for 2013, and RMB18.2 million of our profit before tax for the three months ended March 31, 2014.

Our bank borrowings carried annual interest rates ranging from 5.1% to 9.2% as of December 31, 2011, from 5.6% to 24.0% as of December 31, 2012, from 5.6% to 24.0% as of December 31, 2013 and from 6.0% to 9.0% as of March 31, 2014. Our borrowings from other financial institutions carried annual interest rates ranging from 5.9% to 11.5% as of December 31, 2011, from 3.9% to 9.2% as of December 31, 2012, from 4.8% to 9.9% as of December 31, 2013 and from 5.6% to 10.4% as of March 31, 2014. We have not used any interest rate swaps to hedge our exposure to interest rate risk. Any future increases in interest rates could increase our cost of borrowings. If this occurs, our profit and financial condition could be adversely affected.

We did not have significant interest-bearing assets other than pledged bank deposits of RMB1,701.4 million and cash and cash equivalents of RMB546.3 million as of March 31, 2014.

### Credit Risk

We do not have any significant concentration of credit risk. The carrying amount of our pledged bank deposits, cash in transit, cash and cash equivalents, trade receivables, deposits and other receivables, consideration receivable due from Jiangsu Qirun, amounts due from disposed subsidiaries and amounts due from Mr. Yang Peng included in our consolidated financial information represent our maximum exposure to credit risk in relation to our financial assets. As at December 31, 2011, 2012 and 2013 and March 31, 2014, all of our pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

### Liquidity Risk

We are exposed to liquidity risk. We monitor our risk to a shortage of funds by considering the maturity of both our financial liabilities and financial assets and projected cash flows from operations.

We manage our capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to Shareholders or raise new capital from our investors. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

### Foreign Currency Risk

Substantially all of our businesses are conducted in Renminbi. Most of our assets and liabilities were denominated in Renminbi, except for certain bank balances denominated in U.S. dollars as disclosed in Note 24 of the Accountants' Report in Appendix I to this prospectus. Our assets and liabilities denominated in U.S. dollars were mainly held by certain of our subsidiaries incorporated outside the PRC that use U.S. dollars as their functional currencies, and we did not have material

## FINANCIAL INFORMATION

foreign currency transactions in the PRC during the Track Record Period. We do not believe our operations are currently subject to any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, a depreciation of Renminbi could cause automobile manufacturers to raise their prices, in particular for imported automobiles and spare parts, which would increase our purchase costs for automobiles and spare parts, which could in turn increase our automobile retail prices and adversely affect our sales and profits. See “Risk Factors—Government control of currency conversion and fluctuation in the exchange rates of Renminbi may have a material adverse effect on your investment” in this prospectus for more information.

### **DIVIDEND POLICY**

We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as our Board may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the Cayman Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. No dividend shall be declared or paid except out of our profits or reserves set aside from profits in our Directors’ discretion. Dividends may also be declared and paid out of our share premium account or any other fund or account that can be authorized for such purpose in accordance with the Cayman Companies Law and our Articles of Association. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRS. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of our subsidiaries’ net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future. For example, certain of our subsidiaries in the PRC had loans from Chinese banks that prohibit them from paying dividends without the lenders’ consent. Since we are dependent on our PRC subsidiaries’ dividends as a source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. In 2011, 2012, 2013 and the three months ended March 31, 2014, we declared dividends to non-controlling shareholders in subsidiaries of RMB3.7 million, zero, zero and zero, respectively.

## **FINANCIAL INFORMATION**

On July 23, 2014, our Directors declared a special dividend of RMB330.0 million out of historical profits of the Company, conditional upon the Underwriting Agreements becoming unconditional and effective, to its then shareholders Rundong Fortune, Rundong Smart and KKR Auto, except for Runda which has agreed to forfeit its entitlement to this special dividend. Each of Rundong Fortune, Rundong Smart and KKR Auto is entitled to RMB199.7 million, RMB14.8 million and RMB115.5 million, respectively. The Company, Mr. Yang and Rundong Fortune separately agreed that the special dividend payable to Rundong Fortune would be assigned by Rundong Fortune to Mr. Yang and shall then be utilized to settle part of our advances to Mr. Yang Peng when the declaration of dividend becomes unconditional. The applicants for the Hong Kong Public Offering and the investors under the International Offering are not entitled to the special dividend. The special dividend payable to Rundong Smart and KKR Auto will be paid out of our cash generated from operating activities, and the Company will not make payment of this special dividend to Rundong Smart and KKR Auto until our Directors determine that the Company has sufficient cash or cash alternatives to the extent that the payment of the special dividend will have no adverse impact on our financial and cash position. We will not use the proceeds from the Global Offering to pay this special dividend. Except for this special dividend, we do not intend to declare or pay any dividend in 2014. We currently intend to pay dividends of no more than 30% of our profits available for distribution generated in each accounting year beginning from the year ending December 31, 2015. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future. The amounts of distribution that we have declared and made in the past should not be taken as indications of the dividends, if any, that we may pay in the future.

### **LISTING EXPENSES**

We incurred approximately RMB18.6 million of listing expenses during the Track Record Period, among which RMB4.5 million was recorded as prepayments and RMB14.1 million was recorded as expenses. We expect to incur approximately an additional RMB51.5 million of listing expenses after the Track Record Period, of which approximately RMB24.1 million will be recognized as expenses in the consolidated statements of profit or loss for the year ending December 31, 2014 and the remaining will be capitalized after the Listing.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at March 31, 2014 as if the Global Offering had taken place on that date.

## FINANCIAL INFORMATION

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at March 31, 2014 or any subsequent dates, including following the Global Offering.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at March 31, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK\$ equivalent) (Note 4)
Based on an offer price of					
HK\$3.58 per Share . . . . .	582,015	632,848	1,214,863	1.13	1.41
Based on an offer price of					
HK\$3.98 per Share . . . . .	582,015	708,489	1,290,504	1.20	1.50

*Notes:*

1. The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2014 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of March 31, 2014 of RMB1,007,359,000 less intangible assets and goodwill as of March 31, 2014 of RMB218,198,000 and RMB207,146,000, respectively.
2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$3.58 or HK\$3.98 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,074,474,000 Shares are in issue assuming the Global Offering has been completed on March 31, 2014 and an Offer Price of HK\$3.58 per Share, being the low end of the Offer Price range, and 1,074,474,000 Shares are in issue assuming that the Global Offering has been completed on March 31, 2014 and an Offer Price of HK\$3.98 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option and Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account a special dividend of RMB330,000,000 declared by the Company to its then shareholders in July, 2014. Had the special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be RMB0.82 (assuming an Offer Price of HK\$3.58 per Share) and RMB0.89 (assuming an Offer Price of HK\$3.98 per Share), respectively.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.80.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2014.

## **FINANCIAL INFORMATION**

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

### **NO MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material adverse change in our financial or trading position of the Group since March 31, 2014 and no event had occurred since March 31, 2014 that would materially and adversely affect the information in the Accountants' Report set out in Appendix I to this prospectus.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OVERVIEW

Immediately after the completion of the Global Offering (assuming the Pre-IPO Scheme Options are not exercised), Rundong Fortune will beneficially own approximately 45.0% of our outstanding issued share capital if the Over-allotment Option is not exercised, or 43.4% of our outstanding issued share capital if the Over-allotment Option is exercised in full. Rundong Fortune is the wholly-owned subsidiary of Cheerful Autumn. Cheerful Autumn is directly held by Rue Feng, which in turn is legally owned by Family Trust Trustee for the benefit of the Family Trust Beneficiaries. Mr. Yang Peng, being the Protector, has the power to appoint and remove, and to amend the rights of, the Family Trust Trustee. In addition, as at the date of this prospectus, KKR Auto, an indirect subsidiary of KKR China Growth Fund L.P., indirectly holds 33.8% of our outstanding issued share capital. See “Substantial Shareholders” in this prospectus for further details of KKR Auto.

As a result, Rundong Fortune, Cheerful Autumn, Rue Feng, Mr. Yang Peng and KKR Auto are considered as our Controlling Shareholders immediately after the Global Offering.

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

### OPERATIONAL INDEPENDENCE

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

### MANAGEMENT INDEPENDENCE

Our Board consists of 12 Directors, comprising 5 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. Mr. Yang Peng is the sole director of Rundong Fortune, Cheerful Autumn and Rue Feng. Each of Rundong Fortune, Cheerful Autumn and Rue Feng is an investment holding company with no substantial business activities. The executive management team of our Group is led by Mr. Yang Peng, our executive Director and Chairman, and other executive Directors, who are supported by a team of senior management and the majority of the members of our senior management has been managing the business of our Group throughout the Track Record Period. Each of our senior management possesses relevant management and/or industry-related experience to act as such. See “Directors and Senior Management” in this prospectus for details of their management experience.

We believe that the Directors and members of the senior management are able to perform their roles in our Company independently and that our Company is capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (i) in the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with a conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming quorum at the relevant Board meetings;



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) our four independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions; and
- (iii) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for our Company's benefits and best interest and do not allow any conflict between his duties as a Director and his personal interests.

### FINANCIAL INDEPENDENCE

Our Group has its own financial management system and ability to operate independently of the Controlling Shareholders from a financial perspective. As of May 31, 2014, RMB1,155.3 million of our bank loans were guaranteed by Mr. Yang Peng which will be released or terminated upon Listing. See "Financial Information—Indebtedness" in this prospectus for further details about the indebtedness of our Company. Save as otherwise disclosed herein, there is no other financing relationship between our Group and the Controlling Shareholders.

### NON-COMPETITION UNDERTAKING

In order to ensure that direct competition does not develop between us and the activities of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng, each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng has agreed to provide a non-competition undertaking in our favor, which is described below.

Each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng has entered into the Deed of Non-competition in favor of our Company, pursuant to which each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng has undertaken to our Company (for itself and for the benefit of its subsidiaries) that they would not, and they would use their best endeavors to procure that their associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group (the "**Restricted Business**").

The above undertaking does not preclude Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng from having an aggregate interest in:

- (a) not more than 5% of the issued shares in any company engaging any Restricted Business (the "**Subject Company**") which is or whose holding company is listed on any recognized exchange; or
- (b) not more than 5% of the Subject Company's combined turnover or combined assets, as shown in the Subject Company's latest audited accounts; provided that there is a holder (with its associates where appropriate) with a larger shareholding in the Subject Company than the aggregate shareholding held by any of Rundong Fortune, Cheerful Autumn, Rue Feng and

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Mr. Yang Peng and/or his associates and the total number of representatives of any of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng on the board of directors of the Subject Company is not significantly disproportionate in relation to her or its shareholding in the Subject Company.

If any investment or other business opportunity relating to our Business (“**Business Opportunity**”) is identified by Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng, they shall refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Board of Directors or a board committee which do not have a material interest in the Business Opportunity declines the Business Opportunity.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect on the earliest of the date on which Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital, or otherwise cease to be Controlling Shareholders or the Shares cease to be listed and traded on the Stock Exchange.

Further, the independent non-executive Directors will review, on an annual basis, the compliance of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng with the Deed of Non-competition (in particular, the right of refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to the public.

### BRIDGING LOAN

On April 10, 2014, Rundong Fortune, Cheerful Autumn, Rundong Smart, Rundong Holding, Mr. Yang Peng (together, the “**Obligors**”), Cheer Hope Holdings Limited (an affiliate of CCB International Capital, one of the Joint Bookrunners) (“**Cheer Hope**”), Giant Profit Enterprises Limited (“**Giant Profit**”) and CITIC Capital China Access Fund Limited (“**CITIC**”, and together with Cheer Hope and Giant Profit, the “**Noteholders**”) entered into a note purchase agreement (the “**Note Purchase Agreement**”) in relation to a bridging loan in the aggregate amount of US\$60 million from the Noteholders to Rundong Fortune by way of issues of senior secured guaranteed notes by Rundong Fortune to Cheer Hope, Giant Profit and CITIC in the principal amounts of US\$15 million (the “**Cheer Hope Note**”), US\$15 million and US\$30 million, respectively (the “**Notes**”). None of the Noteholders is an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)). The Note Purchase Agreement completed on April 15, 2014 and the proceeds from the bridging loan (the “**Proceeds**”) were drawn and used to repay the then net outstanding amount of RMB910.5 million due from Mr. Yang Peng to our Group as set out in the section headed “Financial Information-Related Party Transactions” of this prospectus. The portion of the Proceeds from the Cheer Hope Note was deposited into an account jointly controlled by our Company and Cheer Hope (the “**Joint Control Account**”) and will be fully released to our Company upon the Underwriting Agreements becoming unconditional and effective pursuant to the terms of an assignment of bank account entered into between these parties on April 15, 2014 (the “**Assignment of Bank Account**”), further details of which are set out below.

The maturity date of the Notes is 12 months from the date of completion of the Note Purchase Agreement, subject to extensions to be agreed between the Noteholders and Rundong Fortune. Under the terms and conditions of the Cheer Hope Note issued on April 15, 2014 (as amended by a Deed of Amendment between Rundong Fortune and Cheer Hope dated July 28, 2014), before the maturity date of the Cheer Hope Note, if an initial public offering of the Shares (an “**IPO**”) that (i) values our

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Company at no less than HK\$3.8 billion immediately after the IPO; and (ii) results in gross proceeds to our Company of no less than US\$120 million (a “**Qualified IPO**”) cannot be achieved upon pricing of the Shares in connection with the IPO, Cheer Hope has the right to require Rundong Fortune to redeem the Cheer Hope Note at the principal amount plus a higher rate of interest. The Notes contain customary terms in relation to events of default and negative pledge undertakings by Rundong Fortune to the Noteholders.

To secure the obligations and liabilities of the Obligors under transaction documents in relation to the Notes:

- (i) Mr. Yang Peng provided a personal guarantee (the “**Personal Guarantee**”) in favour of Cheer Hope, acting as security agent for the Noteholders (the “**Security Agent**”) on April 15, 2014;
- (ii) Cheerful Autumn pledged its interests in all the issued shares of Rundong Fortune (the “**CA Pledged Shares**”) to the Security Agent by a deed of share charge dated April 15, 2014 (the “**Cheerful Autumn Charge**”);
- (iii) Rundong Fortune pledged its interests in 1,210,040,000 shares in Rundong Holding (the “**RF Pledged Shares**”) in favour of the Security Agent by a deed of share charge dated April 15, 2014 (the “**RF Charge**”);
- (iv) Rundong Smart pledged its interests in 46,393,750 shares in Rundong Holding (the “**RS Pledged Shares**” and together with the RF Pledged Shares, the “**Pledged Shares**”) in favour of the Security Agent by a deed of share charge dated April 15, 2014 (the “**RS Charge**” and together with the RF Charge, the “**Notes Share Security**”); and
- (v) in respect of the portion of the Proceeds from the Cheer Hope Note, our Company assigned the balance standing to the credit of the Joint Control Account from time to time (the “**Deposit**”) in favour of the Security Agent by the Assignment of Bank Account, pursuant to which our Company shall not transfer or close the Joint Control Account, nor receive payment from or otherwise deal with the Deposit. Such restrictions and the security created under the Assignment of Bank Account shall be released upon the earlier of (A) the Underwriting Agreements becoming unconditional and effective under a Qualified IPO; or (B) the date that all the obligations under the Cheer Hope Note secured by the Notes Share Security have been fully discharged.

The Cheerful Autumn Charge and the Notes Share Security will be released upon the Underwriting Agreements becoming unconditional and effective under a Qualified IPO. After the Listing, under the terms and conditions of the Notes, to secure the obligations and liabilities of the Obligors under the Notes, Rundong Fortune will, on a date falling six months after the date of consummation of the IPO (the “**Post-IPO Lock-up Period**”), pledge its interests in certain number of Shares in favour of the Noteholders (the “**Post-IPO Charge**”). The number of Shares to be pledged by Rundong Fortune is to be maintained from time to time at a level to be determined with reference to a multiple of the then outstanding principal amount of the Notes and the ten-day average trading price of the Shares, provided that the total number of Shares pledged under the Post-IPO Charge for the six months after the Post-IPO Lock-up Period shall not exceed the then total number of Shares held by Rundong Fortune minus 30% of the then total number of issued Shares on a fully-diluted basis.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In connection with the obligations of the Obligors under the Notes, the Noteholders, Rundong Fortune, Rundong Smart, Cheerful Autumn and the Security Agent entered into an agreement on April 15, 2014, which will terminate upon IPO, to the effect that if the Security Agent commences enforcement of the Notes Share Security but is unable to dispose of the CA Pledged Shares or Pledged Shares after a certain period of time, Cheerful Autumn, Rundong Fortune and Rundong Smart shall, upon request of the Noteholders and subject to the approval of the Security Agent, raise funds from Rundong Holding for repayment of the Notes by causing Rundong Holding to make distribution to its shareholders in the form of dividends and/or capital reduction.

To accommodate the Notes Share Security, KKR Auto entered into a deed of second lien share charge with Rundong Fortune and Rundong Smart on April 15, 2014 (the “**Deed of Share Charge III**”), under which the security created over the Pledged Shares pursuant to Share Charge II shall be released and replaced by a share charge to be created in favour of KKR Auto by the Deed of Share Charge III to be effective upon completion of the Note Purchase Agreement (the “**Share Charge III**”). Given the Notes Share Security and the Share Charge III are both secured by the Pledged Shares, KKR Auto and the Noteholders entered into a framework agreement on April 15, 2014 (the “**Framework Agreement**”), pursuant to which:

- (i) the Notes Share Security shall be senior and prior to the Share Charge III in terms of their relative priority;
- (ii) the Notes Share Security shall rank in priority of payment over the Share Charge III;
- (iii) at any time prior to the discharge of the obligations of the Obligors under the Note Purchase Agreement, the Notes, the Personal Guarantee, the Cheerful Autumn Pledge, the Notes Share Security and the Post-IPO Charge (as the case may be) (the “**Discharge**”), KKR Auto may not demand or accept any benefit of encumbrance, indemnity or other assurance against loss from or over the assets or shares in (as the case may be) any of Mr. Yang Peng, Rundong Fortune, Rundong Smart, Cheerful Autumn or Rundong Holding in respect of certain obligations secured by the Pledged Shares under the Share Charge III;
- (iv) KKR Auto will not exercise any rights or remedies with respect to any Pledged Shares,
  - a. until the date of the Discharge, unless 45 days has passed since the later of (X) the date that KKR Auto declares that an event of default under the Share Charge III has occurred and demands the repayment or performance of any obligations secured by the Share Charge III; and (Y) the date that KKR Auto delivers notice to the Security Agent of such declaration; or
  - b. if the Noteholders have commenced or pursued the exercise of their rights under the Notes Share Security and notified KKR Auto of such exercise;
- (v) if the Security Agent decides to enforce the Notes Share Security by disposing of any Pledged Shares or CA Pledged Shares, KKR Auto shall be entitled to (A) a right of first refusal and tag-along right with respect to such disposal; or (B) redeem the Notes;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) if the Discharge has not occurred, any proceeds received by KKR Auto from an exercise of any right under the Share Charge III shall be held in trust and paid over to the Security Agent; and
- (vii) prior to the Discharge, KKR Auto will not demand or accept any payment or transfer of any shares pursuant to an exercise of the valuation adjustment rights or share redemption rights under the Shareholders' Agreement prior to an IPO or the valuation adjustment rights under the Supplemental Shareholders' Agreement against the Shares subject to the Post-IPO charge after an IPO (as the case may be).

Upon the Underwriting Agreements becoming unconditional and effective, the Share Charge III will be released pursuant to a deed of release between KKR Auto, Rundong Fortune and Rundong Smart.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) appointment of Haitong International Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations; and
- (c) appointment of four independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfil their roles effectively. See "Directors and Senior Management" in this prospectus for further details of our independent non-executive Directors.

## CONNECTED TRANSACTIONS

### CONTINUING CONNECTED TRANSACTIONS

We do not carry on any connected transactions (as defined in the Listing Rules) upon Listing which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

#### As of the Date of this Prospectus

	US\$
Authorized share capital	
250,000,000,000 Shares . . . . .	50,000
Issued share capital	
2,073,750,000 Shares . . . . .	414.75

#### Immediately after the Share Consolidation

	US\$
Issued share capital	
829,500,000 Shares . . . . .	414.75

#### Immediately after Completion of the Global Offering

	US\$
Shares to be issued under the Global Offering	
244,974,000 Shares . . . . .	122.49
Total Issued Shares on completion of the Global Offering	
1,074,474,000 Shares . . . . .	537.24

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares upon Listing and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date.

## SHARE CAPITAL

### **PRE-IPO SHARE OPTION SCHEME**

Our Company has adopted a Pre-IPO Share Option Scheme. See “Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme” to this prospectus for the summary of the principal terms of the Pre-IPO Share Option Scheme.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. See “Appendix IV—Statutory and General Information—D. Share Option Schemes—2. Share Option Scheme” to this prospectus for the summary of the principal terms of the Share Option Scheme.

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and
- (ii) the nominal amount of our share capital repurchased by the Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which our Company’s next annual general meeting is required to be held under any applicable laws or the Articles; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

Please see “Appendix IV—Statutory and General Information—A. Further Information About Our Group—3. Resolutions of Our Shareholders” to this prospectus for more information.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the conditions stated in the section headed “Structure of the Global Offering—Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).



## SHARE CAPITAL

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV—Statutory and General Information—A. Further Information About Our Group—6. Repurchases of Our Own Securities” to this prospectus.

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

See “Appendix IV—Statutory and General Information—A. Further Information About Our Group—3. Resolutions of Our Shareholders” to this prospectus for more information of this general mandate.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Scheme Options and may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company immediately after the Global Offering<sup>(1)</sup></u>
Rundong Fortune . . . . .	Beneficial owner	484,016,000	45.0%
Cheerful Autumn <sup>(2)</sup> . . . . .	Interest in controlled corporation	484,016,000	45.0%
Rue Feng <sup>(2)</sup> . . . . .	Interest in controlled corporation	484,016,000	45.0%
HSBC Trustee <sup>(2)</sup> . . . . .	Trustee	484,016,000	45.0%
Mr. Yang Peng <sup>(2)</sup> . . . . .	Protector of a discretionary trust	484,016,000	45.0%
KKR Auto . . . . .	Beneficial owner	280,000,000	26.1%
KKR China Auto Retail Holding Ltd I <sup>(3)</sup> . . . . .	Interest in controlled corporation	280,000,000	26.1%
KKR China Growth Fund L.P. <sup>(3)</sup> . . . . .	Interest in controlled corporation	280,000,000	26.1%
KKR Associates China Growth L.P. <sup>(3)</sup> . . . . .	Interest in controlled corporation	280,000,000	26.1%
KKR China Growth Limited <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%
KKR Fund Holdings L.P. <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%
KKR Fund Holdings GP Limited <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%

## SUBSTANTIAL SHAREHOLDERS

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company immediately after the Global Offering<sup>(1)</sup></u>
KKR Group Holdings L.P. <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%
KKR Group Limited <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%
KKR & Co. L.P. <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%
KKR Management LLC <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%
Mr. Henry R. Kravis and Mr. George R. Roberts <sup>(3)</sup> . . . . .	Interest in controlled incorporation	280,000,000	26.1%

*Notes:*

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Rundong Fortune is the wholly-owned subsidiary of Cheerful Autumn. Cheerful Autumn is directly held by Rue Feng, which in turn is legally owned by the Family Trust Trustee (being HSBC Trustee as at the Latest Practicable Date) for the benefit of the Family Trust Beneficiaries. Mr. Yang Peng, being the Protector, has the power to appoint and remove, and to amend the rights of, the Family Trust Trustee.
- (3) Each of KKR China Auto Retail Holding Ltd. I (as the sole shareholder of KKR Auto), KKR China Growth Fund L.P. (as the controlling shareholder of KKR China Auto Retail Holding Ltd. I), KKR Associate China Growth L.P. (as the general partner of KKR China Growth Fund L.P.), KKR China Growth Limited (as the general partner of KKR Associates China Growth L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR China Growth Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Scheme Options and may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## DIRECTORS AND SENIOR MANAGEMENT

### GENERAL

The following table sets forth certain information concerning our Directors and members of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>	<u>Roles and Responsibility</u>	<u>Date of Appointment</u>	<u>Date of Joining our Group</u>
<i>Executive Directors</i>					
Yang Peng (楊鵬)	44	Chairman, executive Director, president of our Group	<ul style="list-style-type: none"> <li>● overall business development and strategic planning</li> <li>● chairman of the Nomination Committee</li> </ul>	January 15, 2014	March 1998
Liu Dongli (柳東麗)	44	vice Chairman, executive Director	<ul style="list-style-type: none"> <li>● responsible for investor relations management, other investments and acquisitions, and the sales and distribution network development of our Group</li> </ul>	January 15, 2014	October 2013
Zhao Zhongjie (趙忠階)	44	executive Director, executive president of our Group	<ul style="list-style-type: none"> <li>● assisting the Chairman in the business operations and responsible for the day-to-day management of our Group</li> </ul>	January 15, 2014	July 2004
Liu Jian (劉健)	46	executive Director, vice president of our Group	<ul style="list-style-type: none"> <li>● responsible for human resources and administrative management of our Group</li> </ul>	January 15, 2014	October 2002
Li Xiang (李祥)	38	executive Director, assistant president of our Group	<ul style="list-style-type: none"> <li>● assisting the executive president in day-to-day management of our Group</li> </ul>	January 15, 2014	January 2006
<i>Non-executive Directors</i>					
Liu Haifeng David (劉海峰)	43	non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the corporate development and strategic planning of our Group</li> </ul>	January 15, 2014	September 2010
Zhao Fu (趙福)	33	non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the corporate development and strategic planning of our Group</li> <li>● member of the Remuneration Committee and the Nomination Committee</li> </ul>	January 15, 2014	September 2010
Yan Sujian (燕蘇建)	58	vice Chairman, non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the corporate governance, development and strategic planning of our Group</li> <li>● member of the Audit Committee</li> </ul>	January 15, 2014	March 2003

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Roles and Responsibility	Date of Appointment	Date of Joining our Group
<i>Independent non-executive Directors</i>					
Peng Zhenhuai (彭真懷)	51	independent non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the management and strategic development of our Group</li> <li>● member of the Audit Committee, Remuneration Committee and Nomination Committee</li> </ul>	July 23, 2014	July 23, 2014
Mei Jianping	54	independent non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the management and strategic development of our Group</li> <li>● chairman of Remuneration Committee and Nomination Committee</li> </ul>	July 23, 2014	July 23, 2014
Lee Conway Kong Wai (李港衛)	59	independent non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the management and strategic development of our Group</li> <li>● chairman of the Audit Committee</li> </ul>	July 23, 2014	July 23, 2014
Xiao Zhengsan (肖政三)	50	independent non-executive Director	<ul style="list-style-type: none"> <li>● overseeing the management and strategic development of our Group</li> <li>● member of the Nomination Committee</li> </ul>	July 23, 2014	July 23, 2014
<i>Senior Management</i>					
Hao Yong (郝勇)	38	vice president of our Group	<ul style="list-style-type: none"> <li>● responsible for the business operations and brand management</li> </ul>	January 2012	January 2012
Jiang Xiaofei (姜曉飛)	45	vice president of our Group	<ul style="list-style-type: none"> <li>● responsible for public relations and assisting in network development</li> </ul>	November 2013	September 2009
Zhu Lidong (朱立東)	44	vice president of our Group	<ul style="list-style-type: none"> <li>● responsible for financial and accounting management</li> </ul>	March 2013	March 2013

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board currently consists of 12 Directors, comprising 5 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles.

#### Executive Directors

**Mr. Yang Peng (楊鵬)**, aged 44, is our Chairman, executive Director and president of our Group. Mr. Yang has substantial experience in the automobile dealership industry. He is the founder of our Group and has been the president of our Group since March 1998. Mr. Yang is responsible for our Group's overall business development and strategic planning. From October 1999 to October 2001, he served as the deputy general manager of Jiangsu Hanga Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司). The Hanga Food website of this company ([www.hangaofood.com](http://www.hangaofood.com)) is the first "Pilot Urban E-Commerce Project" in the PRC and a significant technological breakthrough project under the "Ninth Five-Year Plan". Mr. Yang Peng also worked at the finance department of Xuzhou Transportation Bureau (徐州市交通局財務科) from September 1990 to September 1992. Mr. Yang obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009.

**Mr. Liu Dongli (柳東麗)**, aged 44, is an executive Director and vice Chairman of the Board. He has extensive experience in the automobile industry. Mr. Liu joined our Group as vice chairman of the board of the directors in October 2013. Prior to joining our Group, Mr. Liu was the executive director of Dongjian Investment Consulting (Shanghai) Company Limited (東堅投資諮詢(上海)有限公司) from May 2013 to September 2013. He also acted as the executive director and the chief investment officer in China ZhengTong Auto Services Holdings Limited ("China ZhengTong") (HK stock code: 1728) from November 2010 to May 2012. From August 2009 to July 2010, Mr. Liu was the vice president of Hubei Shengze Industrial Company Limited (湖北聖澤實業有限公司). Prior to this, Mr. Liu worked for China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份有限公司), an automobile dealership group in China, holding the positions of chief operating officer, acting chief executive officer and chief dealership network officer, from October 2007 to July 2009. From October 1999 to September 2007, Mr. Liu held various positions at Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司) (Shanghai stock code: 600653), a listed subsidiary of Brilliance Auto Group Co., Ltd. (華晨汽車集團控股有限公司), including the deputy manager of the investment department from 1999 to 2002, secretary of the board of directors and the head of investment department from 2002 to 2003, vice president from May 2002 to October 2007, director of the board from December 2005 to October 2007. Mr. Liu obtained an MBA degree from Shanghai University of Finance and Economics in June 2000. Mr. Liu is also currently the vice chairman of the China Auto Dealers Chambers of Commerce.

**Mr. Zhao Zhongjie (趙忠階)**, aged 44, is an executive Director and executive president responsible for overseeing the business operation and daily administration of our Group since November 2013. Mr. Zhao joined our Group in July 2004 and has held various positions within our Group including secretary of the board of our Group from July 2004 to December 2007, the vice general manager of our Group from January 2007 to October 2010, deputy general manager of the management

## DIRECTORS AND SENIOR MANAGEMENT

company in Xuzhou area and the director responsible for investment and development of our Group from October 2010 to March 2012 and deputy chief president responsible for investment and development of our Group from March 2012 to March 2013. He was the executive vice president of our Group from March 2013 and was promoted as the executive president of our Group in November 2013. Mr. Zhao has almost ten years of experience in the automobile dealership industry and his past experiences include overseeing various investments and network development, human resources, financial accounting, business operations of our Group. Mr. Zhao obtained an MBA degree from China Europe International Business School in September 2009.

**Mr. Liu Jian (劉健)**, aged 46, is an executive Director and vice president of our Group. Mr. Liu joined our Group in October 2002 and has held various positions within our Group since then. From 2003 to 2005, Mr. Liu was the chief operating officer and the chief marketing officer of our Group. Thereafter, Mr. Liu served as the deputy general manager of Xuzhou Rundong, the general manager of Xuzhou Rundong Zhitian and Xuzhou Rundong Zhicheng since 2006, the assistant general manager of our Group from 2007 to 2008 and the deputy general manager of our Group from 2009 to 2012. Prior to joining our Group, he was the secretary of the board of directors and head of the human resources department of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司) from October 1999 to September 2002. Mr. Liu obtained an MBA degree from the School of Business of Nanjing University in June 2010.

**Mr. Li Xiang (李祥)**, aged 38, is an executive Director and the assistant president of our Group. Mr. Li joined our Group in January 2006 and has held various positions within our Group. From January 2006 to January 2008, Mr. Li was in charge of the compliance department and human resources department of our Group. From January 2008 to December 2008, Mr. Li also worked as the secretary of the board of directors of our Group. He served as the general manager of Xuzhou Baojing from February 2008 to June 2010 and Shanghai Baojing from June 2010 to October 2013 and was promoted as the assistant president of our Group in October 2013. Mr. Li was also in charge of BMW brand management of our Group from June 2010 to October 2013. Mr. Li obtained an MBA degree from China Europe International Business School in September 2012.

### Non-executive Directors

**Mr. Liu Haifeng David (劉海峰)**, aged 43, is a non-executive Director. He is currently a Member at Kohlberg Kravis Roberts & Co. and its affiliates (“**KKR**”) and chief executive officer of KKR in Greater China. He currently serves as a member of KKR’s Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. Mr. Liu played a significant role in a number of investments such as China Mengniu Dairy Company Limited (HK stock code: 2319), Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318), Belle International Holdings Limited (HK stock code: 1880), Far East Horizon Limited (HK stock code: 3360), Fujian Nanping Nanfu Battery Co., Ltd., China Modern Dairy Holdings Ltd. (HK stock code: 1117), United Envirotech Ltd (Singapore stock code: U19), China Cord Blood Corporation (NYSE: CO), China Outfitters Holdings Limited (HK stock code: 1146), China Paradise Electronics Retail Limited (the then HK stock code: 503), Hengan International Group Company Limited (HK stock code: 1044) and China Shanshui Cement Group Limited (HK stock code: 691). Prior to joining KKR, Mr. Liu was with Morgan Stanley Private Equity Asia from 1993 to 2006 where his last served as the managing director and co-head of Morgan Stanley Private Equity Asia. Mr. Liu also serves as a non-executive director of Far East Horizon Limited (HK stock code: 3360) and United Envirotech Ltd (Singapore stock

## DIRECTORS AND SENIOR MANAGEMENT

code: U19). Mr. Liu graduated from Columbia University as class salutatorian with a Bachelor of Science degree in electrical engineering in May 1993. He is currently a member of Tau Beta Pi National Engineering Honor Society and a recipient of the Edwin Howard Armstrong Memorial Award at Columbia University.

**Mr. Zhao Fu (趙福)**, aged 33, is a non-executive Director. He is currently a director at KKR. Mr. Zhao played a significant role in a number of successful investments such as Far East Horizon Limited (HK stock code: 3360), United Envirotech Ltd (Singapore stock code: U19), China Modern Dairy Holdings Ltd. (HK stock code: 1117), China International Capital Corporation, Sino Prosperity Real Estate Platform and VATS Liquor Chain Store Management Joint Stock Co., Ltd. Prior to joining KKR in January 2006, Mr. Zhao worked at Morgan Stanley Private Equity Asia from July 2003 to December 2005 and was extensively involved in a number of highly successful private equity transactions, such as the investments in China Mengniu Dairy Company Limited (HK stock code: 2319), Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318), Belle International Holdings Limited (HK stock code: 1880) and China Paradise Electronics Retail Limited (the then HK stock code: 503). Mr. Zhao also serves as a non-executive director of United Envirotech Ltd (Singapore stock code: U19). Mr. Zhao obtained a Bachelor of Science in physics, with first class honors, from Tsinghua University in July 2003.

**Mr. Yan Sujian (燕蘇建)**, aged 58, is a non-executive Director and vice chairman of the Board. Mr. Yan joined our Group in March 2003. From March 2003 to May 2010, Mr. Yan was the general manager of our Group. Since then, he has served as the vice chairman of the board of our Group. Prior to joining our Group, he was a deputy general manager of Jiangsu Local Products Company (江蘇省土產公司) from April 1988 to December 1990. From December 1990 to May 1997, he was the committee secretary of the Communist Party of China's branch in Xuzhou Supply and Sales Company (徐州供銷大廈) and the general manager of that company. He then worked as the deputy head of the standing committee of the Communist Party of China's branch in Xuzhou Supply and Sales Head Office (徐州供銷總社) from June 1997 to December 1997. Mr. Yan graduated from Nanjing University of Science and Technology with a bachelor's degree in Economic Management in July 1995.

### Independent Non-executive Directors

**Mr. Peng Zhenhuai (彭真懷)**, aged 51, is an independent non-executive Director. Mr. Peng is a professor in the School of Public Administration and Policy of Renmin University of China, the chief strategic research fellow of China Urban Development Research Institute (中國城市發展研究院) and a distinguished visiting professor of Shih Chien University in Taiwan. He is also an appraiser of bachelor's thesis in Chinese Academy of Agricultural Sciences (中國農業科學院) and a reviewer of doctoral dissertation in China University of Political Science and Law. Mr. Peng obtained an academic certification that he has the same educational level as a doctoral candidate in economics from Beijing Normal University in February 2010.

**Mr. Mei Jianping**, aged 54, is an independent non-executive Director. Mr. Mei is currently the deputy dean of Cheung Kong Graduate School of Business and has been a professor of finance there since 2006. He has been an independent non-executive director of Powerlong Real Estate Holdings Limited (HK stock code: 1238) since June 2008. Mr. Mei received a doctorate degree in economics (finance) from Princeton University in January 1990.



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lee Conway Kong Wai (李港衛)**, aged 59, is an independent non-executive Director. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young. Mr. Lee is currently an independent non-executive director of West China Cement Limited (HK stock code: 2233), Chaowei Power Holdings Limited (HK stock code: 951), GOME Electrical Appliances Holding Limited (HK stock code: 493), Tibet 5100 Water Resources Holdings Ltd (HK stock code: 1115) and NVC Lighting Holding Limited (HK stock code: 2222), China Modern Dairy Holdings Ltd. (HK stock code: 1117), Yashili International Holdings Ltd (HK stock code: 1230), CITIC Securities Company Limited (HK stock code: 6030, Shanghai stock code: 600030) and GCL New Energy Holdings Limited (HK stock code: 451). Mr. Lee is also the non-executive director and deputy chairman of Merry Garden Holdings Limited (HK stock code: 01237). Mr. Lee is also being appointed as an independent non-executive director of WH Group Limited effective upon listing which is scheduled on August 5, 2014. Mr. Lee also acted as an independent non-executive director of China Taiping Insurance Holdings Company Limited (HK stock code: 966) from October 2009 to August 2013. Mr. Lee has been a member of the Institute of Chartered Accountants in England and Wales since October 2007, the Institute of Chartered Accountants in Australia since December 1996, the Association of Chartered Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macau Society of Certified Practising Accountants since July 1995. In 2008, Mr. Lee was made a member of Chinese People's Political Consultative Conference of Hunan Province. Mr. Lee obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988.

**Mr. Xiao Zhengsan (肖政三)**, aged 50, is an independent non-executive Director. Mr. Xiao has been a director of the exhibition department and deputy secretary general of CADA since August 2008. He served as a supervisor of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (Shanghai stock code: 600892) from July 2003 to June 2008. Mr. Xiao obtained a bachelor's degree in financial accounting from Jiangxi University of Finance and Economics in July 1984.

### GENERAL

Save as disclosed above, each of our Directors has confirmed that:

- (i) he does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus;
- (ii) there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and
- (iii) there is no other matter that needs to be brought to the attention of our Shareholders.

The Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

**Mr. Hao Yong (郝勇)**, aged 38, has been a vice president of our Group since January 2012. Mr. Hao has extensive experience in automobile dealership industry. Mr. Hao joined our Group in January 2012 as the deputy general operating manager. Prior to joining our Group, Mr. Hao was the general manager of Beijing Baozhang Automobile Sales Services Co. Ltd. (北京寶澤行汽車銷售服務有限公司) from January 2009 to January 2012, which operates the BMW 4S dealership store and is a subsidiary of China ZhengTong (HK stock code: 1728). Previously, Mr. Hao worked as the general manager in charge of Northern China in Liantong Auto Group (聯通汽車集團) from March 2003 to January 2009. Mr. Hao obtained a bachelor's degree in administrative engineering from the Beijing Institute of Technology in July 1998.

**Mr. Jiang Xiaofei (姜曉飛)**, aged 45, has been a vice president of our Group since November 2013. Mr. Jiang joined our Group in September 2009. He served as the general manager in charge of the area of Xuzhou, Lianyungang and Huai'an from November 2012 to November 2013 and served as the general manager in charge of the area of Lianyungang and Huai'an from July 2011 to November 2012. Since then, he has served as the vice president of our Group. Prior to joining our Group, Mr. Jiang worked as the vice president of Heqing Road Subbranch and the president of Dama Road Subbranch of Xuzhou Branch of Jiangsu Bank from June 2001 to September 2009. He also held various positions at Xuzhou branch of Industrial and Commercial Bank of China from January 1988 to June 2001, including office clerk and the chief of the credit business department. Mr. Jiang obtained an MBA degree from Nankai University in December 2011.

**Mr. Zhu Lidong (朱立東)**, aged 44, has been a vice president responsible for the financial and accounting management of our Group since March 2013. Prior to joining our Group, he served as the finance director and the chief financial officer from August 2005 to February 2013 of the three reputable automobile companies being Chery Automotive Co., Ltd. (奇瑞汽車股份有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) (Shanghai stock code: 600166) and ZAP Inc., a US-based manufacturer of electric vehicle. Mr. Zhu also spent ten years, from May 1995 to July 2005, serving as an audit manager of two Big Four accounting firms, Deloitte Touche Tohmatsu and PricewaterhouseCoopers. Mr. Zhu has rich experience in global finance and investor relations management, mergers and acquisitions, and overseas investments. He graduated with a bachelor's degree in business management from Southwestern University of Finance and Economics in July 1993. He has been a member of Chinese Institute of Certified Public Accountant since December 1994.

Save as disclosed above, none of our senior management is or has been a director of any other listed companies in the last three years.

### JOINT COMPANY SECRETARIES

**Mr. Zhou Jian (周健)**, aged 37, is a joint company secretary of our Company since January 2014. He joined our Group as the secretary of the board of our Group in November 2012. Prior to joining our Group, Mr. Zhou was a partner and senior consultant of Beijing GOS Enterprise Management Consulting Company Limited (北京盛高企業管理諮詢公司) from April 2007 to October 2012. Mr. Zhou obtained an MBA degree from Beijing Institute of Technology in October 2005.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Ho Siu Pik (何小碧)**, aged 49, is a joint company secretary of our Company and was appointed on January 2014. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the joint company secretary of China Molybdenum Company Limited (HK stock code: 3993), SITC International Holdings Company Limited (HK stock code: 1308) and Yashili International Holdings Limited (HK stock code: 1230), and the company secretary of China Polymetallic Mining Limited (HK stock code: 2133), Natural Beauty Bio-Technology Limited (HK stock code: 0157) and Sun Art Retail Group Limited (HK stock code: 6808).

### **BOARD COMMITTEE**

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

#### **Audit Committee**

We have established the Audit Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members: two independent non-executive Directors, being Mr. Lee Conway Kong Wai, who will serve as chairman of the committee, and Mr. Peng Zhenhuai, and one non-executive Director, being Yan Sujian. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

#### **Remuneration Committee**

We have established the Remuneration Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members: two independent non-executive Directors, being Mr. Mei Jianping, who will serve as chairman of the committee, and Mr. Peng Zhenhuai, and one non-executive Director, being Mr. Zhao Fu. The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of the Group.

#### **Nomination Committee**

We have established the Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of five members: one executive Director, being Mr. Yang Peng, who will serve as chairman of the committee, three independent non-executive Directors, being Mr. Xiao Zhengsan, Mr. Peng Zhenhuai and Mr. Mei Jianping and one non-executive Director, being Mr. Zhao Fu. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our directors and senior management receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based compensation), housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The aggregate amount of compensation (including fees, salaries, bonuses, stock, stock options, contributions to pension schemes, long-term incentives, housing and other allowances) and benefits in kind paid to the Directors in 2011, 2012, 2013 and the three months ended March 31, 2014 was approximately RMB1.5 million, RMB4.3 million, RMB4.8 million and RMB19.3 million, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individual employees of the Group in 2011, 2012, 2013 and the three months ended March 31, 2014 was approximately RMB2.3 million, RMB5.1 million, RMB5.5 million and RMB20.0 million, respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2014 to be RMB5.2 million. The executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. See “Appendix IV—Statutory and General Information—C. Further Information About our Directors and Substantial Shareholders—2. Particulars of Service Contracts” to this prospectus for further details on the executive Director’s compensation.

The independent non-executive Directors receive fees from the Company. All Directors receive reimbursements from the Company for expenses which are necessary and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company and are paid out of the funds of the Company by way of fees for their services as directors such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as the Company may by ordinary resolution determine. Save as disclosed above, the Directors are not entitled to receive any other special benefits from the Company. The compensation of the Directors is determined by the Board which, following listing, will receive recommendation from the Remuneration Committee which will take into account applicable laws, rules and regulations.

### **SHARE OPTION SCHEME**

We have adopted the Share Option Scheme. Please see “Appendix IV—Statutory and General Information—D. Share Option Schemes—2. Share Option Scheme” to this prospectus for details of the Share Option Scheme.

### **PRE-IPO SHARE OPTION SCHEME**

We have adopted the Pre-IPO Share Option Scheme. Please see “Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme” to this prospectus for details of the Pre-IPO Share Option Scheme.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **COMPLIANCE ADVISOR**

We have appointed Haitong International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full fiscal year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has appointed Mr. Yang Peng as both the Chairman and the president (an equivalent position to a chief executive officer) of the Company. The Board believes that vesting the roles of the Chairman and president in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

Save as disclosed herein above, as at the Latest Practicable Date, the Directors consider that the Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 to the Listing Rules from the Listing Date.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

See “Business—Our Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$3.78 per Offer Share (being the mid-point of the Offering Price range stated in this prospectus) and no exercise of the Over-allotment Option, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK\$926.0 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK\$838.3 million. In addition, we will receive HK\$81.7 million from the Selling Shareholder to settle the outstanding exercise price for 73,750,000 Scheme Shares (or 29,500,000 Scheme Shares after the Share Consolidation) issued to the Selling Shareholder as trustee of the Employee Pre-IPO Trust simultaneously with completion of the International Offering. See “History and Reorganization—Establishment of the Employee Pre-IPO Trust” in this prospectus for detailed description of the Selling Shareholder and the Sale Shares. As such, we will receive an aggregate of HK\$920.0 million in connection with the Global Offering.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$147.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$3.98 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK\$47.3 million.

If the Offer Price is fixed at HK\$3.58 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK\$47.3 million.

We intend to use the net proceeds of the Global Offering and the proceeds to be received from the Selling Shareholder, assuming the Over-allotment Option is not exercised, for the following purposes:

- approximately 19.3%, or HK\$177.5 million, will be used for establishing eight stores for BMW and MINI in Jiangsu and Shandong provinces and Shanghai, of which (i) approximately 58.2% will be used for property construction, (ii) approximately 17.1% will be used for purchases of equipment and fittings and (iii) approximately 24.7% will be used for procuring inventories, recruiting staff and rental expenses.
- approximately 14.3%, or HK\$131.6 million, will be used for establishing four stores for Land Rover and Jaguar in Shanghai and Jiangsu province, of which (i) approximately 1.8% will be used for acquisition of land use rights, (ii) approximately 8.9% will be used for property construction, (iii) approximately 9.0% will be used for purchases of equipment and fittings and (iv) approximately 80.3% will be used for procuring inventories, recruiting staff and rental expenses.

## FUTURE PLANS AND USE OF PROCEEDS

- approximately 6.4%, or HK\$58.9 million, will be used for establishing two stores for Maserati and Ferrari in Jiangsu and Shandong provinces, of which (i) approximately 46.3% will be used for property construction, (ii) approximately 35.1% will be used for purchases of equipment and fittings and (iii) approximately 18.6% will be used for procuring inventories, recruiting staff and rental expenses.
- approximately 30.0%, or HK\$276.0 million (approximately RMB220.8 million) will be used for early repayment of certain of our long-term bank borrowings, maturing between October 2014 to June 2015 with interest rates ranging from 8.0% to 8.3%, which were incurred to fund our store construction.
- approximately 20.0%, or HK\$184.0 million, will be used for potential future acquisitions of luxury and ultra-luxury automobile dealership groups that are located in affluent coastal regions and other regions that are in line with our strategic focus. As of the Latest Practicable Date, we had not engaged in any negotiations or entered into any LOI or any definitive and finalized understanding, commitment or agreement, legally binding or not, in connection with any business acquisitions.
- approximately 10.0%, or HK\$92.0 million, will be used for our working capital and other general corporate purposes.

If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of the additional Shares on a pro rata basis in accordance with the allocation above.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range, we will adjust the allocation of net proceeds on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that those net proceeds will be deposited into interest-bearing bank accounts and/or money market instruments.

### **Selling Shareholder**

We estimate that the net proceeds of the Global Offering to be received by the Selling Shareholder from the sale of the Sale Shares will range from approximately HK\$81.7 million (assuming an Offer Price of HK\$3.58 per Share, being the low end of the proposed Offer Price range) to HK\$90.8 million (assuming an Offer Price of HK\$3.98 per Share, being the high end of the proposed Offer Price range), after deducting the underwriting fees and commission as payable by the Selling Shareholder. We will not receive any of the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering, except for HK\$81.7 million which will be paid to us for the purpose of settlement of the outstanding exercise price for 73,750,000 Scheme Shares. See “History and Reorganization—Establishment of the Employee Pre-IPO Trust” in this prospectus for detailed description of the Selling Shareholder and the Sale Shares.

## UNDERWRITING

### **HONG KONG UNDERWRITERS** *(in alphabetical order)*

CCB International Capital Limited  
Haitong International Securities Company Limited  
Merrill Lynch Far East Limited  
Morgan Stanley Asia Limited

### **Co-Managers**

China Everbright Securities (HK) Limited  
Convoy Investor Services Limited  
Great Roc Capital Securities Limited  
Yuanta Securities (Hong Kong) Company Limited

## **UNDERWRITING ARRANGEMENTS AND EXPENSES**

### **The Hong Kong Public Offering**

#### ***Hong Kong Underwriting Agreement***

The Hong Kong Underwriting Agreement was entered into on July 30, 2014 among our Company, Rue Feng, Cheerful Autumn, Rundong Fortune and Mr. Yang Peng (Rue Feng, Cheerful Autumn, Rundong Fortune and Mr. Yang Peng, collectively, our “Controlling Shareholders” for the purposes of this section headed “Underwriting”), the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the abovementioned Hong Kong Underwriters. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon the exercise of the Pre-IPO Scheme Options and the options that may be granted under the Share Option Scheme), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

#### ***Grounds for Termination***

The Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may terminate the Hong Kong Underwriting Agreement and the respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer



## UNDERWRITING

Shares by notice in writing or orally from the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Sponsors and/or the Joint Global Coordinators:
  - (i) that any statement of a material fact contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (the “**Hong Kong Public Offering Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents (including any supplement or amendment thereto); or
  - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Underwriters) in any material respect; or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company and the Controlling Shareholders (as indemnifying parties) pursuant to the Hong Kong Underwriting Agreement; or
  - (v) any material adverse effect, or any development involving a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group, taken as a whole (“**Material Adverse Effect**”); or
  - (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings of the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
  - (vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

## UNDERWRITING

- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
  - (x) the chairman or chief executive officer of the Company vacating his or her office; or
  - (xi) any authority or a political body or organization in any of the Relevant Jurisdictions (as defined below) commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
  - (xii) a contravention by any member of the Group of the Listing Rules or applicable laws, which would, in the case of applicable laws, individually or in the aggregate, result in a Material Adverse Effect; or
  - (xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares that may be issued and allotted upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (xiv) non-compliance of the prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
  - (xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC which will in the sole and absolute discretion of the Joint Sponsors and the Joint Global Coordinators, materially and adversely affect the Global Offering; or
  - (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity and the relevant member of the Group fails to make such repayment or payment within the valid period of repayment or payment; or
  - (xvii) that any person (other than the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners and any of the Underwriters) has withdrawn or is subject to withdraw its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Singapore, the Cayman Islands or the British Virgin Islands (collectively, the “**Relevant Jurisdictions**”); or

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- (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or
- (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union, or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (ix) any litigation, action, suit, proceeding or claim of any third party being threatened or instigated against any member of the Group; or
- (x) any change or development or event involving a materialization of any of the risks set out in the section “Risk Factors” in this prospectus; or

## UNDERWRITING

- (xi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xii) any material portion of the orders in the bookbuilding process having been withdrawn, terminated or cancelled,

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors and/or the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will have or is likely to have a Material Adverse Effect; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or (3) makes or will make or is likely to have it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or dealings in the Shares in the secondary market; or (4) has or will have or is likely to have the effect of making any part of Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

#### ***(A) Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

#### ***(B) Undertakings by our Controlling Shareholders***

Pursuant to Rule 10.07 of the Listing Rules, each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng has undertaken to the Stock Exchange and to our Company that, it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

## UNDERWRITING

- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng has undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by the Controlling Shareholders.

### *Undertakings to the Hong Kong Underwriters*

#### *(A) Undertakings by our Company*

We have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the allotment and issue of the Shares pursuant to the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other

## UNDERWRITING

member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or securities of such other member of the Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts;

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any Shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable or any interest in any of the foregoing);
- (c) enter into any transactions with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), we enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, we have undertaken to take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. The Controlling Shareholders undertake to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the above undertakings.

### *(B) Undertakings by our Controlling Shareholders*

Each of the Controlling Shareholders hereby undertakes to each of the Company, the Joint Global Coordinators, Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement or as disclosed in this prospectus, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not, at any time during the First Six-Month Period:
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over,

## UNDERWRITING

either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts, or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or
  - (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) and (ii) above, or
  - (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (b) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, the Controlling Shareholders will collectively cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

### ***Indemnity***

We and Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng have agreed to indemnify the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement.

### **The International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters on or about August 5, 2014. Under the International Underwriting Agreement, the International Underwriters would, subject to

## UNDERWRITING

certain conditions, severally and not jointly, agree to procure purchasers to purchase the International Offer Shares being offered pursuant to the International Offering, or failing which to purchase themselves, their respective applicable proportions of such International Offer Shares which are not taken up under the International Offering.

### ***Undertakings Pursuant to the International Underwriting Agreement***

#### ***Undertakings by Our Company and our Controlling Shareholders***

It is expected that pursuant to the International Underwriting Agreement, our Company and the Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement, as described in the section headed “—Underwriting Arrangements and Expenses—the Hong Kong Public Offering—Undertakings to the Hong Kong Underwriters” above.

#### ***Indemnity***

Our Company and Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng, among others, will agree to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

#### ***Over-allotment Option***

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, during the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 40,292,000 additional Shares, representing approximately 15% of the Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any.

#### **Commission and Expenses**

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. Furthermore, our Company agrees, at its sole and absolute discretion, to pay to the Joint Global Coordinators a discretionary incentive fee of up to 0.5% of the aggregate Offer Price payable for the Offer Shares. For under-subscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and the maximum incentive fee (if any), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the Global Offering are estimated to amount in aggregate to approximately HK\$87.7 million (assuming an Offer Price of HK\$3.78 per Offer Share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised at all), which is subject to adjustment to be agreed by the Company, the Joint Sponsors, the Joint Global Coordinators and other parties.



## UNDERWRITING

### SPONSOR'S INDEPENDENCE

The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section “Structure of the Global Offering”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

## STRUCTURE OF THE GLOBAL OFFERING

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 26,862,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “The Hong Kong Public Offering”; and
- (b) the International Offering of an aggregate of 241,757,000 Shares (subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for the Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Shares under the International Offering, but may not do both.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the subsection headed “The Hong Kong Public Offering—Reallocation” below.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

We are initially offering 26,862,000 Shares at the Offer Price, representing approximately 10% of the Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection below headed “Conditions of the Global Offering.”

#### Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean

## STRUCTURE OF THE GLOBAL OFFERING

that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee payable) of HK\$5 million or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee payable) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 13,431,000 Offer Shares will be rejected.

### **Reallocation**

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached, as described below:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Underwriting will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 80,586,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Underwriting will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 107,448,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

## STRUCTURE OF THE GLOBAL OFFERING

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 134,310,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Sponsors and the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Sponsors and the Joint Global Coordinators may in its discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Sponsors and the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any under-subscribed Hong Kong Offer Shares in such amounts as it deems appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.98 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “—Pricing and Allocation” below, is less than the maximum price of HK\$3.98 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

## **THE INTERNATIONAL OFFERING**

### **Number of Shares Initially Offered**

Subject to the reallocation as described above, the number of Shares to be initially offered under the International Offering will be 241,757,000 Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under

## STRUCTURE OF THE GLOBAL OFFERING

the International Offering will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

### **Allocation**

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Sponsors and the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

### **Over-allotment Option**

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the Joint Global Coordinators, which is exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators has the right, exercisable by the Joint Global Coordinators at any time from the Listing Date to September 4, 2014, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to sell up to 40,292,000 Shares, representing approximately 15.0% of the initial Offer Shares, at the same price per Share under the International Offering, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 3.61% of our enlarged total issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

## STRUCTURE OF THE GLOBAL OFFERING

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

## STRUCTURE OF THE GLOBAL OFFERING

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Joint Bookrunners, its affiliates or any person acting for it may cover such over-allocation by, among other methods, using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 40,292,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

### **STOCK BORROWING AGREEMENT**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 40,292,000 Shares from Rundong Fortune pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rule 10.07(3).

### **PRICING AND ALLOCATION**

#### **Determining the Offer Price**

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, August 5, 2014 and in any event on or before Friday, August 8, 2014, by agreement between the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### **Offer Price Range**

The Offer Price will be not more than HK\$3.98 per Share and is expected to be not less than HK\$3.58 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range.

## STRUCTURE OF THE GLOBAL OFFERING

### Price Payable on Application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$3.98 for each Hong Kong Offer Share (plus 1% brokerage, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$3.98, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) are unable to reach agreement on the Offer Price on or before Friday, August 8, 2014, the Global Offering will not proceed and will lapse.

### Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.rundong.com.cn](http://www.rundong.com.cn)) notices of the reduction. Upon issue of such a notice, the revised indicative offer price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company, will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted. However, if the number of Offer Shares and/or the offer price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares, the Joint Sponsors and the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer



## STRUCTURE OF THE GLOBAL OFFERING

Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Sponsors and the Joint Global Coordinators.

### **Announcement of Offer Price and Basis of Allocations**

The final Offer Price, the level of indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Monday, August 11, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.rundong.com.cn](http://www.rundong.com.cn)).

### **UNDERWRITING**

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

### **CONDITIONS OF THE GLOBAL OFFERING**

Acceptance of all applications for the Offer Shares will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option and upon the exercise of the Pre-IPO Scheme Options and the options that may be granted under the Share Option Scheme) (subject only to allotment) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly agreed between us and the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters);
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or

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before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

**If, for any reason, the Offer Price is not agreed between our Company and the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Friday, August 8, 2014, the Global Offering will not proceed and will lapse.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares—Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, August 12, 2014, provided that (a) the Global Offering has become unconditional in all respects and (b) the right of termination as described in the section headed “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

## STRUCTURE OF THE GLOBAL OFFERING

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, August 12, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, August 12, 2014.

The Shares will be traded in board lots of 1,000 Shares each.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Joint Sponsors and/or the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company, the Joint Sponsors and/or the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, July 31, 2014 until 12:00 noon on Tuesday, August 5, 2014 from:

- (1) the offices of:

**Merrill Lynch Far East Limited**

55/F, Cheung Kong Center  
2 Queen's Road Central  
Central  
Hong Kong

**Morgan Stanley Asia Limited**

46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**Haitong International Securities  
Company Limited**

22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

## HOW TO APPLY FOR HONG KONG OFFER SHARES

(2) or any of the following branches of the receiving banks:

### **Bank of China (Hong Kong) Limited**

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island . .</b>	Bank of China Tower Branch	3/F, 1 Garden Road
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
<b>Kowloon . . . . .</b>	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
<b>New Territories . . . .</b>	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

### **Wing Lung Bank Limited**

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island . .</b>	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
	North Point Branch	361 King's Road
	Aberdeen Branch	201 Aberdeen Main Road
<b>Kowloon . . . . .</b>	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
<b>New Territories . . . .</b>	Tsuen Wan Branch	251 Sha Tsui Road

## HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, July 31, 2014 until 12:00 noon on Tuesday, August 5, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — China Rundong Auto Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- **Thursday, July 31, 2014 — 9:00 a.m. to 5:00 p.m.**
- **Friday, August 1, 2014 — 9:00 a.m. to 5:00 p.m.**
- **Saturday, August 2, 2014 — 9:00 a.m. to 1:00 p.m.**
- **Monday, August 4, 2014 — 9:00 a.m. to 5:00 p.m.**
- **Tuesday, August 5, 2014 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on August 5, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company, the Joint Sponsors and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;



## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
  - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the Yellow Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, July 31, 2014 until 11:30 a.m. on Tuesday, August 5, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, August 5, 2014 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

### No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “China Rundong Auto Group Limited” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang—Hong Kong Forest” project initiated by Friends of the Earth (HK).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
2/F, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if the application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the

## HOW TO APPLY FOR HONG KONG OFFER SHARES

fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Thursday, July 31, 2014 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**
- **Friday, August 1, 2014 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**
- **Saturday, August 2, 2014 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>**
- **Monday, August 4, 2014 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**
- **Tuesday, August 5, 2014 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon**

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, July 31, 2014 until 12:00 noon on Tuesday, August 5, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, August 5, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

### Personal Data

The section “Personal Data” of the Application Form applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, August 5, 2014.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

See the section “Structure of the Global Offering—Pricing and Allocation” in this prospectus for further details on the Offer Price.



## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on Tuesday, August 5, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, August 5, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, August 11, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at [www.rundong.com.cn](http://www.rundong.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.rundong.com.cn](http://www.rundong.com.cn) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Monday, August 11, 2014;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, August 11, 2014 to 12:00 midnight on Sunday, August 17, 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, August 11, 2014 to Thursday, August 14, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, August 11, 2014 to Wednesday, August 13, 2014 at all the receiving bank branches and subbranches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section “Structure of the Global Offering” in this prospectus.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Sponsors and/or the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinator believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$3.98 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section "Structure of the Global Offering—The Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, August 11, 2014.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheque and share certificates are expected to be posted on or around Monday, August 11, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, August 12, 2014 provided that the Global Offering has become unconditional and the right of termination described in the section “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### **(i) If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, August 11, 2014 or such other date as notified by us in the newspapers.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time period specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, August 11, 2014, by ordinary post and at your own risk.

### **(ii) If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, August 11, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, August 11, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, August 11, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### (iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, August 11, 2014, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificate(s)/e-Refund payment instructions/refund cheque(s).

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, August 11, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

### (iv) If you apply via Electronic Application Instructions to HKSCC

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant’s stock account or your CCASS Investor Participant stock account on Monday, August 11, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “Publication of Results” above on Monday, August 11, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, August 11, 2014 or such other date as determined by HKSCC or HKSCC Nominees.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, August 11, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, August 11, 2014.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report received from the company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.*



22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

31 July 2014

The Directors  
**China Rundong Auto Group Limited**  
**Merrill Lynch Far East Limited**  
**Morgan Stanley Asia Limited**

Dear Sirs,

We set out below our report on the financial information of China Rundong Auto Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013, and the three months ended 31 March 2014 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 31 March 2014 and the statement of financial position of the Company as at 31 March 2014, together with the notes thereto (the “Financial Information”), and the comparative consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the three months ended 31 March 2013 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 31 July 2014 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 January 2014. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 1 of Section II, which is still in progress, the Company became the holding company of the other subsidiaries comprising the Group on 22 January 2014. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company has not been involved in any significant business transaction other than the Reorganisation described above and it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 40 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the



Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 40 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013, and the three months ended 31 March 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

### **DIRECTORS' RESPONSIBILITY**

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

### **OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 March 2014, and the Group as at 31 December 2011, 2012 and 2013 and 31 March 2014 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

## REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

The following is the Financial Information of the Group for the Relevant Periods prepared on the basis set out in note 2.1 of Section II:

## 1. Consolidated Statements of Profit or Loss

	Section II Notes	Year ended 31 December			Three-month period ended 31 March	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Revenue . . . . .	5(a)	6,017,408	9,383,809	11,587,838	2,394,995	3,891,254
Cost of sales . . . . .	6(b)	(5,560,572)	(8,747,908)	(10,585,534)	(2,215,895)	(3,516,525)
<b>Gross profit</b> . . . . .		456,836	635,901	1,002,304	179,100	374,729
Other income and gains, net Selling and distribution costs . . . . .	5(b)	75,005	174,182	244,532	55,898	65,085
Administrative expenses . . .		(132,286)	(219,992)	(265,920)	(53,152)	(86,040)
Other expenses . . . . .		(168,591)	(228,223)	(284,221)	(57,887)	(114,538)
Finance costs . . . . .	7	(4,655)	(16,985)	(17,884)	(4,079)	(1,687)
		(86,257)	(201,059)	(291,147)	(74,304)	(86,623)
<b>Profit before tax</b> . . . . .	6	140,052	143,824	387,664	45,576	150,926
Income tax expense . . . . .	8	(49,649)	(52,611)	(139,271)	(16,414)	(50,698)
<b>Profit for the year/period</b> .		<u>90,403</u>	<u>91,213</u>	<u>248,393</u>	<u>29,162</u>	<u>100,228</u>
<b>Profit for the year/period attributable to:</b>						
Owners of the parent . . .		72,655	92,206	238,959	29,113	96,353
Non-controlling interests		<u>17,748</u>	<u>(993)</u>	<u>9,434</u>	<u>49</u>	<u>3,875</u>
		<u>90,403</u>	<u>91,213</u>	<u>248,393</u>	<u>29,162</u>	<u>100,228</u>

## 2. Consolidated Statements of Comprehensive Income

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Profit for the year/period . . . . .</b>	<u>90,403</u>	<u>91,213</u>	<u>248,393</u>	<u>29,162</u>	<u>100,228</u>
<b>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</b>					
Exchange differences on translation of foreign operations . . . . .	<u>(1,185)</u>	<u>551</u>	<u>(311)</u>	<u>(301)</u>	<u>(22)</u>
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods . . . . .</b>	<u>(1,185)</u>	<u>551</u>	<u>(311)</u>	<u>(301)</u>	<u>(22)</u>
<b>Other comprehensive income for the year/period, net of tax . . .</b>	<u>(1,185)</u>	<u>551</u>	<u>(311)</u>	<u>(301)</u>	<u>(22)</u>
<b>Total comprehensive income for the year/period, net of tax . . .</b>	<u>89,218</u>	<u>91,764</u>	<u>248,082</u>	<u>28,861</u>	<u>100,206</u>
<b>Total comprehensive income for the year/period attributable to:</b>					
Owners of the parent . . . . .	71,470	92,757	238,648	28,812	96,331
Non-controlling interests . . . . .	<u>17,748</u>	<u>(993)</u>	<u>9,434</u>	<u>49</u>	<u>3,875</u>
	<u>89,218</u>	<u>91,764</u>	<u>248,082</u>	<u>28,861</u>	<u>100,206</u>

## 3. Consolidated Statements of Financial Position

	<i>Section II</i> <i>Notes</i>	As at 31 December			As at
		2011	2012	2013	31 March
		RMB'000	RMB'000	RMB'000	2014
				RMB'000	
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment.	13	628,550	1,184,786	1,918,360	2,247,210
Land use rights . . . . .	14	160,131	339,733	352,397	350,126
Intangible assets . . . . .	15	3,786	5,772	221,559	218,198
Prepayments . . . . .	16	65,072	14,461	5,384	5,384
Goodwill . . . . .	17	—	—	207,146	207,146
Available-for-sale investments.	18	—	—	102,000	102,000
Deferred tax assets . . . . .	28	6,984	12,521	5,797	3,449
<b>Total non-current assets. . . . .</b>		<b>864,523</b>	<b>1,557,273</b>	<b>2,812,643</b>	<b>3,133,513</b>
<b>CURRENT ASSETS</b>					
Inventories . . . . .	19	694,656	1,070,310	1,639,689	1,513,466
Trade receivables . . . . .	20	63,250	102,959	190,150	161,636
Prepayments, deposits and other receivables . . . . .	21	1,219,624	1,503,809	1,137,384	990,357
Amount due from a related party . . . . .	37	86,621	462,903	760,923	910,527
Cash in transit . . . . .	22	3,350	5,594	23,345	14,703
Pledged bank deposits . . . . .	23	490,946	2,120,374	1,270,078	1,701,362
Cash and cash equivalents . . . . .	24	487,551	364,781	417,485	546,273
<b>Total current assets. . . . .</b>		<b>3,045,998</b>	<b>5,630,730</b>	<b>5,439,054</b>	<b>5,838,324</b>
<b>TOTAL ASSETS. . . . .</b>		<b>3,910,521</b>	<b>7,188,003</b>	<b>8,251,697</b>	<b>8,971,837</b>

	Section II Notes	As at 31 December			As at
		2011	2012	2013	31 March
		RMB'000	RMB'000	RMB'000	2014 RMB'000
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing bank and other borrowings . . . . .	27	538,500	852,325	939,063	915,925
Deferred tax liabilities . . . . .	28	—	8,945	90,297	94,359
<b>Total non-current liabilities . . . . .</b>		<u>538,500</u>	<u>861,270</u>	<u>1,029,360</u>	<u>1,010,284</u>
<b>CURRENT LIABILITIES</b>					
Trade and bills payables . . . . .	25	1,241,262	2,358,837	2,738,062	2,943,740
Other payables and accruals . . . . .	26	409,310	626,086	781,173	741,694
Interest-bearing bank and other borrowings . . . . .	27	894,985	2,310,925	2,306,336	2,722,181
Income tax payable . . . . .		20,923	53,295	137,243	158,147
Amount due to a related party . . . . .	37	209,180	285,425	315,086	327,391
<b>Total current liabilities . . . . .</b>		<u>2,775,660</u>	<u>5,634,568</u>	<u>6,277,900</u>	<u>6,893,153</u>
<b>NET CURRENT ASSETS/ (LIABILITIES) . . . . .</b>		<u>270,338</u>	<u>(3,838)</u>	<u>(838,846)</u>	<u>(1,054,829)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .</b>		<u>1,134,861</u>	<u>1,553,435</u>	<u>1,973,797</u>	<u>2,078,684</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital . . . . .	29	—	—	—	2
Reserves . . . . .	30	547,636	644,433	887,271	1,007,357
		547,636	644,433	887,271	1,007,359
<b>Non-controlling interests . . . . .</b>		<u>48,725</u>	<u>47,732</u>	<u>57,166</u>	<u>61,041</u>
<b>Total equity . . . . .</b>		<u>596,361</u>	<u>692,165</u>	<u>944,437</u>	<u>1,068,400</u>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<u>3,910,521</u>	<u>7,188,003</u>	<u>8,251,697</u>	<u>8,971,837</u>

## 4. Consolidated Statements of Changes in Equity

	Attributable to owners of the parent								
	Share capital	Merger reserve	Share option reserve	Statutory reserve	Retained earnings/ (accumulated losses)	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	RMB'000 (note 30(i))	RMB'000 (note 33)	RMB'000 (note 30(ii))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2011</b> . . . . .	—	237,580	—	14,936	(61,662)	93	190,947	49,926	240,873
Profit for the year . . . . .	—	—	—	—	72,655	—	72,655	17,748	90,403
Other comprehensive loss . . . . .	—	—	—	—	—	(1,185)	(1,185)	—	(1,185)
Total comprehensive income/(loss) . . . . .	—	—	—	—	72,655	(1,185)	71,470	17,748	89,218
Transfer from retained earnings . . . . .	—	—	—	12,950	(12,950)	—	—	—	—
Contribution by the then equity holders . . . . .	—	415,148	—	—	—	—	415,148	—	415,148
Capital contribution from non-controlling interests of a subsidiary . . . . .	—	—	—	—	—	—	—	2,000	2,000
Acquisition of equity interests by the Group from the then equity holders . . . . .	—	(131,275)	—	—	—	—	(131,275)	—	(131,275)
Acquisition of non-controlling interests by the Group . . . . .	—	1,346	—	—	—	—	1,346	(16,697)	(15,351)
Dividends to non-controlling interests . . . . .	—	—	—	—	—	—	—	(3,745)	(3,745)
Disposal of subsidiaries . . . . .	—	—	—	—	—	—	—	(507)	(507)
<b>At 31 December 2011 and at 1 January 2012</b> . . . . .	—	522,799*	—*	27,886*	(1,957)*	(1,092)*	547,636	48,725	596,361
Profit/(loss) for the year . . . . .	—	—	—	—	92,206	—	92,206	(993)	91,213
Other comprehensive income . . . . .	—	—	—	—	—	551	551	—	551
Total comprehensive income/(loss) . . . . .	—	—	—	—	92,206	551	92,757	(993)	91,764
Transfer from retained earnings . . . . .	—	—	—	13,782	(13,782)	—	—	—	—
Equity-settled share option arrangements . . . . .	—	—	4,040	—	—	—	4,040	—	4,040
<b>At 31 December 2012</b> . . . . .	—	522,799*	4,040*	41,668*	76,467*	(541)*	644,433	47,732	692,165

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Merger reserve	Share option reserve	Statutory reserve	Retained earnings	Exchange fluctuation reserve	Total		
	RMB'000 (note 29)	RMB'000 (note 30(i))	RMB'000 (note 33)	RMB'000 (note 30(ii))	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2013.</b> . . . . .	—	522,799*	4,040*	41,668*	76,467*	(541)*	644,433	47,732	692,165
Profit for the year . . . . .	—	—	—	—	238,959	—	238,959	9,434	248,393
Other comprehensive loss . . . . .	—	—	—	—	—	(311)	(311)	—	(311)
Total comprehensive income/(loss) . . . . .	—	—	—	—	238,959	(311)	238,648	9,434	248,082
Transfer from retained earnings . . . . .	—	—	—	39,647	(39,647)	—	—	—	—
Equity-settled share option arrangements . . . . .	—	—	4,190	—	—	—	4,190	—	4,190
<b>At 31 December 2013 and at 1 January 2014.</b> . . . . .	—	522,799*	8,230*	81,315*	275,779*	(852)*	887,271	57,166	944,437
Profit for the period . . . . .	—	—	—	—	96,353	—	96,353	3,875	100,228
Other comprehensive loss . . . . .	—	—	—	—	—	(22)	(22)	—	(22)
Total comprehensive income/(loss) . . . . .	—	—	—	—	96,353	(22)	96,331	3,875	100,206
Issue of share capital . . . . .	2	(2)	—	—	—	—	—	—	—
Transfer from retained earnings . . . . .	—	—	—	10,730	(10,730)	—	—	—	—
Equity-settled share option arrangements . . . . .	—	—	23,757	—	—	—	23,757	—	23,757
<b>At 31 March 2014.</b> . . . . .	2	522,797*	31,987*	92,045*	361,402*	(874)*	1,007,359	61,041	1,068,400
<b>At 1 January 2013.</b> . . . . .	—	522,799*	4,040*	41,668*	76,467*	(541)*	644,433	47,732	692,165
Profit for the period . . . . .	—	—	—	—	29,113	—	29,113	49	29,162
Other comprehensive loss . . . . .	—	—	—	—	—	(301)	(301)	—	(301)
Total comprehensive income/(loss) . . . . .	—	—	—	—	29,113	(301)	28,812	49	28,861
Transfer from retained earnings . . . . .	—	—	—	4,936	(4,936)	—	—	—	—
Equity-settled share option arrangements . . . . .	—	—	949	—	—	—	949	—	949
<b>At 31 March 2013 (unaudited)</b> . . . . .	—	522,799	4,989	46,604	100,644	(842)	674,194	47,781	721,975

\* These reserve accounts comprise the consolidated reserves of RMB547,636,000, RMB644,433,000, RMB887,271,000 and RMB1,007,357,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively.

## 5. Consolidated Statements of Cash Flows

	<i>Section II</i> <i>Notes</i>	Year ended 31 December			Three-month period ended 31 March	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Operating activities</b>						
Profit before tax . . . . .		140,052	143,824	387,664	45,576	150,926
Adjustments for:						
Depreciation . . . . .	6(c)	25,712	64,523	107,904	21,621	39,409
Amortisation of land use rights . . . . .	6(c)	3,606	5,311	8,731	2,204	2,271
Amortisation of intangible assets . . . . .	6(c)	302	1,701	4,781	754	3,518
Finance costs . . . . .	7	86,257	201,059	291,147	74,304	86,623
Interest income . . . . .	5(b)	(3,764)	(11,568)	(16,866)	(3,890)	(4,090)
(Gain)/loss on disposal of items of property, plant and equipment . . . . .	6(c)	(1,441)	15,129	13,534	3,598	1,311
Gain and income from disposal of subsidiaries . . . . .	5(b)	(13,236)	(27,040)	(42,272)	(7,019)	—
Equity-settled share option expense . . . . .	33	—	4,040	4,190	949	23,757
(Increase)/decrease in inventories . . . . .		(590,711)	(381,012)	(476,507)	(159,432)	126,223
Decrease/(increase) in trade receivables . . . . .		51,682	(40,120)	(76,626)	(6,791)	28,514
(Increase)/decrease in prepayments, deposits and other receivables . . . . .		(641,012)	(332,547)	(78,681)	30,727	147,027
(Increase)/decrease in pledged bank deposits . . . . .		(285,883)	(737,247)	250,848	157,479	(322,735)
(Increase)/decrease in cash in transit . . . . .		(2,406)	(2,244)	(17,012)	(22,182)	8,642
Increase/(decrease) in trade and bills payables . . . . .		1,028,277	1,121,797	161,936	(61,568)	205,678
Increase/(decrease) in other payables and accruals . . . . .		<u>234,612</u>	<u>153,085</u>	<u>98,227</u>	<u>85,405</u>	<u>(5,421)</u>
		32,047	178,691	620,998	161,735	491,653
Income taxes paid . . . . .		<u>(43,263)</u>	<u>(16,831)</u>	<u>(26,795)</u>	<u>(6,240)</u>	<u>(23,384)</u>
<b>Net cash flows (used in)/ generated from operating activities . . . . .</b>		<u>(11,216)</u>	<u>161,860</u>	<u>594,203</u>	<u>155,495</u>	<u>468,269</u>



Section II Notes	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Investing activities</b>					
Purchase of items of property, plant and equipment . . . . .	(517,523)	(613,355)	(725,494)	(234,193)	(418,475)
Proceeds from disposal of items of property, plant and equipment . . . . .	21,373	29,048	57,212	15,873	19,181
Purchase of land use rights.	(137,036)	(129,935)	(57,870)	(33,516)	—
Purchase of intangible assets . . . . .	(3,629)	(3,740)	(2,826)	(2,485)	(157)
Interest received . . . . .	3,764	11,568	16,866	3,890	4,090
Acquisition of subsidiaries . 32	—	—	(385,857)	—	—
Acquisition of equity interests by the Group from the then equity holders . . . . .	(131,275)	—	—	—	—
(Advances to)/repayment from the former subsidiaries disposed of to third parties, net . . . .	(143,846)	51,572	92,274	23,710	—
Interest received from disposal of subsidiaries .	—	—	75,945	—	—
Net cash (outflow)/inflow in respect of disposal of subsidiaries . . . . . 31	(24,163)	9,976	318,287	—	—
<b>Net cash flows used in investing activities . . . .</b>	<b>(932,335)</b>	<b>(644,866)</b>	<b>(611,463)</b>	<b>(226,721)</b>	<b>(395,361)</b>

Section II Notes	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Financing activities</b>					
Contribution from the then equity holders . . . . .	415,148	—	—	—	—
Acquisition of non-controlling interests by the Group . . . . .	(15,351)	—	—	—	—
Proceeds from interest-bearing bank and other borrowings . . . . .	2,874,954	4,641,600	5,082,636	1,157,424	1,698,357
Repayment of interest-bearing bank and other borrowings . . . . .	(2,114,308)	(2,876,844)	(5,059,081)	(1,359,928)	(1,305,650)
Interest paid . . . . .	(99,646)	(212,853)	(300,542)	(75,568)	(90,957)
Dividends paid to non-controlling interests . . .	(3,745)	—	—	—	—
Capital contribution from non-controlling interests of a subsidiary . . . . .	2,000	—	—	—	—
Repayment from/(advances to) the controlling shareholder, net . . . . .	105,000	(300,037)	(370,359)	(95,572)	(137,299)
(Increase)/decrease in pledged bank deposits . .	(121,855)	(892,181)	717,621	574,911	(108,549)
<b>Net cash flows generated from financing activities</b>	<b>1,042,197</b>	<b>359,685</b>	<b>70,275</b>	<b>201,267</b>	<b>55,902</b>
Net increase/(decrease) in cash and cash equivalents . . . . .	98,646	(123,321)	53,015	130,041	128,810
Net foreign exchange differences . . . . .	(1,185)	551	(311)	(301)	(22)
Cash and cash equivalents at beginning of year/period . . . . .	<u>390,090</u>	<u>487,551</u>	<u>364,781</u>	<u>364,781</u>	<u>417,485</u>
<b>Cash and cash equivalents at end of year/period . .</b>	<b>24</b> <u><u>487,551</u></u>	<u><u>364,781</u></u>	<u><u>417,485</u></u>	<u><u>494,521</u></u>	<u><u>546,273</u></u>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and bank balances . . .	24	<u>487,551</u>	<u>364,781</u>	<u>417,485</u>	<u>494,521</u>
Cash and cash equivalents as stated in the statements of financial position and the statements of cash flows.		<u>487,551</u>	<u>364,781</u>	<u>417,485</u>	<u>494,521</u>
		<u>546,273</u>	<u>546,273</u>	<u>546,273</u>	<u>546,273</u>

## 6. Company Statement of Financial Position

	<i>Section II</i>	<u>As at 31 March</u>
	<i>Notes</i>	<u>2014</u>
		<u>RMB'000</u>
<b>NON-CURRENT ASSETS</b>		
Interests in subsidiaries . . . . .	40	<u>2,817,222</u>
<b>Total non-current assets</b> . . . . .		<u>2,817,222</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .		<u>2,817,222</u>
<b>NET ASSETS</b> . . . . .		<u><u>2,817,222</u></u>
<b>EQUITY</b>		
Share capital . . . . .	29	2
Capital reserve . . . . .		<u>2,817,220</u>
<b>TOTAL EQUITY</b> . . . . .		<u><u>2,817,222</u></u>

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company was incorporated on 15 January 2014 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands for preparation of the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"). The registered office address of the Company is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the sale and service of motor vehicles (the "Listing Business").

In the opinion of the Directors, the ultimate holding company of the Company is HSBC International Trustee Limited, which is incorporated in the British Virgin Islands (the "BVI").

Before the formation of the Group, the Listing Business was carried out by the subsidiaries now comprising the Group as set out in note 40 below, all of which were controlled by Mr. Yang Peng (the "Controlling Shareholder").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Prospectus.

### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 22 January 2014. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 31 March 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation in full.

### 2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB3,838,000, RMB838,846,000 and RMB1,054,829,000 as at 31 December 2012 and 2013 and 31 March 2014, respectively.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operation, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

### 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in this Financial Information.

HKFRS 9	<i>Financial Instruments</i> <sup>2</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> <sup>2</sup>
HKAS 19 Amendments	<i>Amendments to HKAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Annual Improvements 2010–2012 Cycle/ Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
HKFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>3</sup>
HKAS 16 and HKAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>3</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> No mandatory effective date yet determined but is available for adoption

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of consolidation

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods.

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statement of profit or loss include the results of each of the consolidating entities or businesses from the earliest date presented or since the date when the consolidating entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the companies now comprising the Group.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**(b) Subsidiaries**

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

**(c) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

**(d) Fair value measurement**

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**(e) Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

**(f) Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and



- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**(g) Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Buildings . . . . .	15–20 years	3%
Leasehold improvements. . . . .	Over the shorter of the lease terms and 5 years	—
Plant and machinery . . . . .	10 years	3%
Furniture and fixtures. . . . .	3–5 years	3%
Motor vehicles . . . . .	6 years	3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**(h) Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>
Software . . . . .	5 years
Dealership relationship . . . . .	20 years
Customer relationship . . . . .	15 years
Insurance license . . . . .	15 years

**(i) Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

**(j) Land use rights**

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the rights to use certain land and the consideration paid for such rights are recorded as land use rights, which are amortised over the lease terms ranging from 20 to 50 years using the straight-line method.

**(k) Investments and other financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

*Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

**(l) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**(m) Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

*Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

**(n) Financial liabilities***Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and an amount due to a related party.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

##### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### **(o) Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

#### **(p) Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

**(q) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**(r) Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(s) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with initial terms of three months or less, which are not restricted as to use.

**(t) Income tax**

Income tax comprises current and deferred income tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(u) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

**(v) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, on the percentage of completion basis, in the period in which the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

**(w) Vendor rebate**

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accruals basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

**(x) Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").



The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the Financial Information.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(y) Employee benefits**

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

**(z) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 8.43% and 8.97% has been applied to the expenditure on the individual assets.

**(aa) Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

**(ab) Foreign currencies**

This Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of Mainland China subsidiaries is the RMB. As the Group mainly operates in Mainland China, the RMB is used as the presentation currency of the Group. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial information:

***Deferred tax assets***

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB6,984,000, RMB12,521,000, RMB5,797,000 and RMB3,449,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively. More details are given in note 28.

***Operating lease commitments — Group as lessor***

The Group has entered into commercial property leases on its property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Useful lives of property, plant and equipment***

The property, plant and equipment are depreciated on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related depreciation charges for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, with consideration of market condition. Management will increase the depreciation charges when useful lives become shorter than previously estimated.

***Useful lives of intangible assets***

The intangible assets are amortised on a straight-line basis with nil residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on useful lives as determined by comparable companies in the same industry and the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

**4. SEGMENT INFORMATION**

The Group's principal business is the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

**Information about geographical area**

Since all of the Group's revenue were generated from the sale and service of motor vehicles in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented.

**Information about major customers**

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during each of the Relevant Periods, no major customers segment information is presented.

## 5. REVENUE, OTHER INCOME AND GAINS, NET

## (a) Revenue

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from the sale of motor vehicles . . . . .	5,468,680	8,667,015	10,470,268	2,178,459	3,498,235
Others . . . . .	548,728	716,794	1,117,570	216,536	393,019
	<u>6,017,408</u>	<u>9,383,809</u>	<u>11,587,838</u>	<u>2,394,995</u>	<u>3,891,254</u>

## (b) Other income and gains, net

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Commission income . . . . .	49,128	115,175	153,943	36,293	48,744
Advertisement support received from motor vehicle manufacturers	2,384	9,081	19,671	4,587	8,853
Gain and income from disposal of subsidiaries ( <i>note 31</i> ) . . . . .	13,236	27,040	42,272	7,019	—
Bank interest income . . . . .	3,764	11,568	16,866	3,890	4,090
Government grants . . . . .	1,410	5,037	4,635	2,130	601
Rental income . . . . .	—	2,169	2,714	537	1,537
Net gain on disposal of items of property, plant and equipment . .	1,441	—	—	—	—
Others . . . . .	3,642	4,112	4,431	1,442	1,260
	<u>75,005</u>	<u>174,182</u>	<u>244,532</u>	<u>55,898</u>	<u>65,085</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(a) Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):					
Wages and salaries . . . . .	78,512	119,311	130,164	29,380	44,896
Equity-settled share option expense	—	1,456	1,961	402	5,357
Other welfare . . . . .	23,340	35,141	55,940	12,827	16,616
	<u>101,852</u>	<u>155,908</u>	<u>188,065</u>	<u>42,609</u>	<u>66,869</u>
(b) Cost of sales and services:					
Cost of sales of motor vehicles . . .	5,208,842	8,264,894	9,925,768	2,071,732	3,296,908
Others . . . . .	351,730	483,014	659,766	144,163	219,617
	<u>5,560,572</u>	<u>8,747,908</u>	<u>10,585,534</u>	<u>2,215,895</u>	<u>3,516,525</u>
(c) Other items:					
Depreciation of items of property, plant and equipment. . . . .	25,712	64,523	107,904	21,621	39,409
Amortisation of land use rights . . .	3,606	5,311	8,731	2,204	2,271
Amortisation of intangible assets . .	302	1,701	4,781	754	3,518
Advertisement and business promotion expenses . . . . .	39,958	62,865	53,080	9,166	12,565
Lease expenses . . . . .	6,309	18,713	22,567	4,128	6,133
Bank charges . . . . .	6,170	11,934	13,676	3,291	3,934
(Gain)/loss on disposal of items of property, plant and equipment . .	(1,441)	15,129	13,534	3,598	1,311

## 7. FINANCE COSTS

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense on bank borrowings wholly repayable within five years . . . .	85,045	188,162	279,743	73,687	84,389
Interest expense on other borrowings . . . .	14,601	24,691	20,799	1,881	6,568
Less: interest capitalised. . . . .	(13,389)	(11,794)	(9,395)	(1,264)	(4,334)
	<u>86,257</u>	<u>201,059</u>	<u>291,147</u>	<u>74,304</u>	<u>86,623</u>

## 8. TAX

(a) Tax in the consolidated statements of profit or loss represents:

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current Mainland China corporate income tax . . . . .	56,719	48,573	110,366	18,232	44,288
Adjustments in respect of current tax of previous periods . . . . .	(86)	630	379	—	—
Deferred tax ( <i>note 28</i> ) . . . . .	(6,984)	3,408	28,526	(1,818)	6,410
	<u>49,649</u>	<u>52,611</u>	<u>139,271</u>	<u>16,414</u>	<u>50,698</u>

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to profits tax at the rate of 16.5% during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate is 25%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax . . . . .	140,052	143,824	387,664	45,576	150,926
Tax at applicable tax rates (25%) . .	35,013	35,956	96,916	11,394	37,732
Adjustments in respect of current tax of previous periods . . . . .	(86)	630	379	—	—
Expenses not deductible for tax . . .	5,465	8,657	9,677	1,149	7,488
Tax losses utilised from previous periods . . . . .	(1,968)	(6,119)	(436)	(112)	(430)
Tax losses not recognised . . . . .	11,053	4,490	10,040	1,191	1,037
Deductible temporary differences not recognised . . . . .	172	52	84	—	—
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries . . . . .	—	8,945	22,611	2,792	4,871
Tax charge . . . . .	49,649	52,611	139,271	16,414	50,698

#### 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for each of the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, is as follows:

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Yang Peng . . . . .	—	216	27	—	243
Mr. Zhao Zhongjie . . . . .	—	234	27	—	261
Mr. Liu Jian . . . . .	—	263	27	—	290
Mr. Li Xiang . . . . .	—	359	27	—	386
Non-executive directors:					
Mr. Yan Sujian . . . . .	—	331	—	—	331
Mr. Liu Haifeng . . . . .	—	—	—	—	—
Mr. Zhao Fu . . . . .	—	—	—	—	—
	—	1,403	108	—	1,511

## Year ended 31 December 2012

	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Yang Peng . . . . .	—	287	28	—	315
Mr. Zhao Zhongjie . . . . .	—	252	28	1,008	1,288
Mr. Liu Jian . . . . .	—	376	28	619	1,023
Mr. Li Xiang . . . . .	—	384	28	118	530
Non-executive directors:					
Mr. Yan Sujian . . . . .	—	334	—	839	1,173
Mr. Liu Haifeng . . . . .	—	—	—	—	—
Mr. Zhao Fu . . . . .	—	—	—	—	—
	—	1,633	112	2,584	4,329

## Year ended 31 December 2013

	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Yang Peng . . . . .	—	376	26	—	402
Mr. Zhao Zhongjie* . . . . .	—	526	36	865	1,427
Mr. Liu Jian . . . . .	—	536	26	531	1,093
Mr. Li Xiang . . . . .	—	488	26	101	615
Mr. Liu Dongli . . . . .	—	—	—	12	12
Non-executive directors:					
Mr. Yan Sujian . . . . .	—	529	—	720	1,249
Mr. Liu Haifeng . . . . .	—	—	—	—	—
Mr. Zhao Fu . . . . .	—	—	—	—	—
	—	2,455	114	2,229	4,798



## Three-month period ended 31 March 2014

	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Yang Peng . . . . .	—	154	3	—	157
Mr. Zhao Zhongjie* . . . . .	—	129	9	4,135	4,273
Mr. Liu Jian . . . . .	—	97	7	2,539	2,643
Mr. Li Xiang . . . . .	—	89	7	485	581
Mr. Liu Dongli . . . . .	—	129	9	7,799	7,937
Non-executive directors:					
Mr. Yan Sujian . . . . .	—	93	—	3,442	3,535
Mr. Liu Haifeng . . . . .	—	—	—	—	—
Mr. Zhao Fu . . . . .	—	—	—	—	—
Mr. Xiao Zhengsan . . . . .	55	—	—	—	55
Mr. Mei Jianping . . . . .	55	—	—	—	55
Mr. Peng Zhenhuai . . . . .	55	—	—	—	55
Mr. Lee Conway Kong Wai . . . . .	55	—	—	—	55
	<u>220</u>	<u>691</u>	<u>35</u>	<u>18,400</u>	<u>19,346</u>

## Three-month period ended 31 March 2013 (unaudited)

	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Yang Peng . . . . .	—	74	7	—	81
Mr. Zhao Zhongjie* . . . . .	—	79	9	213	301
Mr. Liu Jian . . . . .	—	76	7	131	214
Mr. Li Xiang . . . . .	—	70	7	25	102
Mr. Liu Dongli . . . . .	—	—	—	—	—
Non-executive directors:					
Mr. Yan Sujian . . . . .	—	78	—	178	256
Mr. Liu Haifeng . . . . .	—	—	—	—	—
Mr. Zhao Fu . . . . .	—	—	—	—	—
	<u>—</u>	<u>377</u>	<u>30</u>	<u>547</u>	<u>954</u>

\* Mr. Zhao Zhongjie who acts as an executive director of the Company is also the executive president of the Company since 1 January 2013.

During the years ended 31 December 2012 and 2013, and the three months ended 31 March 2013 and 2014, certain executive directors, a non-executive director and the chief executive were granted share options, in respect of their services to the Group, under the share option scheme of China Rundong Auto Holding Limited (the "Parent of the Company"), further details of which are set out in note 33 to the Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Financial Information for the years ended 31 December 2012 and 2013, and the three months ended 31 March 2013 and 2014 is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

**10. FIVE HIGHEST PAID EMPLOYEES**

The five individuals whose emoluments were the highest for the years ended 31 December 2011, 2012 and 2013, and the three months ended 31 March 2013 and 2014 include three, three, three, three and four directors, respectively, whose emoluments are reflected in the analysis presented in note 9 above.

Details of the remaining two, two, two, two and one highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind . . . . .	1,310	1,442	1,235	235	115
Pension scheme contributions . . . . .	27	28	71	15	—
Equity-settled share option expense . . . . .	—	148	397	72	1,500
	<u>1,337</u>	<u>1,618</u>	<u>1,703</u>	<u>322</u>	<u>1,615</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Nil to RMB1,000,000 . . . . .	1	2	2	2	—
RMB1,000,001 to RMB1,500,000 . . . . .	1	—	—	—	1
RMB1,500,001 to RMB2,000,000 . . . . .	—	—	—	—	—
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>

During the years ended 31 December 2012 and 2013, and the three months ended 31 March 2013 and 2014, share options were granted to one non-director and non-chief executive highest paid employee in respect of his services to the Group under the share option scheme of the Parent of the Company, further details of which are included in note 33 to the Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Financial Information for the years ended 31 December 2012 and 2013, and the three months ended 31 March 2013 and 2014 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

**11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

The consolidated profit attributable to owners of the parent for the years ended 31 December 2011, 2012 and 2013, and the three months ended 31 March 2013 and 2014 were all generated by the subsidiaries now comprising the Group (note 40).

**12. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion is not considered meaningful for the purpose of this report.

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Leasehold</u>	<u>Plant and</u>	<u>Furniture</u>	<u>Motor</u>	<u>Construction</u>	<u>Total</u>
	<u>RMB'000</u>	<u>improvements</u>	<u>machinery</u>	<u>and fixtures</u>	<u>vehicles</u>	<u>in progress</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
<b>Cost</b>							
At 1 January 2011 . . . . .	130,718	1,456	32,945	35,596	43,692	57,202	301,609
Additions . . . . .	152,769	2,588	25,479	21,416	45,165	359,622	607,039
Disposals . . . . .	(3,791)	—	(1,039)	(6,967)	(16,393)	—	(28,190)
Transfers . . . . .	239,558	—	759	4,878	—	(245,195)	—
Disposal of subsidiaries (note 31) . . . . .	(139,139)	(262)	(7,673)	(6,572)	(16,235)	(7,251)	(177,132)
At 31 December 2011 . . . . .	<u>380,115</u>	<u>3,782</u>	<u>50,471</u>	<u>48,351</u>	<u>56,229</u>	<u>164,378</u>	<u>703,326</u>
<b>Accumulated depreciation</b>							
At 1 January 2011 . . . . .	(25,810)	(118)	(11,052)	(18,926)	(14,760)	—	(70,666)
Depreciation provided during the year . . . . .	(8,835)	(1,453)	(3,680)	(6,631)	(5,113)	—	(25,712)
Disposals . . . . .	350	—	499	4,670	2,739	—	8,258
Disposal of subsidiaries (note 31) . . . . .	6,829	34	2,396	2,371	1,714	—	13,344
At 31 December 2011 . . . . .	<u>(27,466)</u>	<u>(1,537)</u>	<u>(11,837)</u>	<u>(18,516)</u>	<u>(15,420)</u>	<u>—</u>	<u>(74,776)</u>
<b>Net book value:</b>							
At 31 December 2010 . . . . .	<u>104,908</u>	<u>1,338</u>	<u>21,893</u>	<u>16,670</u>	<u>28,932</u>	<u>57,202</u>	<u>230,943</u>
At 31 December 2011 . . . . .	<u>352,649</u>	<u>2,245</u>	<u>38,634</u>	<u>29,835</u>	<u>40,809</u>	<u>164,378</u>	<u>628,550</u>
	<u>Buildings</u>	<u>Leasehold</u>	<u>Plant and</u>	<u>Furniture</u>	<u>Motor</u>	<u>Construction</u>	<u>Total</u>
	<u>RMB'000</u>	<u>improvements</u>	<u>machinery</u>	<u>and fixtures</u>	<u>vehicles</u>	<u>in progress</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
<b>Cost</b>							
At 1 January 2012 . . . . .	380,115	3,782	50,471	48,351	56,229	164,378	703,326
Additions . . . . .	114,779	3,093	30,659	22,603	135,632	367,065	673,831
Disposals . . . . .	(2,214)	—	(476)	(574)	(44,383)	(3,468)	(51,115)
Transfers . . . . .	281,383	—	306	7	—	(281,696)	—
Disposal of subsidiaries (note 31) . . . . .	(6,484)	—	(720)	(1,063)	(930)	(528)	(9,725)
At 31 December 2012 . . . . .	<u>767,579</u>	<u>6,875</u>	<u>80,240</u>	<u>69,324</u>	<u>146,548</u>	<u>245,751</u>	<u>1,316,317</u>
<b>Accumulated depreciation</b>							
At 1 January 2012 . . . . .	(27,466)	(1,537)	(11,837)	(18,516)	(15,420)	—	(74,776)
Depreciation provided during the year . . . . .	(28,803)	(1,488)	(4,972)	(11,385)	(17,875)	—	(64,523)
Disposals . . . . .	3	—	381	547	6,007	—	6,938
Disposal of subsidiaries (note 31) . . . . .	387	—	67	292	84	—	830
At 31 December 2012 . . . . .	<u>(55,879)</u>	<u>(3,025)</u>	<u>(16,361)</u>	<u>(29,062)</u>	<u>(27,204)</u>	<u>—</u>	<u>(131,531)</u>
<b>Net book value:</b>							
At 31 December 2011 . . . . .	<u>352,649</u>	<u>2,245</u>	<u>38,634</u>	<u>29,835</u>	<u>40,809</u>	<u>164,378</u>	<u>628,550</u>
At 31 December 2012 . . . . .	<u>711,700</u>	<u>3,850</u>	<u>63,879</u>	<u>40,262</u>	<u>119,344</u>	<u>245,751</u>	<u>1,184,786</u>

	<u>Buildings</u>	<u>Leasehold</u>	<u>Plant and</u>	<u>Furniture</u>	<u>Motor</u>	<u>Construction</u>	<u>Total</u>
	<u>RMB'000</u>	<u>improvements</u>	<u>machinery</u>	<u>and fixtures</u>	<u>vehicles</u>	<u>in progress</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Cost</b>							
At 1 January 2013. . . . .	767,579	6,875	80,240	69,324	146,548	245,751	1,316,317
Additions . . . . .	100,218	3,269	18,633	35,397	151,585	489,398	798,500
Transfers. . . . .	524,007	—	10,005	7,147	—	(541,159)	—
Acquisition of subsidiaries (note 32)	65,383	1,317	16,316	15,554	45,348	4,194	148,112
Disposals. . . . .	(10,076)	—	(508)	(3,742)	(73,209)	—	(87,535)
Disposal of subsidiaries (note 31) . .	(101)	(1,384)	(2,541)	(1,779)	(2,009)	(3,297)	(11,111)
At 31 December 2013 . . . . .	<u>1,447,010</u>	<u>10,077</u>	<u>122,145</u>	<u>121,901</u>	<u>268,263</u>	<u>194,887</u>	<u>2,164,283</u>
<b>Accumulated depreciation</b>							
At 1 January 2013. . . . .	(55,879)	(3,025)	(16,361)	(29,062)	(27,204)	—	(131,531)
Depreciation provided during							
the year . . . . .	(50,241)	(3,478)	(8,942)	(16,592)	(28,651)	—	(107,904)
Acquisition of subsidiaries (note 32)	(8,001)	—	(4,953)	(5,595)	(6,758)	—	(25,307)
Disposals. . . . .	2,534	—	283	859	13,113	—	16,789
Disposal of subsidiaries (note 31) . .	—	1,261	127	373	269	—	2,030
At 31 December 2013 . . . . .	<u>(111,587)</u>	<u>(5,242)</u>	<u>(29,846)</u>	<u>(50,017)</u>	<u>(49,231)</u>	<u>—</u>	<u>(245,923)</u>
<b>Net book value:</b>							
At 31 December 2012 . . . . .	<u>711,700</u>	<u>3,850</u>	<u>63,879</u>	<u>40,262</u>	<u>119,344</u>	<u>245,751</u>	<u>1,184,786</u>
At 31 December 2013 . . . . .	<u>1,335,423</u>	<u>4,835</u>	<u>92,299</u>	<u>71,884</u>	<u>219,032</u>	<u>194,887</u>	<u>1,918,360</u>
	<u>Buildings</u>	<u>Leasehold</u>	<u>Plant and</u>	<u>Furniture</u>	<u>Motor</u>	<u>Construction</u>	<u>Total</u>
	<u>RMB'000</u>	<u>improvements</u>	<u>machinery</u>	<u>and fixtures</u>	<u>vehicles</u>	<u>in progress</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Cost</b>							
At 1 January 2014. . . . .	1,447,010	10,077	122,145	121,901	268,263	194,887	2,164,283
Additions . . . . .	21,711	254	4,392	2,238	21,485	338,671	388,751
Transfers. . . . .	139,001	—	767	520	—	(140,288)	—
Disposals. . . . .	(2,545)	—	(129)	(6,077)	(16,983)	—	(25,734)
At 31 March 2014. . . . .	<u>1,605,177</u>	<u>10,331</u>	<u>127,175</u>	<u>118,582</u>	<u>272,765</u>	<u>393,270</u>	<u>2,527,300</u>
<b>Accumulated depreciation</b>							
At 1 January 2014. . . . .	(111,587)	(5,242)	(29,846)	(50,017)	(49,231)	—	(245,923)
Depreciation provided during							
the period . . . . .	(20,899)	(681)	(2,784)	(4,643)	(10,402)	—	(39,409)
Disposals. . . . .	35	—	5	1,485	3,717	—	5,242
At 31 March 2014. . . . .	<u>(132,451)</u>	<u>(5,923)</u>	<u>(32,625)</u>	<u>(53,175)</u>	<u>(55,916)</u>	<u>—</u>	<u>(280,090)</u>
<b>Net book value:</b>							
At 31 December 2013 . . . . .	<u>1,335,423</u>	<u>4,835</u>	<u>92,299</u>	<u>71,884</u>	<u>219,032</u>	<u>194,887</u>	<u>1,918,360</u>
At 31 March 2014. . . . .	<u>1,472,726</u>	<u>4,408</u>	<u>94,550</u>	<u>65,407</u>	<u>216,849</u>	<u>393,270</u>	<u>2,247,210</u>

The application for the property ownership certificate for certain buildings with net book values of approximately RMB111,609,000, RMB147,523,000, RMB343,650,000 and RMB407,140,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB109,260,000, RMB188,393,000, RMB422,052,000 and RMB440,581,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, were pledged as security for the Group's interest-bearing bank and other borrowings (note 27).

Certain of the Group's buildings with aggregate net book values of RMB31,594,000, RMB31,267,000, RMB44,327,000 and RMB43,712,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relative low.

#### 14. LAND USE RIGHTS

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
<b>Cost</b>				
At the beginning of the year/period	137,460	170,635	355,548	376,377
Additions	83,074	184,913	71,481	—
Acquisition of subsidiaries (note 32)	—	—	19,624	—
Disposal of subsidiaries (note 31)	(49,899)	—	(70,276)	—
At the end of the year/period	<u>170,635</u>	<u>355,548</u>	<u>376,377</u>	<u>376,377</u>
<b>Accumulated amortisation</b>				
At the beginning of the year/period	(7,670)	(10,504)	(15,815)	(23,980)
Charge for the year/period	(3,606)	(5,311)	(8,731)	(2,271)
Acquisition of subsidiaries (note 32)	—	—	(524)	—
Disposal of subsidiaries (note 31)	772	—	1,090	—
At the end of the year/period	<u>(10,504)</u>	<u>(15,815)</u>	<u>(23,980)</u>	<u>(26,251)</u>
<b>Net book value:</b>				
At the end of the year/period	<u>160,131</u>	<u>339,733</u>	<u>352,397</u>	<u>350,126</u>

The Group's land use rights are related to land located in Mainland China. The remaining periods of the land use rights of the Group are from 12 to 48 years.

Certain of the Group's land use rights with aggregate net book values of approximately RMB118,977,000, RMB279,647,000, RMB250,695,000 and RMB209,611,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, were pledged as security for the Group's interest-bearing bank and other borrowings (note 27).

Certain of the Group's land use rights are rights with aggregate net book values of RMB10,732,000, RMB11,801,000, RMB14,290,000 and RMB14,198,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build and operate dealership stores on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relative low.

Included in the Group's land use rights are rights to five parcels of land, with aggregate net book values of RMB68,543,000, RMB69,820,000, RMB69,106,000 and RMB66,588,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, which the Group did not use for their designated usage. The Group is occupying ten buildings on these five parcels of land. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group is the legal land use right holder of the relevant lands with full payment made, (2) the relevant bureaus are aware of the Group's present use of the land as dealership stores, and (3) there will be no fines or additional land grant fees to be imposed by the relevant bureaus and the Group will not be required to return the land to the government. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relative low.

## 15. INTANGIBLE ASSETS

	<u>Software</u>	<u>Dealership relationship</u>	<u>Customer relationship</u>	<u>Insurance license</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>					
At 1 January 2011 . . . . .	3,065	—	—	—	3,065
Additions . . . . .	3,629	—	—	—	3,629
Disposal of subsidiaries ( <i>note 31</i> ) . . . . .	(638)	—	—	—	(638)
	<u>6,056</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,056</u>
At 31 December 2011 . . . . .	<u>6,056</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,056</u>
<b>Accumulated amortisation</b>					
At 1 January 2011 . . . . .	(2,173)	—	—	—	(2,173)
Charge for the year . . . . .	(302)	—	—	—	(302)
Disposal of subsidiaries ( <i>note 31</i> ) . . . . .	205	—	—	—	205
	<u>(2,270)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,270)</u>
At 31 December 2011 . . . . .	<u>(2,270)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,270)</u>
<b>Net book value</b>					
At 31 December 2011 . . . . .	<u>3,786</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,786</u>
<b>Cost</b>					
At 1 January 2012 . . . . .	6,056	—	—	—	6,056
Additions . . . . .	3,740	—	—	—	3,740
Disposal of subsidiaries ( <i>note 31</i> ) . . . . .	(53)	—	—	—	(53)
	<u>9,743</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,743</u>
At 31 December 2012 . . . . .	<u>9,743</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,743</u>
<b>Accumulated amortisation</b>					
At 1 January 2012 . . . . .	(2,270)	—	—	—	(2,270)
Charge for the year . . . . .	(1,701)	—	—	—	(1,701)
Disposal of subsidiaries ( <i>note 31</i> ) . . . . .	—	—	—	—	—
	<u>(3,971)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,971)</u>
At 31 December 2012 . . . . .	<u>(3,971)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,971)</u>
<b>Net book value</b>					
At 31 December 2012 . . . . .	<u>5,772</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,772</u>
<b>Cost</b>					
At 1 January 2013 . . . . .	9,743	—	—	—	9,743
Additions . . . . .	2,826	—	—	—	2,826
Acquisition of subsidiaries ( <i>note 32</i> ) . . . . .	198	141,300	50,137	26,500	218,135
Disposal of subsidiaries ( <i>note 31</i> ) . . . . .	(408)	—	—	—	(408)
	<u>12,359</u>	<u>141,300</u>	<u>50,137</u>	<u>26,500</u>	<u>230,296</u>
At 31 December 2013 . . . . .	<u>12,359</u>	<u>141,300</u>	<u>50,137</u>	<u>26,500</u>	<u>230,296</u>
<b>Accumulated amortisation</b>					
At 1 January 2013 . . . . .	(3,971)	—	—	—	(3,971)
Charge for the year . . . . .	(1,737)	(1,766)	(836)	(442)	(4,781)
Acquisition of subsidiaries ( <i>note 32</i> ) . . . . .	(87)	—	—	—	(87)
Disposal of subsidiaries ( <i>note 31</i> ) . . . . .	102	—	—	—	102
	<u>(5,693)</u>	<u>(1,766)</u>	<u>(836)</u>	<u>(442)</u>	<u>(8,737)</u>
At 31 December 2013 . . . . .	<u>(5,693)</u>	<u>(1,766)</u>	<u>(836)</u>	<u>(442)</u>	<u>(8,737)</u>
<b>Net book value</b>					
At 31 December 2013 . . . . .	<u>6,666</u>	<u>139,534</u>	<u>49,301</u>	<u>26,058</u>	<u>221,559</u>

	<u>Software</u>	<u>Dealership relationship</u>	<u>Customer relationship</u>	<u>Insurance license</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>					
At 1 January 2014 . . . . .	12,359	141,300	50,137	26,500	230,296
Additions . . . . .	<u>157</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>157</u>
At 31 March 2014 . . . . .	<u>12,516</u>	<u>141,300</u>	<u>50,137</u>	<u>26,500</u>	<u>230,453</u>
<b>Accumulated amortisation</b>					
At 1 January 2014 . . . . .	(5,693)	(1,766)	(836)	(442)	(8,737)
Charge for the period . . . . .	<u>(474)</u>	<u>(1,766)</u>	<u>(836)</u>	<u>(442)</u>	<u>(3,518)</u>
At 31 March 2014 . . . . .	<u>(6,167)</u>	<u>(3,532)</u>	<u>(1,672)</u>	<u>(884)</u>	<u>(12,255)</u>
<b>Net book value</b>					
At 31 March 2014 . . . . .	<u>6,349</u>	<u>137,768</u>	<u>48,465</u>	<u>25,616</u>	<u>218,198</u>

**16. PREPAYMENTS**

	<u>As at 31 December</u>			<u>As at 31 March</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for land use rights . . . . .	<u>65,072</u>	<u>14,461</u>	<u>5,384</u>	<u>5,384</u>

**17. GOODWILL**

	RMB'000
Cost at 1 January 2013, net of accumulated impairment . . . . .	—
Acquisition of subsidiaries (note 32) . . . . .	<u>207,146</u>
Cost and net carrying amount at 31 December 2013 and 31 March 2014 . . . . .	<u>207,146</u>

**Impairment testing of goodwill**

In the opinion of the Directors, goodwill comprises the fair value of expected business synergies arising from acquisitions, which is not separately recognised.

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Linyi Aofeng Automobile Sales and Services Company Limited (“Linyi Aofeng”)
- Linyi Jinhua Automobile Sales and Services Company Limited (“Linyi Jinhua”)
- Zaozhuang Aowei Automobile Sales and Services Company (“Zaozhuang Aowei”)

The recoverable amount of the above three cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 3% for all years. The pre-tax discount rate applied to the cash flow projection beyond one-year is 17%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	<b>Carrying amount of goodwill as at 31 December 2013 and 31 March 2014</b>
Linyi Aofeng . . . . .	79,458
Linyi Jinhua . . . . .	69,243
Zaozhuang Aowei . . . . .	<u>58,445</u>
	<u><u>207,146</u></u>

#### Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

*Sale and service of motor vehicles revenue* — the base used to determine the future earnings of sale and service of motor vehicles are historical sales and the average growth rate of similar 4S stores of the Group over the last two years.

*Operating expenses* — the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

#### Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash generating unit to materially exceed the recoverable amount.

#### 18. AVAILABLE-FOR-SALE INVESTMENTS

	<u>As at 31 December</u>			<u>As at 31 March</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Unlisted equity investments, at cost</b>				
Jiangsu Bank Company Limited . . . . .	—	—	53,000	53,000
Xuzhou Huaihai Nongcun Commercial Bank Company Limited . . . . .	—	—	40,000	40,000
Tongshanxian Nongcun Credit Cooperation Association . . . . .	—	—	<u>9,000</u>	<u>9,000</u>
	—	—	102,000	102,000
Impairment . . . . .	—	—	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u><u>102,000</u></u>	<u><u>102,000</u></u>

On 28 August 2010, the Group entered into an equity transfer agreement with Mr. Yang Peng, pursuant to which the Group agreed to transfer 10 million shares in Jiangsu Bank Company Limited (江蘇銀行股份有限公司 or “Jiangsu Bank”), 10.2 million shares in Xuzhou Huaihai Nongcun Commercial Bank Company Limited (徐州淮海農村商業銀行股份有限公司 or “Xuzhou Huaihai Bank”) and 5 million shares in Tongshanxian Nongcun Credit Cooperation Association (銅山縣農村信用合作聯社 or “Tongshanxian Credit”) to Mr. Yang Peng for considerations of RMB12,000,000, RMB10,200,000 and RMB5,000,000, respectively (which were determined based on the consideration then paid by the Group in acquiring the relevant shares). Pursuant to the sale and purchase agreement, Mr. Yang Peng, as the purchaser, was entitled to nominate a third party as the transferee of the



relevant shares and Xuzhou Dianrun Advertisement Company Limited (徐州點潤廣告有限公司 or “Xuzhou Dianrun”), which is not a related party to the Group, was appointed by Mr. Yang Peng as such transferee with beneficial interest in such shares. The Group disposed of shares in these companies, which are principally engaged in the banking or credit business, to prepare a portfolio of assets focused on principal business of automobile dealerships for the purpose of facilitating the investment by KKR China Auto Retail Holding Ltd II in 2010. After entering into the equity transfer agreement, the Group continued to hold these shares as a nominee. All of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit are financial institutions based in Jiangsu province providing financial services to corporate and individual clients. They have provided corporate loans to the Group from time to time and are considered as the Group’s business partners in Jiangsu province.

On 31 December 2013, the Group entered into a series of equity interest transfer agreements with Mr. Yang Peng and Xuzhou Dianrun (as the beneficial owner of the target shares) to acquire 10 million shares in Jiangsu Bank, 13.26 million shares in Xuzhou Huaihai Bank and 5 million shares in Tongshanxian Credit at considerations of RMB53,000,000, RMB40,000,000 and RMB9,000,000, respectively, which were determined based on the valuations of these shares conducted by an independent valuer. The acquired shares represent a minority interest in each of them, representing 0.11%, 2.55% and 0.71% of the total issued equity interests of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit, respectively. It is not part of the Group’s investment strategy, and neither does the Group has any current intention, to make further investments in any financial institutions. Subsequent to such acquisitions, the Group was released from holding these shares in Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit as a nominee of Xuzhou Dianrun.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As at 31 December 2013 and 31 March 2014, certain unlisted equity investments with carrying amounts of RMB102,000,000 and RMB102,000,000, respectively, were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Under each of equity interest transfer agreements, Xuzhou Dianrun and Mr. Yang Peng have jointly provided an undertaking to the Group, that if (a) the Group sells all or part of its shares acquired to any independent third party under normal commercial terms within three years of the date of each equity interest transfer agreements; and (b) the average sale price per share to the independent third party is lower than the average price per share acquired, Xuzhou Dianrun and Mr. Yang Peng shall jointly indemnify the Group for all the losses suffered by the Group.

As at 31 December 2011, 2012 and 2013 and 31 March 2014, certain of the Group’s bank loans amounted to RMB25,000,000, RMB40,000,000, RMB65,000,000 and RMB65,000,000, respectively, were secured by equity shares of Jiangsu Bank (note 27).

## 19. INVENTORIES

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Motor vehicles . . . . .	634,651	973,421	1,486,684	1,369,737
Spare parts and accessories . . . . .	60,005	96,889	153,005	143,729
	<u>694,656</u>	<u>1,070,310</u>	<u>1,639,689</u>	<u>1,513,466</u>

Certain of the Group’s inventories with carrying amounts of RMB560,326,000, RMB952,755,000, RMB1,384,722,000 and RMB1,168,649,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, were pledged as security for the Group’s bills payables.

Certain of the Group’s inventories with aggregate net book values of approximately RMB74,325,000, RMB20,666,000, RMB101,962,000 and RMB201,088,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, were pledged as security for the Group’s interest-bearing bank and other borrowings (note 27).

## 20. TRADE RECEIVABLES

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Trade receivables . . . . .	63,250	102,959	190,150	161,636
Impairment . . . . .	—	—	—	—
	<u>63,250</u>	<u>102,959</u>	<u>190,150</u>	<u>161,636</u>

The Group's trading terms with its customers are mainly on cash, except for some transactions which are traded on credits. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods (based on the invoice date) is as follows:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Within three months . . . . .	57,002	86,619	178,250	149,344
More than three months but less than one year . . . . .	3,949	12,912	10,335	12,292
More than one year . . . . .	2,299	3,428	1,565	—
	<u>63,250</u>	<u>102,959</u>	<u>190,150</u>	<u>161,636</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Neither past due nor impaired . . . . .	57,002	86,619	178,250	149,344
Less than three month past due . . . . .	3,949	12,912	10,335	12,292
Three months to one year past due . . . . .	2,299	3,428	1,565	—
	<u>63,250</u>	<u>102,959</u>	<u>190,150</u>	<u>161,636</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Prepayments to suppliers . . . . .	589,693	454,949	469,138	421,217
Rebate receivables . . . . .	114,356	410,195	508,585	434,568
Receivables in respect of the consideration for the disposals of subsidiaries ( <i>note 31</i> ) . . . . .	222,837	220,437	—	—
VAT recoverable (i) . . . . .	53,937	108,063	112,068	81,052
Receivables due from former subsidiaries disposed of to third parties ( <i>note 31</i> ) . . . . .	143,846	92,274	—	—
Interest receivables in respect of the outstanding consideration and amounts due from subsidiaries disposed of ( <i>note 31</i> ) . . . . .	—	40,107	—	—
Prepaid expense . . . . .	11,195	25,769	20,224	21,269
Others . . . . .	83,760	152,015	27,369	32,251
	<u>1,219,624</u>	<u>1,503,809</u>	<u>1,137,384</u>	<u>990,357</u>

- (i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rate for domestic sales of the Group is 17%.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 22. CASH IN TRANSIT

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Cash in transit . . . . .	3,350	5,594	23,345	14,703

Cash in transit represents the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

## 23. PLEDGED BANK DEPOSITS

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Deposits pledged with banks as collateral against:				
— Bills payable granted by the banks . . . . .	369,091	1,106,338	857,858	1,180,593
— Credit facilities granted by the banks . . . . .	121,855	194,036	412,220	520,769
— Interest-bearing bank borrowings . . . . .	—	820,000	—	—
	<u>490,946</u>	<u>2,120,374</u>	<u>1,270,078</u>	<u>1,701,362</u>

The pledged bank deposits, which are all denominated in RMB as at 31 December 2011, 2012 and 2013 and 31 March 2014, earn interest at interest rates stipulated by respective financial institutions.

Certain of the Group's pledged bank deposits with aggregate carrying amounts of nil, RMB820,000,000, nil and nil as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, were pledged as security for the Group's interest-bearing bank borrowings (note 27).

#### 24. CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Cash and bank balances . . . . .	487,551	364,781	417,485	546,273

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The Group's cash and bank balances as at 31 December 2011, 2012 and 2013 and 31 March 2014 are denominated in the following currencies:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Denominated in:				
— RMB . . . . .	486,711	363,943	416,998	545,781
— USD . . . . .	840	838	487	492
	487,551	364,781	417,485	546,273

#### 25. TRADE AND BILLS PAYABLES

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Trade payables . . . . .	31,475	58,087	79,596	96,316
Bills payable . . . . .	1,209,787	2,300,750	2,658,466	2,847,424
Trade and bills payables . . . . .	1,241,262	2,358,837	2,738,062	2,943,740

An aged analysis of the trade and bills payables as at 31 December 2011, 2012 and 2013 and 31 March 2014, based on the invoice date, is as follows:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
Within 3 months . . . . .	1,147,526	1,990,720	2,628,546	2,217,715
3 to 6 months . . . . .	77,065	354,463	104,647	719,916
6 to 12 months . . . . .	14,143	7,704	929	1,648
Over 12 months . . . . .	2,528	5,950	3,940	4,461
	1,241,262	2,358,837	2,738,062	2,943,740

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 26. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Advances from customers . . . . .	112,360	167,623	273,148	270,996
Payables for purchase of items of property, plant and equipment and land use rights . . . . .	138,734	191,783	259,928	225,870
Taxes payable (other than income tax) . . . . .	20,324	52,710	83,615	104,746
Accrued expenses . . . . .	4,830	22,643	17,764	26,515
Others . . . . .	<u>133,062</u>	<u>191,327</u>	<u>146,718</u>	<u>113,567</u>
	<u>409,310</u>	<u>626,086</u>	<u>781,173</u>	<u>741,694</u>

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December						As at 31 March	
	2011		2012		2013		2014	
	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
<b>Current</b>								
Bank loans . . . . .	5.13–9.18	811,262	5.60–11.52	2,204,224	5.60–24.00	2,129,008	6.00–9.00	2,523,889
Other borrowings	5.86–11.52	<u>83,723</u>	3.92–9.24	<u>106,701</u>	4.83–9.94	<u>177,328</u>	5.60–10.37	<u>198,292</u>
		<u>894,985</u>		<u>2,310,925</u>		<u>2,306,336</u>		<u>2,722,181</u>
<b>Non-current</b>								
Bank loans . . . . .	7.32–8.97	<u>538,500</u>	7.32–24.00	<u>852,325</u>	5.94–24.00	<u>939,063</u>	6.34–8.97	<u>915,925</u>
		<u>1,433,485</u>		<u>3,163,250</u>		<u>3,245,399</u>		<u>3,638,106</u>
Bank loans and other borrowings representing:								
— secured . . . . .	(a)	51,618		1,000,580		265,156		269,619
— guaranteed . . . . .	(b)	430,991		727,579		1,003,236		1,380,095
— secured and guaranteed . . . . .	(a)(b)	<u>950,876</u>		<u>1,435,091</u>		<u>1,977,007</u>		<u>1,988,392</u>
		<u>1,433,485</u>		<u>3,163,250</u>		<u>3,245,399</u>		<u>3,638,106</u>

	As at 31 December			As at
				31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year . . . . .	811,262	2,204,224	2,129,008	2,523,889
In the second year . . . . .	192,500	248,625	358,044	379,156
In the third to fifth years, inclusive . . . . .	346,000	603,700	581,019	536,769
	<u>1,349,762</u>	<u>3,056,549</u>	<u>3,068,071</u>	<u>3,439,814</u>
Other borrowings repayable:				
Within one year . . . . .	83,723	106,701	177,328	198,292
	<u>1,433,485</u>	<u>3,163,250</u>	<u>3,245,399</u>	<u>3,638,106</u>

(a) Certain of the Group's bank loans are secured by:

- (i) mortgages over the Group's land use rights situated in Mainland China, which had aggregate net book values of approximately RMB118,977,000, RMB279,647,000, RMB250,695,000 and RMB209,611,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively (note 14).
- (ii) mortgages over the Group's buildings, which had aggregate net book values of approximately RMB109,260,000, RMB188,393,000, RMB422,052,000 and RMB440,581,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively (note 13).
- (iii) mortgages over the Group's inventories, which had aggregate net book values of approximately RMB74,325,000, RMB20,666,000, RMB101,962,000 and RMB201,088,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively (note 19).
- (iv) certain of the Group's bank loans amounting to RMB25,000,000, RMB40,000,000, RMB65,000,000 and RMB65,000,000 as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, which were secured by equity shares of Jiangsu Bank (note 18).
- (v) mortgages over 613,910,000 shares, 820,410,000 shares, 997,239,000 shares and 1,064,740,000 shares of the Group's subsidiaries as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively.
- (vi) the Group's pledged bank deposits amounting to RMB820,000,000 in aggregate as at 31 December 2012 which were pledged for interest-bearing bank borrowings (note 23).

(b) Certain of the Group's bank loans are guaranteed by:

- (i) certain of the Group's bank loans amounting to RMB34,380,000, RMB30,329,000, RMB45,926,000 and RMB38,309,000, which were guaranteed by the Controlling Shareholder as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively.
- (ii) certain of the Group's bank loans amounting to RMB128,104,000, RMB402,641,000, RMB675,096,000 and RMB868,020,000, which were guaranteed by the subsidiaries of the Group as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively.
- (iii) certain of the Group's bank loans amounting to RMB62,750,000, RMB88,350,000, nil and nil, which were guaranteed by the subsidiaries disposed of as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively.

- (iv) certain of the Group's bank loans amounting to RMB60,000,000, RMB75,000,000, nil and RMB14,000,000, which were guaranteed by the independent third parties as at 31 December 2011, 2012 and 2013 and 31 March 2014, respectively.
- (v) certain of the Group's bank loans amounting to RMB1,096,633,000, RMB1,566,350,000, RMB2,259,221,000 and RMB2,448,158,000, respectively, which were guaranteed by the combination of the Controlling Shareholder, the subsidiaries of the Group and the third parties as at 31 December 2011, 2012 and 2013 and 31 March 2014.

## 28. DEFERRED TAX

### Deferred tax assets:

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements for each of the Relevant Periods are as follows:

	Accrued payroll	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011 . . . . .	—	—	—
Credited to the statements of profit or loss during the year . .	231	6,753	6,984
At 31 December 2011 and 1 January 2012 . . . . .	<u>231</u>	<u>6,753</u>	<u>6,984</u>
Credited to the statements of profit or loss during the year . .	435	5,102	5,537
At 31 December 2012 and 1 January 2013 . . . . .	<u>666</u>	<u>11,855</u>	<u>12,521</u>
Charged to the statements of profit or loss during the year . .	(24)	(6,700)	(6,724)
At 31 December 2013 and 1 January 2014 . . . . .	<u>642</u>	<u>5,155</u>	<u>5,797</u>
Charged to the statements of profit or loss during the period .	(50)	(2,298)	(2,348)
At 31 March 2014 . . . . .	<u>592</u>	<u>2,857</u>	<u>3,449</u>

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses . . . . .	<u>77,675</u>	<u>71,159</u>	<u>109,575</u>	<u>112,003</u>

The above tax losses arising in Mainland China are subject to an expiry period of 5 years for offsetting against future taxable profits of the companies in which the losses arose, while those tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**Deferred tax liabilities:**

	Fair value adjustments arising from acquisition of subsidiaries	Withholding taxes	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2011 and 1 January 2012 . . . . .	—	—	—
Deferred tax recognised in the statement of profit or loss during the year. . . . .	—	8,945	8,945
At 31 December 2012 and 1 January 2013 . . . . .	—	8,945	8,945
Deferred tax arising from acquisition of subsidiaries ( <i>note 32</i> ). . . . .	59,550	—	59,550
Deferred tax recognised in the statements of profit or loss during the year. . . . .	(809)	22,611	21,802
At 31 December 2013 and 1 January 2014 . . . . .	58,741	31,556	90,297
Deferred tax recognised in the statement of profit or loss during the period. . . . .	(809)	4,871	4,062
At 31 March 2014 . . . . .	57,932	36,427	94,359

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from Mainland China effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between Mainland China and jurisdiction of the foreign investors. Under the Arrangement between Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or the China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. And the applicable tax rate of the Group is 10%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of Mainland China from the retained earnings as at 31 December 2007 are exempted from the withholding tax.

The Group has provided for withholding taxes of nil, RMB8,945,000, RMB22,611,000 and RMB4,871,000, for the years ended 31 December 2011, 2012 and 2013 and three months ended 31 March 2014, respectively. No deferred tax has been recognised for withholding taxes that would be payable on the remaining unremitted earnings of the Group's subsidiaries established in Mainland China as in the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of such remaining unremitted earnings totalled approximately nil, nil, nil and RMB65,541,000 as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 March 2014, respectively.

**29. SHARE CAPITAL**

	As at 31 March 2014 RMB'000
Authorised:	
250,000,000,000 ordinary shares of USD0.0000002 each . . . . .	305
Issued and fully paid:	
2,000,000,000 ordinary shares of USD0.0000002 each . . . . .	2



The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 January 2014 with an initial authorised share capital of US\$50,000 divided into 250,000,000,000 ordinary shares of US\$0.0000002 each. On the date of incorporation, one share was issued to the Parent of the Company (representing the then entire issued share capital of the Company).

On 22 January 2014, the Parent of the Company entered into an equity transfer agreement with the Company pursuant to which the Company acquired all of the issued share capital in each of the subsidiaries incorporated in the BVI directly held by the Parent of the Company. The Company allotted and issued 1,999,999,999 shares at par value to the Parent of the Company as the consideration of this transfer. Immediately after this transfer, the Company became the holding company of the subsidiaries comprising the Group.

### 30. RESERVES

#### (i) Merger reserve

The merger reserve of the Group represents the capital contributions from the then equity holders of the Group's subsidiaries. The additions during the Relevant Periods represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries, which were combined from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder. The deduction during the Relevant Periods represents the decrease in the Group's net assets resulting from the acquisition of equity interests in subsidiaries from the Controlling Shareholder for businesses combination under common control.

#### (ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 40 of this report are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

### 31. DISPOSAL OF SUBSIDIARIES

The Group entered into an equity transfer agreement with Shanghai Huijing Automobile Components Company Limited ("Shanghai Huijing"), an independent third party, on 17 May 2011 to dispose of a subsidiary in the PRC with a disposal consideration of RMB990,000. The consideration of RMB990,000 was fully settled as at 31 December 2013.

The Group entered into a series of separate equity transfer agreements with Jiangsu Qirun Investment Company Limited ("Jiangsu Qirun"), an independent third party, on 29 December 2011 and 30 December 2011, respectively, to dispose of the entire equity interests in 25 companies in the PRC with an aggregate disposal consideration of RMB221,847,000. The aggregate consideration of RMB221,847,000 was fully settled as at 31 December 2013.

The Group entered into an equity transfer agreement with Jiangsu Qirun on 26 April 2012 to dispose of a subsidiary in the PRC with a disposal consideration of RMB7,610,000. The consideration of RMB7,610,000 was fully settled as at 31 December 2013.

The Group entered into an equity transfer agreement with Mr. Guo Jihong, an independent third party, on 2 May 2013 to dispose of a subsidiary in the PRC with a disposal consideration of RMB50,000.

The Group entered into an equity transfer agreement with Shanghai Huijing on 15 May 2013 to dispose of a subsidiary in the PRC with a disposal consideration of RMB16,000,000. The consideration of RMB16,000,000 was fully settled as at 31 December 2013.



An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash consideration . . . . .	222,837	7,610	59,342
Less: Unsettled consideration . . . . .	(222,837)	(7,610)	—
Add: Settled consideration in respect of previous disposal of subsidiaries . . . . .	—	10,000	279,789
Cash and bank balances disposed . . . . .	(24,163)	(24)	(20,844)
Net cash (outflow)/inflow in respect of the disposal of subsidiaries . . . . .	<u>(24,163)</u>	<u>9,976</u>	<u>318,287</u>

Prior to the disposal of subsidiaries, these former subsidiaries contributed RMB749,780,000, RMB16,746,000 and RMB97,692,000, respectively, to the Group's turnover and net profit of RMB2,870,000 and RMB86,000 and net loss of RMB4,423,000, respectively, to the Group's consolidated profit for the years ended 31 December 2011, 2012 and 2013.

### 32. BUSINESS COMBINATIONS

- (a) Xuzhou Rundong Huijing Automobile Sales and Services Company Limited ("Xuzhou Rundong Huijing") was incorporated as a wholly-owned subsidiary of the Group on 18 September 2002 and operated an automobile dealership for the KIA brand. On 29 December 2011, the Group disposed of its 100% equity interest in Xuzhou Rundong Huijing to Jiangsu Qirun. On 31 March 2013, the Group acquired back the 100% equity interest in Xuzhou Rundong Huijing from Jiangsu Qirun at a consideration of RMB8,540,000 which was determined based on negotiation between the Group and Jiangsu Qirun, taking into account the net asset value of Xuzhou Rundong Huijing. The acquisition was made for the purpose of maintaining an on-going relationship with the automobile manufacturer. The consideration of RMB8,540,000 was fully settled as at 31 December 2013.

The fair values of the identifiable assets and liabilities of Xuzhou Rundong Huijing as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment . . . . .	4,818
Intangible assets . . . . .	71
Inventories . . . . .	8,703
Trade receivables . . . . .	2,170
Prepayments, deposits and other receivables . . . . .	8,166
Pledged bank deposits . . . . .	9,000
Cash and cash equivalents . . . . .	35,575
Trade and bills payables . . . . .	(45,836)
Other payables and accruals . . . . .	<u>(14,127)</u>
Satisfied by cash . . . . .	<u>8,540</u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration . . . . .	(8,540)
Cash and bank balances acquired . . . . .	<u>35,575</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities . . . . .	<u>27,035</u>

Since the acquisition, Xuzhou Rundong Huijing contributed RMB94,639,000 to the Group's turnover and RMB3,987,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the year ended 31 December 2013 would have been RMB11,625,143,000 and RMB271,608,000, respectively.

- (b) In October 2013, the Group acquired 100% equity interest in three Audi dealership stores and an insurance agency company in Shandong Province, from an independent third party, Linyi Jialun Automobile Sales Service Company Limited (“Linyi Jialun” or 臨沂佳輪汽車銷售服務有限公司), at a consideration of RMB420,000,000. The consideration of RMB420,000,000 was fully settled as at 31 December 2013.

Three Audi dealership stores and the insurance agency company had changed their shareholders and legal representatives and registered these updates in the local administration for industrial and commercial in October 2013, December 2013 and May 2014, respectively.

The fair values of the identifiable assets and liabilities of the Audi stores and the insurance agency company as at the date of acquisition were as follows:

	<b>RMB'000</b>
Property, plant and equipment . . . . .	117,987
Land use right . . . . .	19,100
Intangible assets . . . . .	217,977
Inventories . . . . .	107,922
Trade receivables . . . . .	10,154
Prepayments, deposits and other receivables . . . . .	68,700
Pledged bank deposits . . . . .	135,420
Cash in transit . . . . .	1,727
Cash and cash equivalents . . . . .	7,108
Trade and bills payables . . . . .	(231,379)
Other payables and accruals . . . . .	(55,218)
Interest-bearing bank borrowings . . . . .	(127,094)
Deferred tax liabilities . . . . .	<u>(59,550)</u>
Total identifiable net assets . . . . .	212,854
Goodwill on acquisition . . . . .	<u>207,146</u>
Satisfied by cash . . . . .	<u><u>420,000</u></u>

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<b>RMB'000</b>
Cash consideration . . . . .	(420,000)
Cash and bank balances acquired . . . . .	<u>7,108</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities . . . . .	<u><u>(412,892)</u></u>

Since the acquisition, acquired business contributed RMB266,625,000 to the Group's turnover and RMB11,744,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for year ended 31 December 2013 would have been RMB12,308,854,000 and RMB285,027,000, respectively.

## 33. SHARE OPTION SCHEME

Before the incorporation of the Company, the Parent of the Company operates a share option scheme (the "Pre-IPO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In order to operate the Pre-IPO Scheme, the Parent of the Company established a trust (the "Employee Pre-IPO Trust") under a trust deed in September 2011. Eligible participants of the Pre-IPO Scheme will be nominated as beneficiaries of the Employee Pre-IPO Trust. Eligible participants include the Company's directors, including independent non-executive directors, and other employees of the Group and its subsidiaries. The Pre-IPO Scheme became effective on 15 November 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date with a fixed exercise price of US\$0.1429 per share.

The Parent of the Company offers the share options to subscribe for a total of 100,000,000 shares upon their exercise, representing 5% of the then issued share capital of the Parent of the Company, to Runda (PTC) Limited ("Runda") (a wholly-owned subsidiary of the Company acting as the trustee to the Employee Pre-IPO Trust). Runda holds the share options for the benefit of the eligible participants when they are granted with the share options. Share options were offered to each eligible participant in various batches since 2 January 2012 till 31 December 2013.

Each of the eligible participants entered into a share option agreement (the "Pre-IPO Share Option Agreement") with the Parent of the Company and Runda under which the Parent of the Company nominated eligible participants as a beneficiary of the Employee Pre-IPO Trust. The offer of a grant of options may be accepted within seven days from the date of offer. The exercise period of the share options granted is dependent on the Company's qualified IPO listing and commences after a vesting period of one to five years and ends on the expiry date of the Pre-IPO Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 24 March 2014, 14 eligible participants (the "Relevant Grantees") entered into supplemental agreements (each, the "Supplemental Agreement") to their respective Pre-IPO Share Option Agreement with the Parent of the Company and Runda to modify the original vesting conditions and periods and be entitled to fully vest their share options on the date of modification. The share option will be exercisable upon the completion of IPO. Pursuant to the Supplemental Agreement, the Parent of the Company agreed to (a) procure Runda to exercise the share options to which each of these Relevant Grantees was entitled to; and (b) upon such exercise, issue 76,750,000 shares in the Parent of the Company to Runda as unpaid shares for the Relevant Grantees as beneficiaries of those shares. The incremental fair value of share option during the three months ended 31 March 2014 was estimated as at the date of modification, using a binomial model, taking into account the terms and conditions upon which the options were modified. The incremental fair value is measured as the difference between the fair value of the original award and that of the modified award and is recognised as share option expense for the three months ended 31 March 2014.

The following share options were outstanding under the Pre-IPO Scheme during the years ended 31 December 2012 and 2013, and the three months ended 31 March 2014:

	Year ended 31 December				Three-month period ended 31 March	
	2012		2013		2014	
	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options
	US\$ per share	'000	US\$ per share	'000	US\$ per share	'000
At the beginning of the year/period	—	—	—	38,303	—	57,449
Granted during the year/period . . .	0.1429	38,762	0.1429	19,676	0.1429	33,061
Forfeited during the year/period. . .	0.1429	(459)	0.1429	(530)	0.1429	(174)
Exercised during the year/period . . .	—	—	—	—	—	—
Expired during the year/period . . .	—	—	—	—	—	—
At the end of the year/period . . . .	0.1429	<u>38,303</u>	0.1429	<u>57,449</u>	0.1429	<u>90,336</u>

The weighted average fair values of the share options granted during the years ended 31 December 2011, 2012 and 2013, and the three months ended 31 March 2014 were nil, US\$0.0311 (RMB0.1956), US\$0.0392 (RMB0.2463) and US\$0.0690 (RMB0.4235) per option of which the Group recognised equity-settled share option expenses of nil, RMB4,040,000, RMB4,190,000 and RMB23,757,000 during the years ended 31 December 2011, 2012 and 2013, and the three months ended 31 March 2014.

The fair value of the share options granted during the years ended 31 December 2012 and 2013, and the three months ended 31 March 2014 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended 31 December		Three-month period ended
			31 March
	2012	2013	2014
Dividend yield (%) . . . . .	—	—	—
Expected volatility (%) . . . . .	46.80–63.80	45.70–48.10	34.90–45.70
Risk-free interest rate (%) . . . . .	2.23–3.13	2.51–3.81	2.51–3.81
Expected life of options (year) . . . . .	10	10	10
Weighted average share price (US\$ per share) . . . . .	0.0599–0.0883	0.0930–0.2560	0.2063–0.2560

The expected life of the options is based on the Pre-IPO Scheme which became effective on 15 November 2011 and will remain in force for 10 years until 15 November 2021. The expected volatility reflects the assumption that the historical volatility of other similar listed companies is indicative of future trends of the Parent of the Company, which may also not necessarily be the actual outcome. The weighted average share price reflects the assumption that the historical weighted average share price of other similar listed companies is indicative of future trend of the Parent of the Company.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of each of the Relevant Periods, nil, 38,303,000, 57,449,000 and 90,336,000 share options were outstanding under the Pre-IPO Scheme.

Upon the Listing, the Parent of the Company, the Company, Runda and eligible participants will enter into share option agreement to carry forward its former share options in the Parent of the Company, other than those early exercised, to the Company without change in terms.

### 34. CONTINGENT LIABILITIES

As at 31 December 2011 and 2012, the Group had provided guarantees in respect of short term banking facilities associated with the disposed subsidiaries (note 31), with an aggregate amount of approximately RMB54,000,000 and RMB87,200,000 respectively. Subsequently these guarantees for disposed subsidiaries were fully released in December 2013. As part of the mutual arrangement between the Group and these disposed subsidiaries, the disposed subsidiaries in return provided similar financial guarantees for the Group in Mainland China as security for banking facilities with an aggregate amount of RMB62,750,000 and RMB88,350,000, respectively, which had been utilised by the Group.

As at 31 December 2011, 2012, 2013 and 31 March 2014, the Group had provided guarantees to commercial banks in Mainland China in respect of short term banking facilities granted to three, three, two and one independent third parties with aggregate amounts of RMB60,000,000, RMB75,000,000, RMB45,000,000 and RMB10,000,000, respectively, and the banking facilities were utilised by these independent third parties. As part of the mutual arrangement between the Group and these independent third parties, these independent third parties and their affiliates in return provided similar financial guarantees (the "Cross Guarantees") for the Group in Mainland China as security for the utilised banking facilities of the Group with aggregate amounts of RMB60,000,000, RMB75,000,000, RMB50,000,000 and RMB50,000,000, respectively, as at 31 December 2011, 2012 and 2013 and 31 March 2014. The Directors confirmed that the Cross Guarantees outstanding as at 31 March 2014 will be released before September 2014 or the Listing, whichever is earlier.

## 35. COMMITMENTS

## a. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 31 December 2011, 2012 and 2013 and 31 March 2014 not provided for in the Financial Information were as follows:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Contracted, but not provided for land use rights and buildings . . . . .	207,664	385,402	415,620	738,952
	<u>207,664</u>	<u>385,402</u>	<u>415,620</u>	<u>738,952</u>

## b. Operating lease commitments

The Group leases certain of its office properties and land under operating lease arrangements. Leases for properties and land are negotiated for terms ranging from one to 17 years.

At 31 December 2011, 2012 and 2013 and 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December					As at 31 March	
	2011	2012		2013		2014	
	Properties	Properties	Land	Properties	Land	Properties	Land
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year . . . . .	9,260	6,777	6,002	22,101	11,208	21,597	10,691
After one year but							
within five years . . . . .	28,889	50,132	23,545	74,654	28,671	84,624	27,762
After five years . . . . .	<u>14,612</u>	<u>36,531</u>	<u>59,688</u>	<u>66,231</u>	<u>54,113</u>	<u>85,865</u>	<u>52,703</u>
	<u>52,761</u>	<u>93,440</u>	<u>89,235</u>	<u>162,986</u>	<u>93,992</u>	<u>192,086</u>	<u>91,156</u>

## 36. PLEDGE OF ASSETS

Details of the Group's assets pledged for its interest-bearing bank and other borrowings and bills payable are disclosed in notes 13, 14, 18, 19, 23 and 27 to the Financial Information.

## 37. BALANCES AND TRANSACTIONS WITH A RELATED PARTY

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

Mr. Yang Peng is the Controlling Shareholder of the Group and is also considered to be a related party of the Group.

(a) The Group had the following transactions with a related party during the Relevant Periods:

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Repayment from/(advance to) the Controlling Shareholder					
Mr. Yang Peng . . . . .	105,000	(300,037)	(370,359)	(95,572)	(137,299)

(b) Outstanding balances with a related party:

Due from the Controlling Shareholder

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Yang Peng . . . . .	86,621	462,903	760,923	910,527

Due to the Controlling Shareholder

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Yang Peng . . . . .	209,180	285,425	315,086	327,391

Amounts due from/to a related party are interest-free, with no pledge and no fixed repayment terms.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			Three-month period ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short term employee benefits . . . . .	2,713	3,417	4,399	639	1,381
Pension scheme contributions . . . . .	135	168	210	48	60
Equity-settled share option expense . . . . .	—	2,901	2,904	681	22,286
Total compensation paid to key management personnel . . . . .	2,848	6,486	7,513	1,368	23,727

Further details of directors' emoluments are included in note 9 to the Financial Information.



**38. FAIR VALUE**

The fair value of the current portion of the Group's financial instruments approximates to their carrying amounts due to the short term maturities. For non-current portion of bank loans and other borrowings, the fair value has been calculated by discounting the expected future cash flows using rates currently available for instruments of similar terms, credit risk and remaining maturities, which is also approximate to their carrying amounts.

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group has no significant interest-bearing assets other than pledged bank deposits (note 23), cash and cash equivalents (note 24) and amounts due from third parties in respect of outstanding considerations from the disposal of subsidiaries and amounts due from disposed subsidiaries (note 21).

The Group's interest rate risk arises from its interest-bearing bank and other borrowings, details of which are set out in note 27. Borrowings at floating rates expose the Group to the risk of changes in market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit before tax</u> RMB'000
<b>Three-month period ended 31 March 2014</b>		
RMB .....	50	(18,191)
RMB .....	(50)	18,191
<b>Three-month period ended 31 March 2013 (unaudited)</b>		
RMB .....	50	(4,690)
RMB .....	(50)	4,690
<b>2013</b>		
RMB .....	50	(16,227)
RMB .....	(50)	16,227
<b>2012</b>		
RMB .....	50	(15,816)
RMB .....	(50)	15,816
<b>2011</b>		
RMB .....	50	(7,167)
RMB .....	(50)	7,167

**Foreign currency risk**

The Group's business is located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US\$ as disclosed in note 24.

The Group's assets and liabilities denominated in US\$ were mainly held by certain subsidiaries incorporated outside Mainland China which had US\$ as their functional currency, and the Group did not have material foreign currency transactions in Mainland China during the Relevant Periods. Therefore, the Group had immaterial foreign currency risk.

**Credit risk**

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, cash and cash equivalents, trade receivables, deposits and other receivables and an amount due from a related party included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2011, 2012 and 2013 and 31 March 2014, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

**Liquidity risk**

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

<b>31 December 2011</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade and bills payables . . . . .	1,241,262	—	—	—	—	1,241,262
Interest-bearing bank and other borrowings . . . . .	80,341	150,006	846,071	640,359	—	1,716,777
Other payables and accruals . . . . .	291,563	—	—	—	—	291,563
Due to a related party . . . . .	209,180	—	—	—	—	209,180
Bank borrowing guarantee . . . . .	—	—	114,000	—	—	114,000
	<u>1,822,346</u>	<u>150,006</u>	<u>960,071</u>	<u>640,359</u>	<u>—</u>	<u>3,572,782</u>
<b>31 December 2012</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade and bills payables . . . . .	2,358,837	—	—	—	—	2,358,837
Interest-bearing bank and other borrowings . . . . .	234,135	997,886	1,229,492	1,222,878	—	3,684,391
Other payables and accruals . . . . .	449,094	—	—	—	—	449,094
Due to a related party . . . . .	285,425	—	—	—	—	285,425
Bank borrowing guarantee . . . . .	—	—	162,200	—	—	162,200
	<u>3,327,491</u>	<u>997,886</u>	<u>1,391,692</u>	<u>1,222,878</u>	<u>—</u>	<u>6,939,947</u>

31 December 2013	On	Less than	3 to 12	1 to 5	Beyond	Total
	demand	3 months	months	years	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables . . . . .	2,738,062	—	—	—	—	2,738,062
Interest-bearing bank and other borrowings . . . . .	49,636	660,720	1,757,678	1,172,091	—	3,640,125
Other payables and accruals . . . . .	497,758	—	—	—	—	497,758
Due to a related party . . . . .	315,086	—	—	—	—	315,086
Bank borrowing guarantee . . . . .	—	35,000	10,000	—	—	45,000
	<u>3,600,542</u>	<u>695,720</u>	<u>1,767,678</u>	<u>1,172,091</u>	<u>—</u>	<u>7,236,031</u>
31 March 2014	On	Less than	3 to 12	1 to 5	Beyond	Total
	demand	3 months	months	years	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables . . . . .	2,943,740	—	—	—	—	2,943,740
Interest-bearing bank and other borrowings . . . . .	20,683	835,670	1,997,475	1,063,828	—	3,917,656
Other payables and accruals . . . . .	463,992	—	—	—	—	463,992
Due to a related party . . . . .	327,391	—	—	—	—	327,391
Bank borrowing guarantee . . . . .	—	10,000	—	—	—	10,000
	<u>3,755,806</u>	<u>845,670</u>	<u>1,997,475</u>	<u>1,063,828</u>	<u>—</u>	<u>7,662,779</u>

#### Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, amount due to a related party, trade and bills payables, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of each of the Relevant Periods are as follows:

	Year ended 31 December			Three-month period ended
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables . . . . .	1,241,262	2,358,837	2,738,062	2,943,740
Interest-bearing bank and other borrowings . . . . .	1,433,485	3,163,250	3,245,399	3,638,106
Other payables and accruals . . . . .	291,563	449,094	497,758	463,992
Amount due to a related party . . . . .	209,180	285,425	315,086	327,391
Less: cash and cash equivalents . . . . .	(487,551)	(364,781)	(417,485)	(546,273)
Net debt . . . . .	<u>2,687,939</u>	<u>5,891,825</u>	<u>6,378,820</u>	<u>6,826,956</u>
Equity attributable to owners of the parent . . . . .	547,636	644,433	887,271	1,007,359
Capital and net debt . . . . .	<u>3,235,575</u>	<u>6,536,258</u>	<u>7,266,091</u>	<u>7,834,315</u>
Gearing ratio . . . . .	<u>83%</u>	<u>90%</u>	<u>88%</u>	<u>87%</u>

## 40. INTERESTS IN SUBSIDIARIES

	<u>The Company</u>
	<u>As at 31 March</u>
	<u>2014</u>
	<u>RMB'000</u>
Unlisted shares, at cost. . . . .	<u>2,817,222</u>

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Schnell International Ltd. . . . .	(i)	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Schnell Holding Ltd. . . . .	(i)	Hong Kong 29 October 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Allegro Auto International Ltd. . .	(i)	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Spring Oasis Investments Limited	(i)	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Spring Oasis Investments Holding Limited . . . . .	(i)	Cayman Islands 28 October 2011	Registered and paid-in capital of USD50,000	—	100	Investment holding
Fresca International Ltd. . . . .	(i)	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Stay Success Limited . . . . .	(i)	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Presto Auto International Ltd. . .	(i)	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Treasure Path Holdings Limited . .	(i)	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Vivace Auto International Ltd. . .	(i)	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
True Worth Investments Limited	(i)	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Rundong Automobile Group Co., Ltd. 潤東汽車集團有限公司 . . . . .	(ii) (iv)	Xuzhou, the PRC 3 March 1998	Registered and paid-in capital of RMB341,999,800	—	100	Investment holding

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited 徐州潤東交廣汽車營銷管理有限公司 . . . . .	(ii) (iv)	Xuzhou, the PRC 10 June 2008	Registered and paid-in capital of RMB107,150,000	—	100	Investment holding
Xuzhou Rundong Automobile Sales Management Company Limited 徐州潤東汽車營銷管理有限公司 . . . . .	(ii) (iv)	Xuzhou, the PRC 20 June 2003	Registered and paid-in capital of RMB204,090,000	—	100	Investment holding
Xuzhou Yuemei Automobile Sales Management Company Limited 徐州悅美汽車營銷管理有限公司 . . . . .	(ii) (iv)	Xuzhou, the PRC 20 September 2010	Registered and paid-in capital of RMB50,000,000	—	100	Investment holding
Shanghai Baojing Automobile Sales and Services Company Limited 上海寶景汽車銷售服務有限公司 . . . . .	(iii)	Shanghai, the PRC 6 July 2010	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited 上海寶景星誠汽車銷售服務有限公司 . . . . .	(iii)	Shanghai, the PRC 26 November 2010	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Shanghai Baojing Yuejie Automobile Sales & Services Company Limited 上海寶景悅捷汽車服務有限公司 . . . . .	(iii)	Shanghai, the PRC 13 December 2011	Registered and paid-in capital of RMB500,000	—	100	Sales and service of motor vehicles
Shanghai Jierun Automobile Sales and Services Company Limited 上海捷潤汽車銷售服務有限公司 . . . . .	(iii)	Shanghai, the PRC 19 September 2011	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Xuzhou Baojing Automobile Sales Services Company Limited 徐州寶景汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 6 March 2007	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Xuzhou Baojing Runbao Automobile Sales and Services Company Limited 徐州寶景潤寶汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 12 April 2011	Registered and paid-in capital of RMB2,000,000	—	100	Sales and service of motor vehicles

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Xuzhou Rundong Ruijing Automobile Sales and Services Company Limited 徐州潤東瑞景汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 24 November 2004	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Xuzhou Rongchuang Automobile Services Company Limited 徐州融創車業服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 16 March 2010	Registered and paid-in capital of RMB1,000,000	—	100	Service of motor vehicles
Xuzhou Rundong Huijing Automobile Sales & Services Co., Ltd. 徐州潤東匯景汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 26 September 2002	Registered and paid-in capital of RMB5,000,000	—	100	Sales and service of motor vehicles
Xuzhou Rundong Pre-owned Automobiles Trading Company Limited 徐州潤東二手車交易市場有限公司 . . . . .	(iii)	Xuzhou, the PRC 19 June 2009	Registered and paid-in capital of RMB3,000,000	—	100	Service of motor vehicles
Xuzhou Hezhong Automobile Sales Company Limited 徐州合眾汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 28 January 2011	Registered and paid-in capital of RMB13,000,000	—	100	Sales and service of motor vehicles
Xuzhou Dongchen Automobile Sales Services Company Limited 徐州東辰汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 13 September 2002	Registered and paid-in capital of RMB13,000,000	—	70	Sales and service of motor vehicles
Xuzhou Rundong Huitong Automobile Sales Services Company Limited 徐州潤東匯通汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 12 June 2003	Registered and paid-in capital of RMB10,000,000	—	90	Sales and service of motor vehicles
Xuzhou Rundong Fengtian Automobile Sales Services Company Limited 徐州潤東豐田汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 14 April 2006	Registered and paid-in capital of RMB15,000,000	—	70	Sales and service of motor vehicles
Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited 徐州潤東之田汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 4 December 2005	Registered and paid-in capital of RMB15,000,000	—	70	Sales and service of motor vehicles

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited 徐州潤東之風汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 1 July 2005	Registered and paid-in capital of RMB12,000,000	—	51	Sales and service of motor vehicles
Xuzhou Rundong Zhouji Automobile Sales Services Company Limited 徐州潤東洲際汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 29 March 2004	Registered and paid-in capital of RMB12,000,000	—	100	Sales and service of motor vehicles
Xuzhou Rundong Jiahua Automobile Sales and Services Company Limited 徐州潤東嘉華汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 25 May 2004	Registered and paid-in capital of RMB12,000,000	—	100	Sales and service of motor vehicles
Xuzhou Rundong Automobile Trading Company Limited 徐州潤東汽車貿易有限公司 . . . . .	(iii)	Xuzhou, the PRC 13 July 2001	Registered and paid-in capital of RMB13,000,000	—	100	Sales and service of motor vehicles
Xuzhou Huifeng Lexus Automobile Sales and Services Company Limited 徐州滙豐雷克薩斯汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 28 February 2006	Registered and paid-in capital of RMB25,000,000	—	100	Sales and service of motor vehicles
Xuzhou Jierun Automobile Sales and Services Company Limited 徐州捷潤汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 27 July 2011	Registered and paid-in capital of RMB16,000,000	—	100	Sales and service of motor vehicles
Maanshan City Baojing Automobile Sales and Services Company Limited 馬鞍山市寶景汽車銷售服務有限公司 . . . . .	(iii)	Maanshan, the PRC 10 December 2010	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Nantong Runbaohang Automobile Sales and Services Company Limited 南通潤寶行汽車銷售服務有限公司 . . . . .	(iii)	Nantong, the PRC 28 June 2010	Registered and paid-in capital of RMB12,000,000	—	100	Sales and service of motor vehicles
Huzhou Runzhiyi Automobile Sales and Services Company Limited 湖州潤之翼汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 9 June 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Huzhou Rundong Automobile Sales and Services Company Limited 湖州潤東汽車銷售服務有限公司 . . . . .	(iii)	Huzhou, the PRC 18 May 2011	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Huzhou Baojing Automobile Sales and Services Company Limited 湖州寶景汽車銷售服務有限公司 . . . . .	(iii)	Huzhou, the PRC 28 May 2010	Registered and paid-in capital of RMB24,000,000	—	100	Sales and service of motor vehicles
Huaian Baotielong Automobile Sales and Services Company Limited 淮安寶鐵龍汽車銷售有限公司	(iii)	Huaian, the PRC 23 February 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Huaian Rundong Zhifu Automobile Sales and Services Company Limited 淮安潤東之福汽車銷售服務有限公司 . . . . .	(iii)	Huaian, the PRC 6 April 2006	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Xuzhou Rundong Huifeng Automobile Sales Services Company Limited 淮安潤東滙豐汽車銷售服務有限公司 . . . . .	(iii)	Huaian, the PRC 24 September 2007	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Huaian Rundong Renheng Automobile Sales and Services Company Limited 淮安潤東仁恒汽車銷售服務有限公司 . . . . .	(iii)	Huaian, the PRC 29 March 2007	Registered and paid-in capital of RMB13,000,000	—	100	Sales and service of motor vehicles
Huaian Rundong Shidai Automobile Sales and Services Company Limited 淮安潤東時代汽車銷售服務有限公司 . . . . .	(iii)	Huaian, the PRC 1 August 2005	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Huaian Baojing Automobile Sales and Services Company Limited 淮安寶景汽車銷售服務有限公司 . . . . .	(iii)	Huaian, the PRC 20 January 2010	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Lianyungang Tianlan Automobile Sales and Services Company Limited 連雲港天瀾汽車銷售服務有限公司 . . . . .	(iii)	Lianyungang, the PRC 1 July 2004	Registered and paid-in capital of RMB10,000,000	—	87	Sales and service of motor vehicles



Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Lianyungang Tianlan Fengtian Automobile Sales and Services Company Limited 連雲港天瀾豐田汽車銷售服務有限公司 . . . . .	(iii)	Lianyungang, the PRC 25 April 2006	Registered and paid-in capital of RMB12,000,000	—	70	Sales and service of motor vehicles
Lianyungang Rundong Tianyue Automobile Sales and Services Company Limited 連雲港潤東天裕汽車銷售服務有限公司 . . . . .	(iii)	Lianyungang, the PRC 10 January 2008	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Lianyungang Zhibao Automobile Sales and Services Company Limited 連雲港之寶汽車銷售服務有限公司 . . . . .	(iii)	Lianyungang, the PRC 22 April 2009	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Suqian Runkai Automobile Sales and Services Company Limited 宿遷潤凱汽車銷售服務有限公司 . . . . .	(iii)	Suqian, the PRC 15 August 2011	Registered and paid-in capital of RMB12,000,000	—	100	Sales and service of motor vehicles
Yantai Runjie Automobile Sales and Services Company Limited 煙臺潤捷汽車銷售服務有限公司 . . . . .	(iii)	Yantai, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Qingdao Baojing Automobile Sales and Services Company Limited 青島寶景汽車銷售服務有限公司 . . . . .	(iii)	Qingdao, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Suzhou Baojing Automobile Sales and Services Company Limited 蘇州市寶景汽車銷售服務有限公司 . . . . .	(iii)	Suzhou, the PRC 24 November 2011	Registered and paid-in capital of RMB10,000,000	—	80	Sales and service of motor vehicles
Linyi Baojing Automobile Sales and Services Company Limited 臨沂寶景汽車銷售服務有限公司 . . . . .	(iii)	Linyi, the PRC 14 April 2011	Registered and paid-in capital of RMB2,000,000	—	100	Sales and service of motor vehicles
Taizhou Baojing Automobile Sales and Services Company Limited 泰州寶景汽車銷售服務有限公司 . . . . .	(iii)	Xuzhou, the PRC 1 March 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Zaozhuang Baojing Automobile Sales and Services Company Limited 棗莊寶景汽車銷售服務有限公司 . . . . .	(iii)	Zaozhuang, the PRC 14 April 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Rizhao Baojing Automobile Sales Company Limited 日照寶景汽車銷售服務有限公司 . . . . .	(iii)	Rizhao, the PRC 12 March 2012	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Lianyungang Runhe Automobile Sales and Services Company Limited 連雲港潤合汽車銷售有限公司 . . . . .	(iii)	Lianyungang, the PRC 10 August 2012	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Nanjing Baojing Automobile Sales and Services Company Limited 南京寶景汽車銷售服務有限公司 . . . . .	(iii)	Nanjing, the PRC 25 May 2012	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Yancheng Baojing Automobile Sales and Services Company Limited 鹽城寶景汽車銷售服務有限公司 . . . . .	(iii)	Yancheng, the PRC 1 August 2012	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Shanghai Baojing Used Automobile Company Limited 上海寶景舊機動車經營有限公司 . . . . .	(iii)	Shanghai, the PRC 30 November 2012	Registered and paid-in capital of RMB200,000	—	100	Sales of spare parts
Linyi Aofeng Automobile Sales and Services Company Limited 臨沂奧豐汽車銷售服務有限公司 . . . . .	(iv)	Shandong, the PRC 18 May 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Linyi Jinhua Automobile Sales and Services Company Limited 臨沂金華汽車銷售服務有限公司 . . . . .	(iv)	Shandong, the PRC 29 November 2002	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Linyi Jialun Automobile Insurance Brokerage Co., Ltd. 臨沂佳輪汽車保險代理有限公司 . . . . .	(iv)	Shandong, the PRC 23 May 2012	Registered and paid-in capital of RMB3,000,000	—	100	Automobile insurance

Name	Notes	Place and date of incorporation/ registration and operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
				Direct %	Indirect %	
Zaozhuang Aowei Automobile Sales and Services Company 棗莊奧威汽車銷售服務有限公司 . . . . .	(iv)	Shandong, the PRC 5 May 2008	Registered and paid-in capital of RMB10,000,000	—	100	Sales and service of motor vehicles
Lianyungang Runjie Automobile Sales Company Limited 連雲港潤捷汽車銷售有限公司	(iv)	Jiangsu, the PRC 25 April 2013	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Xuzhou Runzhiyi Automobile Sales and Services Company Limited 徐州潤之意汽車銷售服務有限公司 . . . . .	(iv)	Jiangsu, the PRC 26 June 2013	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Huai'an Runbaohang Automobile Services Company Limited 淮安潤寶行汽車服務有限公司	(iv)	Jiangsu, the PRC 11 July 2013	Registered and paid-in capital of RMB20,000,000	—	100	Sales and service of motor vehicles
Jinan Runzhiyi Automobile Sales and Services Company Limited 濟南潤之意汽車銷售服務有限公司 . . . . .	(iv)	Shandong, the PRC 23 July 2013	Registered and paid-in capital of RMB30,000,000	—	100	Sales and service of motor vehicles
Hong Kong Gen-kun Investment Co., Limited. . . . .	(iv)	Hong Kong 25 July 2011	Registered and paid-in capital of HKD10,000	—	100%	Investment holding
Rundong Huiyu (Shanghai) Financing and Leasing Company 潤東匯譽 (上海) 融資租賃有限責任公司 . . . . .	(iv)	Shanghai, the PRC 30 September 2013	Registered and paid-in capital of USD10,000,000	—	100%	Automobile financing and leasing
Nanjing Runzhiyi Automobile Sales and Services Company Limited 南京潤之意汽車銷售服務有限公司 . . . . .	(v)	Nanjing, the PRC 4 March 2014	Registered capital of RMB50,000,000	—	100%	Sales and service of motor vehicles
Suzhou Runbaohang Automobile Services Company Limited 蘇州潤寶行汽車服務有限公司 . . . . .	(v)	Suzhou, the PRC 27 February 2014	Registered and paid-in capital of RMB3,000,000	—	100%	Service of motor vehicles
Shanghai Jingbao Automobile Services Company Limited 上海景寶汽車服務有限公司 . . . . .	(v)	Shanghai, the PRC May 12 2014	Registered capital of RMB 5,000,000	—	100%	Service of motor vehicles

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*Notes:*

- (i) No statutory accounts have been prepared for these subsidiaries since their incorporation as there is no statutory requirement for these companies to prepare audited financial statements.
- (ii) The statutory accounts for the years ended 31 December 2011 and 2012 were audited by 徐州春秋聯合會計師事務所 (Xuzhou Chunqiu Union Certified Public Accountants), certified public accountants registered in the PRC.
- (iii) No statutory accounts have been prepared for these subsidiaries during the Relevant Periods as there is no statutory requirement for these companies to prepare audited financial statements.
- (iv) No statutory accounts for the year ended 31 December 2013 have been prepared by any of these subsidiaries as at the date of this report.
- (v) No statutory accounts for the period ended 31 March 2014 have been prepared by any of these subsidiaries as at the date of this report.

**41. EVENTS AFTER THE RELEVANT PERIODS**

There are no significant events undertaken by the Group after 31 March 2014, other than the following event:

- (i) On 23 July 2014, the Controlling Shareholder signed a deed of indemnity, pursuant to which the Controlling Shareholder agreed to indemnify the Group from any loss, liability and associated penalties in connection with buildings and land properties matters as set out in notes 13 and 14, respectively.
- (ii) The Group received US\$56,400,000 subsequently after 31 March 2014 from Rundong Fortune Investment Limited (“**Rundong Fortune**”), which is ultimately controlled by Mr. Yang Peng, to repay the then net outstanding amount due from Mr. Yang Peng to the Group. Among which, US\$15,000,000 was received in April 2014 and deposited into a bank account jointly controlled by the Group and Cheer Hope Holdings Limited (“**Cheer Hope**”), one of the noteholders to which Rundong Fortune issued senior secured guaranteed notes in April 2014. The Company has assigned the balance in this jointly controlled bank account in favour of Cheer Hope. The Group shall not transfer or close this bank account, nor receive payment from or otherwise deal with the deposit in this account. Such restrictions and the security shall be released upon the earlier of (i) the Hong Kong underwriting agreement and the international underwriting agreement (the “Underwriting Agreements”) of the Listing becoming unconditional and effective under a qualified IPO; or (ii) the date that all the obligations under the senior secured guaranteed notes of US\$15,000,000 issued to Cheer Hope have been fully discharged.
- (iii) On 23 July 2014, the Directors of the Group declared a special dividend of RMB330 million with RMB89.45 million, RMB226.11 million and RMB14.44 million for the years ended 31 December 2012 and 2013 and for the three months ended 31 March 2014, respectively, to the Group’s then shareholders, conditional upon the Underwriting Agreements becoming unconditional and effective.

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 March 2014.

Yours faithfully  
**ERNST & YOUNG**  
*Certified Public Accountants*  
Hong Kong

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

#### A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on March 31, 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of our financial position.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at March 31, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK\$ equivalent) (Note 4)
Based on an offer price of					
HK\$3.58 per Share . . . . .	582,015	632,848	1,214,863	1.13	1.41
Based on an offer price of					
HK\$3.98 per Share . . . . .	582,015	708,489	1,290,504	1.20	1.50

*Notes:*

- The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2014 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of March 31, 2014 of RMB1,007,359,000 less intangible assets and goodwill as of March 31, 2014 of RMB218,198,000 and RMB207,146,000, respectively.
- The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$3.58 or HK\$3.98 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,074,474,000 Shares are in issue assuming the Global Offering has been completed on March 31, 2014 and an Offer Price of HK\$3.58 per Share, being the low end of the Offer Price range, and 1,074,474,000 Shares are in issue assuming that the Global Offering has been completed on March 31, 2014 and an Offer

Price of HK\$3.98 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option and Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account a special dividend of RMB330,000,000 declared by the Company to its then shareholders in July 2014. Had the special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be RMB0.82 (assuming an Offer Price of HK\$3.58 per Share) and RMB0.89 (assuming an Offer Price of HK\$3.98 per Share), respectively.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.80.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2014.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

31 July 2014

**The Directors  
China Rundong Auto Group Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Rundong Auto Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 March 2014 and related notes as set out on pages II-1 and II-2 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in pages II-1 and II-2 of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 March 2014 as if the transaction had taken place at 31 March 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the three months ended 31 March 2014 in Appendix I to the Prospectus.

**Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Reporting Accountant’s responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,  
**ERNST & YOUNG**  
*Certified Public Accountants*  
Hong Kong

*This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in “Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection” to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.*

## SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS LAW

### 1 Memorandum of Association

The Memorandum of Association was conditionally adopted on July 23, 2014 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the paragraph headed in the section headed “Documents available for inspection” in Appendix V to this prospectus.

### 2 Articles of Association

The Articles of Association were conditionally adopted on July 23, 2014 and effective on the Listing Date and include provisions to the following effect:

#### 2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is US\$50,000 divided into 100,000,000,000 shares of US\$0.0000005 each.

#### 2.2 *Directors*

##### *(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Board may determine. Subject to the Companies Law and to any special rights conferred on any

shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Board which, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the new Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person,

company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or
  - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

*(g) Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Board may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution at any time remove any Director (including an executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Board resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

- (vi) if he shall be removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

*(j) Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.3 Alteration to constitutional documents**

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

### **2.4 Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting

and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### ***2.5 Alteration of capital***

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.



### *2.6 Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

### *2.7 Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Board, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands, notwithstanding any contrary provision contained in the Articles of Association.

### ***2.8 Annual general meetings***

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

### ***2.9 Accounts and audit***

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Board shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Board or by the Company in general meeting.

The Board shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company

and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.

#### ***2.10 Notice of meetings and business to be conducted thereat***

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. Subject to the requirement under the Listing Rules, the notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

### ***2.11 Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Board may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange and approved by the Board.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Board otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Board may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;

- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Board may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice (or on six-business-day's notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Board may from time to time determine, provided always that the registration of transfers shall not be suspended or the register of members closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

#### ***2.12 Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

#### ***2.13 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

#### ***2.14 Dividends and other methods of distribution***

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by it at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment.

The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by the Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or, in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any

endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Board and shall revert to the Company.

The Board may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Board may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board.

### *2.15 Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form that complies with the Listing Rules as the Board may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding

the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

#### *2.16 Calls on shares and forfeiture of shares*

The Board may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Board may determine, but the Board may waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Board may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that



effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon at such rate not exceeding 15% per annum as the Board may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

#### ***2.17 Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice (or on six business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Board may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Board may determine for each inspection.

#### ***2.18 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

### ***2.19 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

### ***2.20 Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### ***2.21 Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its

intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## SUMMARY OF CAYMAN ISLANDS COMPANIES LAW AND TAXATION

### 1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 15, 2014 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

### 3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

## 5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

## 6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## 7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## 8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

## **9 Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **10 Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## **11 Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

## **12 Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

## **13 Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such

constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

#### **14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

#### **15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

#### **16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**19 Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from January 28, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

**20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.



**21 General**

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection—Documents available for inspection" to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of Our Company**

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on January 15, 2014. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East and have been registered as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance under the same address on February 13, 2014. Ms. Ho Siu Pik has been appointed as our authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in the section headed "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III to this prospectus.

**2. Change in Share Capital**

As of the date of incorporation of our Company, our authorized share capital was US\$50,000 divided into 250,000,000,000 Shares of US\$0.0000002 each.

Pursuant to the Share Consolidation which is conditional upon the Underwriting Agreements becoming unconditional and effective but before the Listing, every ten ordinary shares in the capital of the Company of US\$0.0000002 each are to be consolidated into four ordinary shares of the Company of US\$0.0000005 each. Immediately after completion of the Share Consolidation, the authorized and issued share capital of the Company, comprising 250,000,000,000 and 2,073,750,000 ordinary shares of US\$0.0000002 each, respectively, are to be consolidated and divided into 100,000,000,000 ordinary shares and 829,500,000 ordinary shares of US\$0.0000005 each, respectively.

Immediately following the completion of the Global Offering and the Share Consolidation (but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Scheme Options and the options granted under Share Option Schemes), the issued share capital of our Company will be US\$537.24, divided into 1,074,474,000 Shares of US\$0.0000005 each, all fully paid or credited as fully paid and 98,925,526,000 Shares of US\$0.0000005 each will remain unissued.

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

**3. Resolutions of our Shareholders**

Pursuant to a written shareholder's resolution of the Company dated July 23, 2014:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;

- (b) conditional upon all the conditions set out in “Structure of the Global Offering—Conditions of the Hong Kong Public Offering” in this prospectus being fulfilled:
- (i) the Global Offering and the Over-allotment Option were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
  - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering;
  - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per Offer Share with the Joint Bookrunners; and
  - (iv) every ten existing issued and unissued ordinary Shares of US\$0.0000002 each will be consolidated into four ordinary Shares of US\$0.0000005 each, and such consolidated Shares shall rank pari passu in all respects with each other, such that the authorized share capital of the Company will become US\$50,000 divided into 100,000,000,000 Shares of US\$0.0000005 each before the Listing;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;
- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;

- (e) the general mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (d) above; and
- (f) the Share Option Scheme was approved and adopted and our Directors was authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

#### **4. Corporation Reorganization**

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. See the section headed “History and Reorganization” in this prospectus for information relating to the Reorganization.

#### **5. Changes in the Share Capital of Subsidiaries**

Our subsidiaries during the Track Record Period are referred to in the Accountant’s Report set out in Appendix I to this prospectus. The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

##### **(1) *Hong Kong Gen-kun***

On October 18, 2013, Spring Oasis Hong Kong acquired 100% of the ordinary shares of Hong Kong Gen-kun from Charles Young. Consequently, Hong Kong Gen-kun was wholly owned by Spring Oasis Hong Kong.

##### **(2) *Huai’an Baotielong***

On July 5, 2013, pursuant to a shareholder’s resolution of Huai’an Baotielong, the registered capital of Huai’an Baotielong increased from RMB10 million to RMB15 million as a result of a capital injection by Rundong Group.

##### **(3) *Huai’an Runbaohang***

On July 11, 2013, Huai’an Runbaohang was incorporated under the laws of the PRC with a registered capital of RMB20 million which was fully paid up.

##### **(4) *Huiyu Rongzi***

On September 30, 2013, Huiyu Rongzi was incorporated under the laws of the PRC with a registered capital of US\$10 million which was fully paid up.

##### **(5) *Huzhou Baojing***

Pursuant to a capital verification report dated March 8, 2013, the registered capital of Huzhou Baojing, i.e. RMB30 million, was fully paid up.

**(6) Huzhou Rundong**

On October 8, 2012, pursuant to a shareholders' resolution, the registered capital of Huzhou Rundong was increased from RMB10 million to RMB20 million as a result of the capital contributions of RMB1 million and RMB9 million by Mr. Yang Peng and Rundong Group respectively.

On January 27, 2014, Mr. Yang Peng and Rundong Group entered into an equity transfer agreement, pursuant to which Rundong Group acquired 10% equity interests in Huzhou Rundong from Mr. Yang Peng, which had been held by Mr. Yang Peng as a nominee of Rundong Group. The transaction was completed on February 13, 2014.

**(7) Huzhou Runzhiyi**

Pursuant to an equity transfer agreement dated May 16, 2013, Xuzhou Yuemei transferred 49% of its equity interests in Huzhou Runzhiyi to Rundong Group, which was completed on May 24, 2013.

**(8) Jialun Insurance**

Pursuant to an equity transfer agreement dated July 28, 2013 entered into between Linyi Jialun and Rundong Group, Rundong Group acquired the entire equity interests in Jialun Insurance, which was completed on May 30, 2014.

**(9) Jinan Runzhiyi**

On July 23, 2013, Jinan Runzhiyi was incorporated under the laws of the PRC with a registered capital of RMB30 million which was fully paid up.

**(10) Lianyungang Runhe**

On August 10, 2012, Lianyungang Runhe was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

**(11) Lianyungang Runjie**

On April 25, 2013, Lianyungang Runjie was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

**(12) Linyi Aofeng**

Pursuant to an equity transfer agreement dated July 28, 2013 entered into between Linyi Jialun and Rundong Group, Rundong Group acquired the entire equity interests in Linyi Aofeng, which was completed on October 21, 2013.

**(13) Linyi Baojing**

Pursuant to a capital verification report dated April 10, 2013, the registered capital of Linyi Baojing, i.e. RMB10 million, was fully paid up.

**(14) Linyi Jinhua**

Pursuant to an equity transfer agreement dated July 28, 2013 entered into between Linyi Jialun and Rundong Group, Rundong Group acquired the entire equity interests in Linyi Jinhua, which was completed on October 17, 2013.

**(15) Nanjing Runzhiyi**

On March 4, 2014, Nanjing Runzhiyi was incorporated under the laws of the PRC with a registered capital of RMB50 million.

**(16) Shanghai Baojing**

On January 26, 2014, Shanghai Runbao New Energy Company Limited\* (上海潤寶新能源有限公司, “**Shanghai Runbao**”) and Xuzhou Rundong Jiaoguang entered into an equity transfer agreement, pursuant to which Xuzhou Rundong Jiaoguang acquired 10% of the equity interests in Shanghai Baojing from Shanghai Runbao, which had been held by Shanghai Runbao as a nominee of Xuzhou Rundong Jiaoguang. The transaction was completed on January 29, 2014.

**(17) Shanghai Jierun**

Pursuant to a shareholder’s resolution dated May 24, 2013, the registered capital of Shanghai Jierun increased from RMB20 million to RMB40 million as a result of the capital contribution by Rundong Group.

**(18) Shanghai Jingbao**

On May 12, 2014, Shanghai Jingbao was incorporated under the laws of the PRC with a registered capital of RMB5 million.

**(19) Suqian Runkai**

On September 5, 2013, Rundong Group entered into equity transfer agreements with Mr. Yang Peng and Mr. Yang Shouming (楊守明) respectively, pursuant to which Mr. Yang Peng and Mr. Yang Shouming transferred their respective 73.9% and 26.1% equity interests in Suqian Runkai to Rundong Group. Both of Mr. Yang Peng and Mr. Yang Shouming had held the said equity interests as a nominee of Rundong Group prior to these transactions, which were completed on September 11, 2013.

**(20) Suzhou Runbaohang**

On February 27, 2014, Suzhou Runbaohang was incorporated under the laws of the PRC with a registered capital of RMB3 million, which was fully paid up.

**(21) Taizhou Baojing**

Pursuant to a shareholder’s resolution dated January 2, 2014, the registered capital of Taizhou Baojing was increased from RMB10 million to RMB21 million, as a result of the capital injection by Xuzhou Rundong.

**(22) Xuzhou Baojing Runbao**

On June 18, 2013, Rundong Group entered into equity transfer agreements with Xuzhou Rundong Jiaoguang and Xuzhou Baojing respectively, pursuant to which Xuzhou Rundong Jiaoguang and Xuzhou Baojing transferred their respective 95% and 5% equity interests in Xuzhou Baojing Runbao to Rundong Group. These transactions were completed on June 19, 2013.

Pursuant to a capital verification report dated June 18, 2013, the registered capital of Xuzhou Baojing Runbao, i.e. RMB10 million, was fully paid up.

**(23) Xuzhou Hezhong**

On January 5, 2013, pursuant to a shareholder's resolution of Xuzhou Hezhong, the registered capital of Xuzhou Hezhong was increased from RMB13 million to RMB15.5 million as a result of a capital injection by Rundong Group.

**(24) Xuzhou Rundong Huijing**

On April 9, 2013, Rundong Group and Jiangsu Qirun entered into an equity transfer agreement, pursuant to which Jiangsu Qirun transferred the entire equity interests in Xuzhou Rundong Huijing to Rundong Group. The transfer was completed on April 10, 2013.

**(25) Xuzhou Runzhiyi**

On June 26, 2013, Xuzhou Runzhiyi was incorporated under the laws of the PRC with a registered capital of RMB20 million, which was fully paid up.

**(26) Yancheng Baojing**

On August 1, 2012, Yancheng Baojing was incorporated under the laws of the PRC with a registered capital of RMB10 million, which was fully paid up.

On February 20, 2013, pursuant to a shareholder's resolution of Yancheng Baojing, the registered capital of Yancheng Baojing was increased from RMB10 million to RMB20 million as a result of capital contribution by Rundong Group.

**(27) Zaozhuang Aowei**

Pursuant to an equity transfer agreement dated July 28, 2013 entered into between Linyi Jialun and Rundong Group, Rundong Group acquired the entire equity interests in Zaozhuang Aowei, which was completed on December 4, 2013.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

## 6. Repurchase of our own securities

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

#### (i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written shareholder's resolution of the Company dated July 23, 2014, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and without taking into account the Shares to be issued pursuant to the exercise of the Pre-IPO Scheme Options and the options granted under the Share Option Scheme until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

#### (iii) *Trading restrictions*

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Scheme Options and the options granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the



hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

*(iv) Status of repurchased Shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

*(v) Suspension of repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

*(vi) Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

*(vii) Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Stock Exchange.

*(b) Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 1,074,474,000 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Scheme Options and the options granted under the Share Option Scheme), could accordingly result in 107,447,400 Shares being repurchased by our Company during the period prior to the earliest occurrence of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

*(d) General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:




- (a) an equity transfer agreement dated August 15, 2013 entered into between Mr. Yang Peng (as the representative of the relevant transferors within our Group) and Jiangsu Qirun (as the transferee), in relation to the transfer of the entire equity interests in 22 companies in the PRC for an aggregate consideration of RMB198,287,000;
- (b) an equity transfer agreement dated April 25, 2013 entered into between Rundong Group (as the transferor) and Shanghai Huijing (as the transferee) in relation to the transfer of the entire equity interests in Xuzhou Lanrun for a consideration of RMB16,000,000;
- (c) an equity transfer agreement dated June 30, 2013 entered into between Mr. Yang Peng (as the representative of the relevant transferors within our Group) and Jiangsu Qirun (as the transferee) in relation to the transfer of the entire equity interests in six companies in the PRC for an aggregate consideration of RMB43,294,000;
- (d) an equity transfer agreement dated December 31, 2013 entered into among Xuzhou Dianrun, Rundong Group and Mr. Yang Peng, pursuant to which (i) Rundong Group was released from holding 5,000,000 shares in Tongshanxian Credit as a nominee of Xuzhou Dianrun (the beneficial owner of these shares), and (ii) Xuzhou Dianrun agreed to transfer and Rundong Group agreed to acquire the 5,000,000 shares in Tongshanxian Credit at a consideration of RMB9,000,000;

- (e) an equity transfer agreement dated December 31, 2013 entered into among Xuzhou Dianrun, Rundong Group and Mr. Yang Peng, pursuant to which (i) Rundong Group was released from holding 10,000,000 shares in Jiangsu Bank as a nominee of Xuzhou Dianrun (the beneficial owner of these shares), and (ii) Xuzhou Dianrun agreed to transfer and Rundong Group agreed to acquire the 10,000,000 shares in Jiangsu Bank at a consideration of RMB53,000,000;
- (f) an equity transfer agreement dated December 31, 2013 entered into among Xuzhou Dianrun, Xuzhou Baojing and Mr. Yang Peng, pursuant to which (i) Xuzhou Baojing was released from holding 13,260,000 shares in Xuzhou Huaihai Bank as a nominee of Xuzhou Dianrun (the beneficial owner of these shares), and (ii) Xuzhou Dianrun agreed to transfer and Xuzhou Baojing agreed to acquire the 13,260,000 shares in Xuzhou Huaihai Bank at a consideration of RMB40,000,000;
- (g) a purchase agreement dated July 28, 2013 entered into between Rundong Group and Linyi Jialun, pursuant to which Rundong Group acquired from Linyi Jialun the entire equity interests in Linyi Aofeng, Linyi Jinhua, Zaozhuang Aowei and Jialun Insurance at an aggregate consideration of RMB420,000,000;
- (h) a note purchase agreement dated April 10, 2014 entered into among Rundong Fortune, Cheerful Autumn, Rundong Smart, Rundong Holding, Mr. Yang Peng, Cheer Hope Holdings Limited, Giant Profit Enterprises Limited (大盈企業有限公司) and CITIC Capital China Access Fund Limited, in relation to the issue of senior secured guaranteed notes in the aggregate principal amount of US\$60,000,000 by Rundong Fortune to Cheer Hope Holdings Limited, Giant Profit Enterprises Limited (大盈企業有限公司) and CITIC Capital China Access Fund Limited for an aggregate consideration of US\$60,000,000;
- (i) the Deed of Non-Competition dated July 23, 2014 entered into among Rundong Fortune, Cheerful Autumn, Rue Feng, Mr. Yang Peng and our Company regarding non-competition undertakings given by Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng in favor of our Company, details of which are set out in the section headed “Relationship with our Controlling Shareholders—Non-competition Undertaking” in this prospectus;
- (j) the Deed of Indemnity dated July 23, 2014 entered into among Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng and our Company pursuant to which each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng agreed to give certain indemnities in our favor, the details of which are set out in “—E. Other Information—1. Indemnities” in this section; and
- (k) the Hong Kong Underwriting Agreement.



## 2. Intellectual Property Rights of Our Group

### *Trademarks*

As of the Latest Practicable Date, our Group had registered the following trademarks:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Expiry Date</u>	<u>Registration No.</u>
 . . .	PRC	Rundong Group	35	April 13, 2016	3744623
 . . .	PRC	Rundong Group	37	December 6, 2016	3958259
 . . . .	PRC	Rundong Group	36	January 6, 2017	3958260

As of the Latest Practicable Date, our Group had made applications to register the following trademarks:

<u>Trademark</u>	<u>Place of Application</u>	<u>Applicant</u>	<u>Class</u>	<u>Date of Application</u>	<u>Application No.</u>
 . . .	PRC	Rundong Group	35	May 7, 2013	12542015
 . . . .	Hong Kong	Rundong Group	16, 35, 36, 37	January 14, 2014	302866221

### *Domain Name*

As of the Latest Practicable Date, our Group had registered the following domain names which are material to our Group's business:

<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
rundong.com.cn . . . . .	Rundong Group	November 24, 2019
rundongauto.cn . . . . .	Rundong Group	December 12, 2015

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

*(a) Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering (without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Scheme Options and any Shares that may be issued upon exercise of option which may be granted under the Share Option Scheme), the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) once the Shares are listed, will be as follows:

*Interest in Shares or Underlying Shares of our Company*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares upon Listing</u>	<u>Approximate percentage of shareholding interest upon Listing</u>
Yang Peng <sup>(1)</sup> . . . . .	protector of a discretionary trust	484,016,000	45.05%
Liu Dongli . . . . .	beneficiary owner	1,182,908	0.11%
Zhao Zhongjie . . . . .	beneficiary owner	1,429,078	0.13%
Liu Jian . . . . .	beneficiary owner	872,494	0.08%
Li Xiang . . . . .	beneficiary owner	166,719	0.02%
Yan Sujian . . . . .	beneficiary owner	1,182,908	0.11%

*Note:*

- (1) Mr. Yang Peng as the Protector is deemed to be interested in the Shares held as he has the power to appoint and remove, and to amend the rights of, the Family Trust Trustee.

*(b) Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our

Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

*(c) Interests of the substantial shareholder of any member of our Group (other than our Company)*

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option, the Pre-IPO Scheme Options and any Shares that may be issued upon exercise of option which may be granted upon the Share Option Scheme), the following persons (not being Directors or chief executive of our Company) will, directly or indirectly, be interested in 10% or more of the nominal value of the equity interests carrying rights to vote in all circumstances at general meeting of the following members of the Group (other than the Company):

<u>Name of Shareholder</u>	<u>Name of Members of the Group</u>	<u>Nature of Interests</u>	<u>Share of Capital Contribution to Registered Capital</u>	<u>Approximate Percentage of Interests</u>
Lianyungang Gangya . . . . .	Lianyungang Tianlan	Beneficiary owner	RMB1.3 million	13%
Suzhou Qiwei Vision System Engineering Company Limited* (蘇州企威視覺系統工程有限公司) . . . . .	Suzhou Baojing	Beneficiary owner	RMB2.0 million	20%
Xuzhou Transport . . . . .	Xuzhou Dongchen	Beneficiary owner	RMB3.9 million	30%
Shanghai Suqi Industrial Company Limited* (上海蘇企實業有限公司) . . . . .	Xuzhou Rundong Yifeng	Beneficiary owner	RMB4.5 million	30%
Xuzhou Furunda Investment and Management Services Company Limited* (徐州福潤達投資管理服務有限公司) . . . . .	Xuzhou Rundong Zhifeng	Beneficiary owner	RMB3.0 million	25%
Xuzhou Ruihesheng Trading Company Limited* (徐州瑞禾盛商貿有限公司) . . . . .	Xuzhou Rundong Zhifeng	Beneficiary owner	RMB1.2 million	10%
Nanjing Xuanda Investment and Management Company Limited* (南京軒達投資管理有限公司) . . . . .	Xuzhou Rundong Zhitian	Beneficiary owner	RMB4.5 million	30%
Xuzhou Transport . . . . .	Xuzhou Rundong Huitong	Beneficiary owner	RMB1.0 million	10%

## 2. Particulars of Service Contracts

*(a) Executive Directors*

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

**(b) *Non-executive Director and Independent Non-executive Directors***

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of one year with effect from the Listing Date. Under their respective appointment letters, Mr. Yan Sujian, a non-executive Director, is entitled to a fixed Director's fee while the other two non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

**(c) *Others***

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the three months ended March 31, 2014, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB19.3 million. Details of the Directors' remuneration are also set out in note 9 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable in respect of the three months ended March 31, 2014 by our Company to the Directors.
- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2014 is estimated to be approximately RMB5.2 million.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2013 and the three months ended March 31, 2014 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2013 and the three months ended March 31, 2014.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.



### 3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the section headed “—E. Other Information—10. Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

### 4. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in the section headed “—E. Other Information—10. Consents of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the parties listed in the section headed “—E. Other Information—10. Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) other than pursuant to the Underwriting Agreements, none of the parties listed in the section headed “—E. Other Information—10. Consents of Experts” below:
  - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group.

**D. SHARE OPTION SCHEMES****1. Pre-IPO Share Option Scheme***Summary of terms*

In recognition of the contributions of the employees of our Group, our Group has implemented a share option scheme and established the Employee Pre-IPO Trust under a trust deed dated September 27, 2011. On November 15, 2011, Rundong Holding, at zero consideration, granted Rundong Holding Options to Runda acting as the trustee to the Employee Pre-IPO Trust. Runda held the Rundong Holding Options for the benefit of the beneficiaries of the Employee Pre-IPO Trust, which include the Group's employees (including the Directors), former employees and their respective family members as selected by the protector of the Employee Pre-IPO Trust. See "History and Reorganization—Establishment of the Employee Pre-IPO Trust" in the prospectus for details on the Employee Pre-IPO Trust.

Immediately before the Listing, save for the Rundong Holding Options that have already been exercised, the remaining Rundong Holding Options will be cancelled in full and, in exchange for such cancellation, the Company will grant the Pre-IPO Scheme Options in equivalent numbers, terms and conditions as the Rundong Holding Options to the same grantees who have been granted the Rundong Holding Options other than those who had exercised the Rundong Holding Options before Listing to subscribe for an aggregate of 9,300,000 Shares (after the Share Consolidation) representing approximately 0.87% of the total issued share capital of the Company immediately after completion of the Global Offering, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option. None of the grantees of the Pre-IPO Scheme Options is a Director or a member of senior management or a connected person of the Company or has been granted Pre-IPO Scheme Options representing more than 0.1% of our total issued share capital immediately after the completion of the Global Offering.

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

*(a) Purpose*

The purpose of the Pre-IPO Scheme Option is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

*(b) Who may join*

Eligible persons under the Pre-IPO Share Option Scheme include our Group's employees (including the Directors) and former employees and their respective families.

*(c) Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares which may be issued upon exercise of all the Pre-IPO Scheme Options must not in aggregate exceed 38,800,000 Shares (after the Share Consolidation), representing approximately 4.7% of the then issued share capital of our Company immediately before the Global Offering.

*(d) Consideration for the grant of Pre-IPO Scheme Options, exercise period, Exercise Price and Subscription Price*

The grantees of the Pre-IPO Scheme Options are not required to pay for the grant of such options under the Pre-IPO Share Option Scheme. Each Pre-IPO Scheme Option granted has an exercise period of no longer than ten years after the date of grant of the relevant Pre-IPO Scheme Option.

The price on the exercise of a Pre-IPO Scheme Option is US\$0.1429 per Share before the Share Consolidation (or US\$0.3573 per Share after the Share Consolidation) (the “**Exercise Price**”). The grantee shall pay an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which a Pre-IPO Scheme Option is exercised (the “**Subscription Price**”).

*(e) Duration of the Pre-IPO Scheme Option*

After the expiry of the duration of the Pre-IPO Share Option Scheme, no further Pre-IPO Scheme Options shall be offered but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in force. Pre-IPO Scheme Options (to the extent not already exercised) granted prior to such expiry shall continue to be valid and exercisable until November 15, 2021.

*(f) Time of vesting of the Pre-IPO Scheme Options*

The Pre-IPO Scheme Options shall be vested in accordance with the following schedule (the “**Vesting Date**”):

- (i) if a grantee is employed on or before December 31, 2011, the Vesting Date shall be March 31 of every year commencing 2012;
- (ii) if a grantee is employed between January 1, 2012 to December 31, 2012, the Vesting Date shall be March 31 of every year commencing 2013; and
- (iii) if a grantee is employed between January 1, 2013 to December 31, 2013, the Vesting Date shall be March 31 of every year commencing 2014.

The number of Pre-IPO Scheme Options to be vested (the “**Vested Options**”) each year are calculated as below:

Vested Options each year = Fixed Vested Options + Performance Vested Options

$$\text{Fixed Vested Options} = \frac{\text{Total number of granted Pre-IPO Scheme Options}}{\text{the employment period of a grantee}} \times \frac{\text{the number of working days of a grantee in the preceding year}}{\text{the total number of days in the preceding year}} \times 40\%$$

$$\text{Performance Vested Options} = \frac{\text{Total number of granted Pre-IPO Scheme Options}}{\text{the employment period of a grantee}} \times \frac{\text{the working days of a grantee in the preceding year}}{\text{the total number of days in the preceding year}} \times 60\% \times \text{the performance ratio in the preceding year to be determined by the Remuneration Committee}$$

(g) *Exercise of the Vested Options*

A grantee shall exercise the Vested Options by sending a written notice (the “**Exercise Notice**”) to the Company, specifying the date and the number of Shares subject to the Vested Options he intends to exercise and the payment method of the Subscription Price. To the extent a grantee has no intention to hold the Shares subject to the Vested Options after exercise, the Company shall arrange for the relevant grantee to obtain a bridge loan from an Independent Third Party approved by the Remuneration Committee to pay for the Subscription Price and arrange to sell the relevant Shares in an open market for the benefit of the grantee. To the extent a grantee would like to hold the Shares subject to the Vested Options after the exercise, he/she shall pay the Subscription Price in full.

Unless otherwise determined by the Remuneration Committee, there is a minimum period of 12 months from the Listing Date before a Vested Option can be exercised (the “**Lock-up Period**”). After the expiry of the Lock-up Period, a grantee may exercise the Vested Options in accordance with the following schedule:

<u>Exercise date</u>	<u>Maximum cumulative percentage of the Vested Options exercised</u>
The date after the first anniversary of the Listing Date but before the second anniversary of the Listing Date . . . . .	30%
The date after the second anniversary of the Listing Date but before the third anniversary of the Listing Date . . . . .	60%
The date after the third anniversary of the Listing Date but before the fourth anniversary of the Listing Date . . . . .	80%
The date after the fourth year commencing on the Listing Date . .	100%

*(h) Ranking of the Shares*

Shares allotted upon the exercise of an outstanding Pre-IPO Scheme Option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and issue. Shares allotted upon the exercise of a Pre-IPO Scheme Option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

*(i) Rights are personal to the grantee*

An option shall not be transferable or assignable and shall only be exercised by the holder of the Pre-IPO Scheme Options, unless the Remuneration Committee determines otherwise.

*(j) Rights on cessation of employment by reason of resignation*

If an option holder ceases to be an eligible person by reason of resignation, he is entitled to exercise the granted Pre-IPO Scheme Options to the extent vested but not already exercised by the date of his cessation of employment. The Pre-IPO Scheme Options that have not been vested will immediately lapse on the date of his cessation of employment.

*(k) Rights on cessation of employment with cause*

If a grantee ceases to be an eligible person by reason of cessation of employment on the grounds that (i) he has been convicted of any criminal offence; (ii) he has intentionally breached any applicable laws and regulations in relation to the business of our Group or the provisions set out in his contract of employment; (iii) he has been found guilty of serious misconduct that adversely affects the interests of our Group; (iv) he has breached our by-laws or our internal policies; or (v) he has breached any contracts he has entered into with our Group or any of our affiliates, his granted Pre-IPO Scheme Options (to the extent not already exercised and irrespective of whether they are vested or not) will lapse immediately on the date of his cessation of employment.

*(l) Rights on retirement or cessation of employment as a result of serious illness, physical disability, etc.*

If a grantee retires or ceases to be an eligible person by reason of serious illness and none of the grounds for dismissal as set out in sub-paragraph (k) above has occurred, the such grantee is entitled to exercise the granted Pre-IPO Scheme Options to the extent vested but not already exercised on the date of his cessation of the employment. The Pre-IPO Scheme Options that have not been vested will immediately lapse on the date of his cessation of employment.

*(m) Rights on death*

If an option holder dies and none of the grounds for dismissal as set out in sub-paragraph (k) above has occurred, his personal representative(s) may exercise the Pre-IPO Scheme Options to the extent vested but not already exercised on the date of death of such grantee. The Pre-IPO Scheme Options that have not been vested will immediately lapse on the date of his death.

*(n) Rights on restructuring, amalgamation or mergers and acquisitions*

If our Company becomes a party to any restructuring, amalgamation or any mergers and acquisitions (including, without limitation, a general offer by way of a takeover, scheme of arrangement or otherwise), all Pre-IPO Scheme Options that have not been exercised are subject to the terms of the applicable transaction agreements. Pursuant to the applicable transaction agreements, the Pre-IPO Scheme Options that have not been exercised may be terminated and the relevant option holders may be subject to alternative compensation arrangements (including cash or cash-equivalent compensation).

*(o) Lapse of options*

Options will lapse on:

- (i) the expiry of the Pre-IPO Scheme Options;
- (ii) the date on which the option holder ceases to be an eligible person by any reason referred to in sub-paragraphs (j), (k), (l) and (m) above;
- (iii) subject to and under the circumstances referred to in sub-paragraph (n) above, the date on which the Pre-IPO Scheme Options are revoked; or
- (iv) the date the Board cancels the Pre-IPO Scheme Options because the option holder commits a breach of paragraph (i) above.

*(p) Effect of alteration to capital*

In the event of any alteration to the capital structure of our Company while any Pre-IPO Scheme Option remains exercisable, whether by way of sub-division or consolidation of the Shares, reduction of the share capital of our Company, declaration of dividend, re-classification of the Shares or otherwise, the Remuneration Committee is entitled to make corresponding adjustments in the number or nominal amount of Shares comprised in each Pre-IPO Scheme Option for the time being outstanding and the Exercise Price.

We have applied for, and have been granted a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and, and an exemption from SFC from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in connection with the disclosure of certain details in relation to the Pre-IPO Share Option Scheme as strict compliance

with such requirements would be unduly burdensome for the Company, the granting of such waiver and exemption would not prejudice the interests of the investing public, and for the following reasons:

- (a) in light of the large number of grantees who have been granted the Pre-IPO Scheme Options, strict compliance with such disclosure requirements in setting out full details of all grantees under the Pre-IPO Scheme Options in the prospectus will be costly and unduly burdensome on the Company with a significant increase in cost and timing for information compilation, prospectus preparation and printing;
- (b) the grant and exercise in full of the Pre-IPO Scheme Options would not cause any material adverse impact on the financial position of the Company;
- (c) non-compliance with the above disclosure requirements would not prevent the Company from providing its potential investors with an informed assessment of the Group's activities, assets and liabilities, financial position, management and prospects; and
- (d) the information contained in this prospectus regarding the Pre-IPO Scheme Options, including the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Scheme Options, should provide potential investors with sufficient information to make an informed assessment of the Company in their investment decision-making process.

#### ***Outstanding Pre-IPO Scheme Options***

All Pre-IPO Scheme Options were conditionally granted on or before the date of this prospectus and no further Pre-IPO Scheme Options will be granted prior to the Listing Date.

As at the date of this prospectus, an aggregate of 23,250,000 Shares subject to the Pre-IPO Scheme Options before the Share Consolidation, (or 9,300,000 Shares immediately after the Share Consolidation, representing approximately 0.87% of the issued share capital of our Company immediately after the Global Offering and assuming the Over-allotment Option is not exercised) have been granted to a total of 95 grantees. None of the Grantees of the Pre-IPO Scheme Options are Directors or members of senior management or connected persons of the Company. The exercise price for the Pre-IPO Scheme Options is US\$0.1429 per Share before the Share Consolidation (or US\$0.3573 per Share after the Share Consolidation).

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Pre-IPO Scheme Options.

Exercise of the Pre-IPO Scheme Options will have a dilution effect on the earnings/loss per Share for the relevant financial year of our Group. Assuming full exercise of the Pre-IPO Scheme Options and after the Share Consolidation, the earnings per Share on a fully diluted basis will be diluted by approximately 0%, 3.56%, 3.88% and 4.57% for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively.

## 2. Share Option Scheme

### *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written shareholder's resolution of the Company dated July 23, 2014. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

#### *(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined in paragraph (b) below) to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its Shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

The Board is of the view that the Share Option Scheme may provide the Qualified Participants with the opportunity of participating in the growth of the Group by acquiring Shares in the Company which may in turn assist in the attraction and retention of the Qualified Participants. To ensure the achievement of the purpose of the Share Option Scheme, its rules do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the determination of the Board. The Board is given the authority under the Share Option Scheme rules to determine and state in the offer letter of grant any minimum holding period and/or performance targets as conditions for exercise of an option. In addition, the Board has the authority under the Share Option Scheme rules to determine the basis of eligibility of any Qualified Participant and the grant of an option on a case by case basis as the Board in its sole discretion considers appropriate. Hence, the Board believe that the rules of the Share Option Scheme will serve to achieve its purpose as well as protect the value of the Company.

#### *(b) Who may join*

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

- (i) any executive Director, or employee (whether full time or part time) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest;
- (ii) any non-executive Directors (including independent non-executive directors) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (together with (i) above, "**Eligible Employee**");



- (iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest who is an individual; or
- (iv) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of the Company or any subsidiary or an entity in which the Company or any subsidiary holds any equity interest,

who the Board considers, in its sole discretion, has contributed or will contribute to the Company or any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (collectively, the “**Qualified Participant**”).

*(c) Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date (such total number of Shares being 1,074,474,000 Shares) (the “**Scheme Mandate**”, being 107,447,400 Shares), excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company, provided that:

- (i) the Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate as refreshed must not exceed 10% of the total number of Shares in issue as at the date of such shareholder approval. For these purposes, options previously granted under the Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted. The Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;
- (ii) the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought. A circular will be sent by the Company to the Shareholders in accordance with the Listing Rules; and
- (iii) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of Shares as shall represent 30 per cent of the Shares in issue from time to time. No options may be granted if such grant will result in this 30 per cent limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted in such manner as the auditors of the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

*(d) Maximum entitlement of each Qualified Participant*

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

*(e) Grant of options to connected persons*

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates under the Share Option Scheme must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a grantee of the options).

Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of grant:

- (i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

At the general meeting to approve such proposed grant of options, all connected persons (as defined in the Listing Rules) of the Company must abstain from voting unless intending to vote against the proposed grant and that intention has been stated in the circular to be despatched to Shareholders in accordance with the Listing Rules. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules. The Company shall send to the Shareholders a circular containing the details and information required under Chapter 17 of the Listing Rules.

Any proposed change in the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, must be approved by the shareholders of the Company in general meeting in accordance with the relevant provisions of the Listing Rules.

*(f) Acceptance of an offer of options*

An offer of the grant of an option shall be made to a Qualified Participant by written offer letter in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for such period (not exceeding 30 days, inclusive of, and from, the date of offer) as the Board may determine and notify to the Qualified Participant.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is considered to be granted as from the date on which it was offered to the relevant Qualified Participant.

*(g) Subscription price*

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and
- (iii) the nominal value of the Shares.

*(h) Duration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective from the date on which the last of the conditions (as set out in paragraph (x) below) is fulfilled (the "**Adoption Date**") until the end of the period of 10 years commencing on the Adoption Date (the "**Scheme Period**"), after which time no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of the Scheme Period shall continue to be valid and exercisable after the end of the Scheme Period in accordance with the terms of the Share Option Scheme.

(i) *Performance target and minimum holding period*

There is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

(j) *Restriction on the time of grant of options*

- (a) The Company may not grant any option after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. Without prejudice to the foregoing, no option shall be granted during the period specified in the Listing Rules as being a period during which no option may be granted.

No grant of options shall be made to a Qualified Participant who is a Director during a period in which the Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or the Company's own equivalent code.

(k) *Ranking of the Shares*

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of allotment. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

(l) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable (except for the transmission of an option on the death of any grantee to a person who of succession is entitled to the option). No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (except that the grantee may nominate a nominee, of which the grantee is

the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the grantee and the nominee has been provided to the satisfaction of the Board).

*(m) Rights on ceasing employment/death*

If the grantee who is an Eligible Employee ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds under subparagraph (s)(v) below or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the grantee shall be entitled to exercise the option up to his entitlement at the date of cessation (to the extent exercisable but not already exercised) within a period of 1 month from the date of such cessation, which date shall be the last day on which the grantee was at work with the Company, the relevant subsidiary or any entity in which the Company or any subsidiary holds any equity interest (whether salary is paid in lieu of notice or not) or within such longer period as the Board may determine.

In the event of death of the grantee (being an individual) before exercising the option in full, and none of the events which would be a ground for termination of his employment under subparagraph (s)(v) below has arisen in case such grantee is an Eligible Employee, his legal personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.

*(n) Rights on retirement*

If the grantee being an Eligible Employee ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his employment as specified in subparagraph (s)(v) below has arisen, the grantee shall be entitled within a period of 12 months from the date of retirement (or such longer period as the Board may determine) to exercise the option up to the grantee's entitlement (to the extent exercisable but not already exercised).

*(o) Rights on termination of business relationship with the Group*

In the event that the grantee being a non-Eligible Employee in the absolute opinion of the Board ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of the Group or otherwise, such grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the Board may determine) to exercise the option up to its entitlement (to the extent exercisable but not already exercised).

*(p) Rights on take-over*

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the Shareholders (or all Shareholders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared

unconditional during the option period of an outstanding option, the grantee (or his legal personal representatives) shall be entitled to exercise the option (to the extent not already exercised but whether vested or not) at any time before the expiry of the period of 10 business days following the date on which the offer becomes or is declared unconditional.

*(q) Rights on winding-up*

If an effective resolution is passed for the voluntary winding-up of the Company or an order of court is made for the winding-up of the Company, a grantee may in respect of outstanding options by notice in writing to the Company within 15 business days after the date of such resolution elect to be treated as if the option (to the extent not already exercised but whether vested or not) had been exercised immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made and be accompanied by a remittance for the full amount of the subscription price for the relevant Shares. Immediately upon receipt of the notice by the Company, the grantee will become entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of the election.

*(r) Rights on company reconstructions*

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to all grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date 2 calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option (to the extent not already exercised but whether vested or not) (whether in full or in part), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. The Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms present to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(s) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period which must expire not more than 10 years from the date of grant;
- (ii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p), (q) or (r) above;
- (iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in paragraph (q) above;
- (iv) the date the scheme or compromise referred to in paragraph (r) above becomes effective;
- (v) the date on which the grantee being an Eligible Employee ceases to be a Qualified Participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally, or has been convicted of a criminal offence involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the grantee's employment contract;
- (vi) the date on which the grantee commits a breach of paragraph (l) above;
- (vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the grantee has failed to satisfy or comply with such conditions, restrictions or limitation;
- (viii) in respect of the grantee being a consultant or adviser (whether individual or corporation), the date on which the Board resolves that the consultant or adviser fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

(t) *Alteration of capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the grantee) such corresponding alterations (if any) in (i) the number of Shares subject to any option so far as such option remains unexercised; (ii) the

subscription price; (iii) the method of exercise of the option; and/or (iv) the number of Shares subject to the Share Option Scheme, as the auditors of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each grantee the same proportion of the share capital as that to which the grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a grantee at less than its nominal value.

*(u) Cancellation of options*

Unless the grantee agrees, the Board may only cancel an option (which has been granted but no yet exercised) if, at the election of the Board, either:

- (i) the Company pays to the grantee an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board;
- (ii) the Board offers to grant to the grantee replacement options (or options under any other share option scheme) provided that such replacement options are granted under a scheme with available unissued options (excluding the cancelled options) within the limit mentioned in paragraph (c) above, or makes such arrangements as the grantee may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the grantee may agree to compensate him for the cancellation of the option.

*(v) Termination of the Share Option Scheme*

The Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

*(w) Alteration of the Share Option Scheme*

The Board may by resolution amend any of the provisions of the Share Option Scheme except the following, which shall be approved by the Shareholders in general meeting:

- (i) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme). The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes);



- (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee;
- (iii) any change to the authority of the Board or the scheme administrator;
- (iv) any amendments to the terms of options granted to a grantee who is a substantial Shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules) must be approved by our Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person (as defined in the Listing Rules) of the Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution; and
- (v) any change to the Scheme rules governing the amendment of the rules of the Share Option Scheme;

provided that any amendments of the Scheme provisions or terms of the options shall comply with the requirements of the Listing Rules.

*(x) Conditions of the Share Option Scheme*

The adoption of the Share Option Scheme is conditional upon:

- (i) the approval of the Shareholders for the adoption of the Share Option Scheme; and
- (ii) the approval by the Stock Exchange of the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme.

If the permission referred to in subparagraph (ii) is not granted within 6 months after the date of the Share Option Scheme was conditionally adopted:

- (iii) the Share Option Scheme will forthwith determine;
- (iv) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (v) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option; and
- (vi) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by the Company.

*Present Status of the Share Option Scheme*

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

## **E. OTHER INFORMATION**

### **1. Indemnities**

Each of Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng (the “**Indemnifiers**”) have entered into the Deed of Indemnity with the Company in favor of each member of our Group (being the contract referred to in paragraph (j) of the sub-paragraph headed “Further Information About Our Business—Summary of Material Contracts” above) to provide the following indemnities:

Under the deed of indemnity, among others, the Indemnifiers will indemnify each of the Company and our subsidiaries against, among others, (a) any depletion or diminution in the value of the assets of the Company and our subsidiaries as a direct or indirect consequence of, and in respect of any amount which the Company and our subsidiaries may hereafter become liable to pay, resulting from any taxation under sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (“**Estate Duty Ordinance**”); or (b) taxation falling on the Company and our subsidiaries resulting from, or by reference to, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; (c) property losses and property claims (as defined therein) suffered or incurred by Company and our subsidiaries; (d) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of the Company or our subsidiaries in respect of or arising directly or indirectly arising from any taxation or taxation claim or property loss or property claim (as defined therein); and (e) all the costs, expenses, losses and/or other liabilities incurred by the Company and its subsidiaries in relation with those outstanding or unsettled legal and arbitration proceedings, investigations and/or claims as disclosed in this prospectus.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of the Company and our subsidiaries; (b) the taxation falling on the Company and our subsidiaries in respect of any accounting period commencing on or after December 31, 2013 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers, the Company, our subsidiaries or any of them otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the Listing Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

### **2. Litigation**

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

**3. Application for Listing**

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Pre-IPO Scheme Options or the Options granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares into CCASS.

**4. No Material Adverse Change**

The Directors confirm that there has been no material change in the financial or trading position or prospects of the Group since March 31, 2014 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

**5. Agency Fees and Commissions Received**

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting—Underwriting Arrangements and Expenses—Commissions and Expenses”.

**6. The Joint Sponsors and Joint Sponsors’ fees**

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees payable by the Company to each of the Joint Sponsors to act as sponsors to the Company in connection with the Global Offering are US\$250,000 (HK\$1,937,500) or in aggregate US\$500,000 (HK\$3,875,000).

**7. Preliminary expenses**

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US\$11,000 and were paid by us.

**8. Promoter**

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**9. Qualification of Experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Morgan Stanley Asia  
Limited

Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance), and type 9 (asset management) of the regulated activities

Merrill Lynch Far East Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), and type 6 (advising on corporate finance)
Maples and Calder	Legal advisor to the Company as to the laws of the Cayman Islands
Haiwen & Partners	PRC legal advisor to the Company
Ernst & Young	Certified Public Accountants, Hong Kong

#### **10. Consent of Experts**

Each of Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Maples and Calder, Haiwen & Partners and Ernst & Young has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

#### **11. Particulars of the Selling Shareholder**

Runda, a private trust company incorporated under the laws of the BVI on May 13, 2011 whose registered office is situated at Kingston Chambers, PO Box 173, Road Town, Tortola, BVI.

#### **12. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

#### **13. Reserves available for distribution**

As at December 31, 2013, our Company has reserves of nil available for distribution to our Shareholders.

#### **14. Bilingual prospectus**

The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### **F. MISCELLANEOUS**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
  - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since March 31, 2014 (being the date to which the latest audited consolidated financial statements of the Group were prepared);
  - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by Maples Finance Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption from Companies and prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

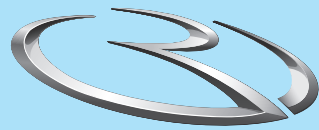
The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other things, (i) copies of the **WHITE, YELLOW** and **GREEN** application forms, (ii) the written consents referred to in “Appendix IV—Statutory and General Information—D. Other Information—10. Consents of Experts” to this prospectus, (iii) copies of the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts” to this prospectus and (iv) statement of particulars of the Selling Shareholder.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong), 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014;
- (d) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts” to this prospectus;
- (f) the written consents referred to in “Appendix IV—Statutory and General Information—E. Other Information—10. Consents of Experts” to this prospectus;
- (g) the letter of advice prepared by Maples and Calder, our legal advisers as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III;
- (h) the service contracts and letters of appointment referred to in “Appendix IV—Statutory and General Information—C. Further Information About our Directors and Substantial Shareholders—2. Particulars of Service Contracts” to this prospectus;
- (i) the PRC legal opinions dated July 31, 2014 issued by Haiwen & Partners, our PRC Legal Advisors in respect of certain aspects of our Group and our property interests;
- (j) the Cayman Companies Law;

- (k) statement of particulars of the Selling Shareholder;
- (l) the rules of the Pre-IPO Share Option Scheme;
- (m) the full list of grantees of Pre-IPO Scheme Options (including those who are Directors, members of senior management and connected persons of the Company, if any), and details of the grantees and the Pre-IPO Scheme Options; and
- (n) the rules of Share Option Scheme.



潤東汽車

CHINA RUNDONG AUTO GROUP LIMITED

中國潤東汽車集團有限公司